

RISK FACTORS

An investment in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition and results of operations. The market price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment.

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

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks related to our business and industry; (ii) risks related to doing business in China; and (iii) risks related to the [REDACTED]. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our limited operating history makes it difficult to evaluate our future prospects and the risks and challenges we may encounter.

We were founded in 2014 and our limited operating history makes it difficult to evaluate our future prospects, including our ability to plan for future growth and to make profit. We may encounter risks and difficulties frequently experienced by rapidly growing companies in constantly evolving industries, including the risks described in this document. If we do not address these risks successfully, our business may be harmed. Further, because we have limited historical financial data and operate in a rapidly evolving market, any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable market.

We have experienced rapid revenue growth and generated revenue of RMB170.9 million, RMB331.1 million and RMB530.3 million in 2020, 2021 and 2022, respectively, representing a CAGR of 76.2%. However, there can be no assurance that we will be able to maintain our historical growth rates in future periods. Our business, results of operations and financial condition depend in part on our ability to effectively manage our growth or implement our growth strategies. See “Business – Our Strategies.” We intend to grow by expanding our business, increasing market penetration of our existing products and developing new ones. The management of our growth may place significant demands on our managerial, administrative, operational, financial and other resources. Moreover, growth could strain our ability to maintain stable manufacturing capacity and reliable service levels for our customers. Our efforts to grow our business may be more costly than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses. We may incur significant losses in the future for a number of reasons, including the other

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risks described herein, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If we are unable to achieve and sustain profitability, our business may be harmed. If we fail to achieve the necessary level of efficiency as we grow, our growth rate may decline, investors’ perceptions of our business and prospects may be adversely affected and the market price of our Shares could decline.

We have a history of net losses, which may continue in the future.

We incurred a net loss of RMB220.6 million, RMB1,654.5 million and RMB2,086.1 million in 2020, 2021 and 2022, respectively. As we only recently commenced commercialization of our solid-state LiDAR, we may continue to incur operating and net losses. Even if we are able to successfully manufacture and deliver LiDAR products on a commercial scale, there can be no assurance that they will be commercially successful. Our potential profitability is also dependent on external factors such as our customers’ commercial success, the market’s perception of autonomous driving and adoption of LiDAR products and the regulatory environment, all of which are out of our control.

We intend to continue to expend significant funds to support our growth and further develop our business, as we:

- continue to increase the market share of our LiDAR products and solutions;
- expand our research and development function;
- expand our manufacturing capabilities to produce our LiDAR products;
- enhance our customer service capabilities; and
- increase our sales and marketing activities and develop our distribution infrastructure.

As we will incur costs and expenses from these efforts before we receive incremental revenue from the sales of our LiDAR products and solutions, we may continue to experience net losses in the foreseeable future. Additionally, we may find that these efforts are more expensive than we currently anticipate, or that these efforts may not result in revenue, which would further increase our losses.

We have recorded negative operating cash flows in the past, which may reoccur in the future.

We had negative operating cash flow of RMB75.2 million, RMB196.5 million and RMB419.7 million in 2020, 2021, and 2022, respectively. We cannot assure you that we will be able to maintain robust cash flow from operating activities in the future. If we encounter long-term and continual net operating cash outflow in the future, we may not have sufficient working capital to cover our operating costs, and our business, results of operations and financial position may be materially and adversely affected.

We recorded net current liabilities.

We recorded net current liabilities of RMB4,564.7 million as of December 31, 2022, compared to our net current assets of RMB288.4 million as of December 31, 2021, primarily due to (i) an increase of RMB5,238.0 million in the current portion of financial instruments issued to investors,

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(ii) an increase of RMB909.3 million in other payables and accruals, and (iii) an increase of RMB152.9 million in trade payables, partially offset by (i) an increase of RMB1,443.8 million in cash and cash equivalents, (ii) an increase of RMB307.9 million in financial assets at fair value through profit or loss and (iii) an increase of RMB150.5 million in inventories. We cannot assure you that we will not have net current liabilities positions in the future, which would expose us to liquidity risk. Our future liquidity and ability to make additional capital investments necessary for our operations and business expansion will depend primarily on our ability to maintain sufficient cash generated from operating activities. We may not have sufficient cash from operating activities or may need to obtain additional financing, which may not be available on commercially acceptable terms, or at all.

The failure to innovate our technology or develop new products to adapt to changing customer needs could harm our growth.

Our future growth depends on penetrating new markets, adapting existing products and solutions to new applications and customer requirements, and introducing new products that achieve market acceptance. To accomplish these goals, we plan to incur substantial research and development costs as part of our continuous efforts to design, develop, manufacture and commercialize new products and enhance existing products and solutions. Our research and development expenses were RMB81.5 million, RMB133.0 million and RMB305.9 million in 2020, 2021 and 2022, respectively, and are likely to grow in the future. However, our research and development efforts are subject to the potential need for more capital and may not yield successful results, and our new products may not achieve market acceptance, create additional revenue or become profitable.

We are pursuing opportunities in the LiDAR industry which is undergoing rapid technological changes. While we intend to continue to invest substantial resources in our solid-state LiDAR technology development, rapid technological changes and advancements could adversely affect market adoption of our products. A swift change in the technologies that our customers prefer would significantly affect our business prospects. Our future success will depend on our ability to make timely investments in the right market opportunities, to continuously innovate and develop new capabilities for our product offerings, and to commercialize new products. Failure to adapt to the rapidly evolving technology environment could damage our relationships with customers and lead them to seek alternative sources of supply. If we are unable to devote adequate resources to develop products or cannot otherwise successfully develop products that meet customer requirements on a timely basis or that remain competitive with technological alternatives, our products could lose market share, our revenue will decline, we may continue to experience operating losses and our business and prospects will be adversely affected.

The LiDAR industry in which we compete is new and rapidly evolving and it is difficult to forecast adoption rates and demand for our products.

The industries we operate in are characterized by fierce competition, rapid technological evolution, changes in customer demands and preferences, frequent introduction of new products and services incorporating new technologies and the emergence of new industry standards and practices. We are pursuing opportunities in the LiDAR industry, which is new, competitive and rapidly evolving. Our future success will depend upon our ability to develop and introduce a variety of new capabilities and innovations to our existing product offerings, as well as introduce a variety of new

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product offerings, to address the changing needs of the markets. Although we believe that LiDAR is the future and indispensable to the development of autonomous vehicles and other adjacent markets, LiDAR’s market adoption remains uncertain, and it is difficult for us to predict the timing and size of our opportunities. In addition, significant developments in alternative non-LiDAR sensor technologies, such as cameras, ultrasound radars and millimeter radars may materially and adversely affect our business and prospects in ways we cannot currently anticipate.

Furthermore, regulatory, safety or reliability developments in autonomous driving, many of which are beyond our control, could cause delays or impair commercial adoption of our technologies. Any lack of commercial success, or discontinuation or of business could reduce our sales and adversely affect our profitability.

In addition to developing products to be used in the automotive industry, we are also targeting the deployment of our products in other sectors such as robotics. Our comprehensive suite of mechanical LiDAR serves this purpose as it can be widely applied across different non-automotive industrial markets. However, there is no guarantee that our LiDAR products can be adopted in different markets. Furthermore, we face immense competition from LiDAR competitors that also excel in mechanical LiDAR technology.

Our future financial performance will depend on our ability to make timely investments in the right market opportunities. If one or more of these markets experience a shift in customer demand, our products may not compete as effectively, if at all. Given the evolving nature of the markets in which we operate, there might be differences between our estimate and the actual demand for our products or the future growth of the markets in which we operate. If demand does not develop or if we cannot accurately forecast customer demand, our business, results of operations and financial condition will be adversely affected.

We operate in highly competitive markets. We compete against a large number of both established competitors and new market entrants.

The LiDAR industry in which we operate is highly competitive, particularly in the automotive industry. Our future success will depend on our ability to emerge and sustain as a leader in our targeted markets by continuing to develop and manufacture LiDAR products in a timely manner and to effectively compete with existing and new competitors. We face competition from other LiDAR developers, some of which may have significantly greater resources than we do. In the automotive market, our competitors are also working towards commercialization and advancing their mass production capabilities. Some of our competitors have achieved market adoption and strong brand recognition and may continue to improve.

In markets outside of the automotive industry, our competitors, like us, also seek to develop new LiDAR applications across different industries such as robotics. Even in these emerging markets, we face substantial competition from numerous competitors seeking to prove the value of their technology.

Increased competition may result in pricing pressure and reduced margins and may impede our ability to increase the sales of our products or cause us to lose market share, any of which will adversely affect our business, results of operations and financial condition.

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There is no guarantee that our automotive OEM customers will purchase our products and solutions in any certain quantity or at any certain price even after we obtain design wins, and the period of time from product design to mass production is long and we are subject to the risks of cancelation or postponement of contracts or unsuccessful implementation.

We generally do not have contracts with automotive OEM customers when we obtain design wins that require them to purchase our products and solutions in any certain quantity or at any certain price, and our sales could be less than we forecast if a vehicle model for which we obtain the design win is unsuccessful, including for reasons unrelated to our products and solutions, if an automotive OEM decides to discontinue or reduce production of a vehicle model or the use of our products and solutions in a vehicle model, or if we face downward pricing pressure. As a result, obtaining design wins is not a guarantee of revenue. In connection with the design wins, we typically receive preliminary estimates from automotive OEMs of their anticipated production volumes for the vehicle models. For example, we have received estimated projections from automotive OEMs of more than 10,000,000 units for the next few years. These estimates are non-binding and may be revised significantly by the automotive OEMs, potentially multiple times, and may not be representative of future production volumes, which could be significantly higher or lower than estimated. Therefore, estimated projections provided by our customers are subject to market conditions and fluctuations and thus may not be an accurate indication of our expected order volume. In the past, we have ceased cooperation with certain customers after obtaining design wins, due to their cancellations of certain vehicle models, and such cessation of cooperation would impact our anticipation of revenue stream or inventory management. Moreover, pricing estimates are made at the time of a request for quotation by an automotive OEM, so that changing market or other conditions between the time of a request for quotation and an order for our products and solutions may require us to sell our products and solutions for a lower price than we initially expected. If we are unable to save sufficient production cost or introduce products and solutions with additional features and functionality at higher price points to offset price reductions, then our business, results of operations, and financial condition would be adversely affected.

Moreover, prospective customers, especially those in the automotive industry, generally must make significant commitments of resources to test and validate our products and confirm that such products can be integrated with other technologies and meet stringent automotive standards before including our products in any particular vehicle model. If our products fail to suffice relevant stringent industry standards or deliver promised functions, our sales will suffer greatly. The development cycles of our products with new customers vary widely depending on the application, market, customer and the complexity of the product. These development cycles result in us investing significant resources prior to realizing any revenue from commercialization. We dedicate significant time and resources to have our products selected by automotive customers in the automotive industry. If we do not achieve a design win with respect to a particular vehicle model, we may not have an opportunity to supply our products to the automotive OEMs and Tier 1 suppliers for that vehicle model for many years. Further, we are subject to the risk that customers may cancel or postpone implementation or commercialization of their technology or vehicles, or that they will not be able to integrate their technology successfully into a larger system with other sensors. Long development cycles and product cancelations or postponements may adversely affect our business, results of operations and financial condition.

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We are susceptible to supply shortages, long lead times and increased costs of raw materials and key components, any of which could disrupt our supply chain, increase our production costs and delay deliveries of our products to customers.

Our inventories primarily comprise (i) raw materials, (ii) work-in-progress, and (iii) finished goods. We depend on third-party suppliers to provide individual components such as optical components, special electronics and structural components for our products and we expect to continue to do so for future products. Any shortages or delay in the supply of our raw materials and key components, in particular chips, whether by specific vendors or by the chips industry generally, could result in occasional price adjustments or cause delays in our production and delivery to customers.

As we have a limited number of suppliers, some of whom are specialty suppliers providing components that are only available from a handful of suppliers worldwide (or in some cases a sole supplier), off-the-shelf components may not be viable substitutes. If these specialty suppliers become unable to deliver the required components, we may not be able to procure these components from another supplier at comparable prices or at all. We are therefore subject to the risk of shortages and long lead times in the supply of these components and the risk that our suppliers discontinue or modify their products. We have a global supply chain, and as a result, the health epidemics and outbreaks may adversely affect our ability to source components in a timely or cost-effective manner from third-party suppliers due to, among other things, work stoppages or interruptions. For example, chips are a key component of our products. Our inventories increased from RMB53.6 million as of December 31, 2020 to RMB138.6 million as of December 31, 2021, and further increased to RMB289.1 million as of December 31, 2022. Such increase was driven by the increase in production and sales volume throughout the Track Record Period. In light of the expected ramp up in production and sales of our products, we stocked up on certain raw materials and key components for our production, despite the overall price hike for chips due to the global shortage. This resulted in an increase in manufacturing cost per unit for our LiDAR products, which affected our gross profit margin adversely in 2022. We cannot assure you that such raw materials and key components shortages or delays will not occur in the future which may adversely affect our results of operations and financial condition. Any disruptions to chips suppliers could materially and adversely affect our ability to manufacture our products. We may in the future experience component shortages and price fluctuations of certain key components and materials, and the predictability of the availability and pricing of these components may be limited. Component shortages or pricing fluctuations could be material in the future. In the event of a component shortage, supply interruption or material pricing increase by suppliers of these components, we may not be able to develop alternative sources in a timely manner or at all in the case of limited sources. Developing alternative sources of supply for these components may be time-consuming, difficult, and costly, and we may not be able to source these components on terms that are acceptable to us, or at all, which may increase our production costs and undermine our ability to fill customer orders in a timely manner. The loss of any supplier for any reason could lead to design changes, production 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. In addition, 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. This could cause delays in shipment of our products and could adversely affect our relationships with customers.

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If we are unable to keep up with demand for our products by failing to obtain the materials and components needed to successfully manufacture and deliver our products in a timely manner, our business could be materially impaired, and market acceptance for our products could be adversely affected.

Pricing pressures may result in lower than anticipated revenue and margins, which may adversely affect our business.

During the Track Record Period, we have reduced the price of our products to increase or maintain our market share, and may need to continue to do so in the future. In the case of our solid-state LiDAR products and solutions, certain of our automotive OEMs and Tier 1 suppliers may stipulate price reduction in the agreement with us over the period of production. Additionally, we currently have and target many customers that are large corporations with substantial negotiating power, stringent product standards and potential competitive internal solutions. If we are unable to sell our products to these customers at desirable prices, our business, results of operations and financial condition will be adversely affected. Pricing pressures beyond our expectations may further intensify as automotive OEMs and Tier 1 suppliers pursue restructuring, consolidation and cost-cutting initiatives.

In addition, the average selling prices of our products may continue to decline as our customers seek to commercialize autonomous systems at prices low enough to achieve market acceptance. If we are unable to generate sufficient production cost savings in the future to offset price reductions or introduce new products with higher sale prices or gross margins, our gross margin and profitability would be adversely affected. Since we have different product lines with varying gross margins, even if we are able to improve utilization of our manufacturing facilities, we may not be able to improve our overall gross margin position.

Moreover, as we began mass production in 2021, the mass-produced products are typically priced at a lower unit price than their respective prototypes, which may also impact our overall margins.

Our business and financial condition could be materially and adversely affected if we lose any of our major customers or they are unable to make timely payments.

We have a number of major customers with strong purchasing power. The loss of business from such customers, whether because of lower overall demand for our products or products of our major customers, cancelation of existing contracts or product orders or failure to design and commercialize autonomous driving vehicles, could have a material adverse effect on our business and prospects. There is also the risk that one or more of our major customers are unable to pay our invoices or delay payments as they become due.

If we are unable to manufacture or deliver high quality products on schedule and on a large scale, our business may be materially and adversely affected.

Mass production of our LiDAR products is crucial to our future financial prospects. We have been increasing our manufacturing capacity while continuously improving cost-efficiency. In order to timely meet our customers' shipment orders, we currently adopt a self-operated and jointly-operated manufacturing model to assemble and test our products. We also engage third-party manufacturers to produce our LiDAR components. Although we have been ramping up our

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production capacity, we may face difficulties managing our production facilities and meeting our delivery deadlines. Additionally, while we believe the use of third-party manufacturers has its benefits, reliance on third-party manufacturers reduces our control over the production process, including reduced control over quality, product costs and product supply and timing. We may experience delays in shipments or issues concerning product quality from our third-party manufacturers. If any of our own manufacturing facilities or third-party manufacturers experiences interruptions, delays or disruptions in supplying products, including but not limited to natural disasters, health epidemics and outbreaks, work stoppages or capacity constraints, our ability to deliver products to customers would be impeded. Additionally, if any of our third-party manufacturers experience quality control problems in their manufacturing operations and our products do not meet customer or regulatory requirements, we could be required to cover the cost of repair or replacement of any defective products. These delays or product quality issues could have an immediate and material adverse effect on our ability to fulfill orders and damage our reputation and brand, affecting our business, results of operations and financial condition.

Further, if our manufacturing facilities or third-party manufacturers experience financial, operational, manufacturing capacity or other difficulties, or experience shortages in required components, or if they are otherwise unable or unwilling to continue to manufacture our products in required volumes or at all, our supply may be disrupted, and we may be required to seek alternate manufacturers. The process would be time-consuming and could be costly and impracticable. Interruptions to supply will have an adverse effect on our ability to meet scheduled product deliveries and subsequently lead to the loss of sales.

Our results of operations may vary significantly from period to period due to the seasonality of our business and fluctuations in our operating costs.

Our results of operations may vary significantly from period to period due to many factors, including seasonal factors that may affect the demand for our LiDAR products, as impacted by the market trends of the automotive industry. Our customers in the automotive industry usually experience a decline in their own sales volumes during and following the Chinese New Year holidays, and thus can have an impact on our sales in the first quarter. Sales of LiDAR products for ADAS applications tend to increase in the second half of the year, which is generally in line with the overall automotive industry in China. Our results of operations could also suffer if we do not achieve revenue consistent with our expectations for this seasonal demand because many of our expenses are based on anticipated levels of annual revenue.

We also expect our period-to-period results of operations to vary based on our operating costs, which we anticipate will increase significantly in future periods as we, among other things, invest more resources to design, develop, and manufacture our LiDAR products, build new manufacturing facilities, increase our sales and marketing activities, and increase our general and administrative functions to support our growing operations.

As a result of these factors, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of future performance.

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If we fail to maintain adequate inventory, or if we mismanage our inventory, we could lose sales or incur high inventory-related expenses, which could negatively affect our operating results and financial performance.

To ensure adequate inventory supply, we must forecast inventory needs and expenses, place orders sufficiently in advance with our suppliers and manufacturing partners and manufacture products based on our estimates of future demand for particular products. Our ability to accurately forecast demand for our products could be affected by many factors, including but not limited to uncertain market conditions, volatile customer demands, fierce market competition, pandemics and general economic conditions. If our LiDAR products are commercialized in autonomous driving applications, which is experiencing rapid growth in demand, we may face challenges in acquiring adequate supplies to manufacture our products and we and our manufacturing partners may not have the capacity to manufacture our products at a rate necessary to satisfy the levels of demand, which would negatively affect our revenue. This risk may be exacerbated by the fact that we may not carry or be able to obtain for our manufacturers a significant amount of inventory to satisfy short-term demand increases. If we fail to accurately forecast customer demand, we may experience excess inventory levels or a shortage of products available for sale.

Additionally, our own mismanagement of inventory could result in inventory levels in excess of customer demand, inventory write-downs and the sale of excess inventory at discounted prices, which would adversely affect our financial results, including our gross margin, and have a negative effect on our brand. Conversely, if we underestimate customer demand for our products, we, or our manufacturing partners, may not be able to deliver products to meet our requirements, and this could result in damage to our brand and customer relationships and adversely affect our business, results of operations and financial condition.

We may be subject to product liability or warranty claims that could result in significant direct or indirect costs, which could adversely affect our business and operating results.

Our products and solutions are incorporated into a variety of end-products in the automotive and non-automotive industries, including vehicles, robotics and consumer electronics. The use of such end-products that incorporate our products and solutions could result in an unsafe condition, injury, or even death as a result of, among other factors, component failures, manufacturing flaws, design defects or inadequate disclosure of product-related risks or product-related information. These factors could result in product liability or warranty claims, and we could be named as a defendant in such claims. Particularly, as currently our largest market is in the automotive industry, the application in autonomous driving presents the risk of significant injury, including fatalities. We may be subject to claims if a customer’s product using our LiDAR technology is involved in an accident and people are injured as a result. Given that the current legal framework for autonomous driving is largely in its early stages and relatively immature, liability associated with the use of our products is difficult to define, and any insurance that we carry may not be sufficient or it may not apply to all situations. Similarly, our customers could be subjected to claims as a result of such accidents and bring claims against us to hold us accountable. In addition, if lawmakers or governmental authorities were to determine that the use of our products in AD or certain ADAS applications increases the risk of injury, they may promulgate laws or regulations that limit the use of our products or increase our liability associated with the use of our products. Any of these events

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could result in damage to our brand and customer relationships and adversely affect our business, results of operations and financial condition.

We typically provide a limited-time warranty on our products. The occurrence of any material defects in our products could make us liable for damages and warranty claims. We could incur significant costs to correct any defects, warranty claims or other problems, including costs related to product recalls. Warranty, recall, product liability claims, or negative publicity may result in litigation, including class actions, the occurrence of which could be costly, lengthy and distracting and adversely affect our business and operating results.

Despite the actions we are taking to defend and protect our intellectual property, we may not be able to adequately protect or enforce our intellectual property rights or prevent unauthorized parties from copying or reverse engineering our products and solutions and such efforts to defend and protect our intellectual property may be costly.

The success of our products and our business depends in part on our ability to obtain patents and other intellectual property rights and maintain adequate legal protection for our products in China and other jurisdictions. We rely on a combination of patent, service mark, trademark and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our proprietary rights, and yet all of which provide only limited protection.

We cannot assure you that any patents will be issued with respect to our currently pending patent applications in a manner that gives us adequate defensive protection or competitive advantages, if at all, or that any patents issued to us will not be challenged, invalidated or circumvented. We have filed for patents primarily in the jurisdiction of the PRC, but such protections may not be available in all countries in which we operate, or seek to operate, or in which we seek to enforce our intellectual property rights. Our currently issued patents and any patents that may be issued or registered in the future may not provide sufficiently broad protection or may not prove to be enforceable in actions against alleged infringers. We have licensed certain of our intellectual properties to third parties, which might expose us to risks of unauthorized use of our technology or the reverse engineering of our technology. We cannot be certain that the steps we have taken will prevent unauthorized use of our technology or the reverse engineering of our technology. The confidentiality procedures and contractual restrictions implemented by us may not be sufficient or effective. Moreover, others may independently develop technologies that are competitive to us or infringe our intellectual property.

Protecting against the unauthorized use of our intellectual property and other proprietary technology is expensive and difficult, particularly internationally. Our patents and proprietary technologies are the foundations of our LiDAR products and we intend to capitalize on our industry-leading patent portfolio as we continue to grow. Unauthorized parties may attempt to copy or reverse engineer our LiDAR technology or certain aspects of our solutions that we consider proprietary. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to prevent unauthorized parties from copying or reverse engineering our solutions, to determine the validity and scope of the proprietary rights of others or to block infringing products in China. Any such litigation, whether initiated by us or a third party, could result in substantial costs and diversion of management resources, either of which could adversely affect our business, operating results and financial condition. Even if we obtain favorable outcomes in litigation, we may not be able to obtain adequate remedies.

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Third-party claims against us in relation to infringement of intellectual property rights, whether successful or not, could subject us to costly and time-consuming litigation or expensive licenses, and our business could be adversely affected.

From time to time, we may be subject to litigation based on allegations of infringement, misappropriation, or other violations of intellectual property rights or other rights. As we face increasing competition and gain an increasingly high profile, the possibility of intellectual property rights claims, commercial claims and other assertions against us grows. Additionally, competitors in our industry and companies outside our industry also hold large numbers of patents that cover aspects of our LiDAR products, which may increase our exposure to litigation based on allegations of patent infringement or other violations of intellectual property rights. We have been involved in intellectual property disputes in the past. For example, on August 13, 2019, Velodyne Lidar, Inc. (NYSE: VLDR) (“Velodyne”) filed a patent infringement complaint against us in the United States. In July 2020, we filed a patent infringement complaint against Beijing Velodyne Laser Technology Co., Ltd in China. On September 21, 2020, we entered into the Litigation Settlement and Patent Cross-License Agreement with Velodyne to resolve all of the disputes between us and agreed on the terms of a patent cross-license and releases of liability. In September 2020, the aforementioned cases were dismissed. On April 28, 2022, Bell Semiconductor, LLC (“Bell”) filed an application with International Trade Commission for a patent infringement investigation, which named us as one of the respondents. Bell subsequently voluntarily withdrew the application on July 26, 2022. On October 13, 2022, Bell filed an application with International Trade Commission for a patent infringement investigation against Marvell Semiconductor, Inc., (“Marvell”), which named us as one of the respondents. Subsequently, Bell reached a settlement with Marvell and voluntarily withdrew the investigation against us after we clarified relevant facts. The legal proceeding ended on April 3, 2023.

We may from time to time in the future become, a party to litigation and disputes related to intellectual property, our business practices, and our products. Even if we prevail in any litigation or enforcement proceeding against us, we could incur significant legal expenses defending against the claims, even those without merit. Moreover, because even claims without merit can damage our reputation or raise concerns among our clients, we may feel compelled to settle claims at a significant cost. Furthermore, the results of any such litigation, investigations and legal proceedings are inherently unpredictable and may be costly. Therefore, any claims against us, whether meritorious or not, could be time-consuming, costly, and harmful to our reputation, and could divert management’s attention and require significant amounts of corporate resources.

Our business could be adversely affected by global health epidemics and outbreaks.

Potential health epidemics and outbreaks could result in a material adverse impact on our business operations. For example, measures taken to combat the COVID-19 pandemic resulted in certain disruptions and inconvenience in our operations as a result of employee health and safety concerns, travel restrictions, and other actions and restrictions mandated by governmental authorities. On the supply end, our suppliers experienced disruptions and temporary shutdowns, and for a period of time could not meet their contractual obligations to us. We were able to mitigate such impact as we had previously purchased and stored certain raw materials and key components in preparation for the anticipated disruptions and were able to find substitute suppliers in due course.

The extent to which the COVID-19 pandemic continues to impact our financial condition will depend on future developments that are highly uncertain and cannot be predicted, including new government actions or restrictions, new information that may emerge concerning the severity of

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COVID-19, the duration of COVID-19 and the impact of COVID-19 on economic activity. China began to modify its zero-COVID policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December. Even after the COVID-19 pandemic has subsided, we may continue to experience adverse impact on our business and financial performance as a result of global economic impact, including a recession that has occurred or may occur in the future. In the event the COVID-19 pandemic materially and adversely affects our business and financial results, it may also have the effect of significantly intensifying many other risks associated with our business, liquidity and indebtedness.

The expansion into overseas markets may expose us to operational, financial and regulatory risks.

Sales to our customers outside the PRC accounted for 13.3%, 14.6% and 21.0% of our total revenue for 2020, 2021 and 2022, respectively. Expanding our global footprint and growing overseas sales is an important part of our future growth, but these efforts may not be successful. Overseas operations are subject to a number of risks, including but not limited to:

- foreign exchange control and exchange rate fluctuations;
- political and economic instability, and international terrorism;
- global or regional health crises, such as health epidemics and outbreaks;
- potential for violations of anti-corruption laws and regulations, such as those related to bribery and fraud;
- preference for locally branded products, and laws and business practices favoring local competition;
- increased risk in managing inventory;
- increased risk in collecting trade receivables;
- less effective protection of intellectual property;
- stringent consumer protection and product compliance regulations on our end customers' products;
- difficulties and costs of staffing and managing foreign operations;
- different regulatory requirements on data privacy protection; and
- changes in local tax, import and export laws and tariffs and customs duty laws in the enforcement, application or interpretation of such laws.

The occurrence of any of these risks could negatively impact our overseas expansion and consequently our business, operating results and financial condition.

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Undetected defects, errors or reliability issues in our hardware or software could reduce the market adoption of our new products, damage our reputation with current or prospective customers and expose us to product liability and other claims.

Our products are highly technical and require high standards to manufacture. We have in the past and will likely in the future experience defects, errors or reliability issues at different stages of development for various reasons. We may be unable to timely release new products, manufacture existing products or correct problems that have arisen to our customers’ satisfaction. Additionally, undetected errors, defects or reliability issues, especially as new products are introduced or as new versions are released, could result in serious injury to the end users of customers incorporating our products. Defects, errors or reliability issues may also be attributed to our customers due to their negligence in using our products or failures arising from their manufacturing process, which we do not control or dictate and may be unable to determine the root cause for the issues. Some errors or defects in our products may only be discovered after they have been tested, commercialized and deployed by our customers. Our customers may never be able to commercialize autonomous vehicles incorporating our products. These risks are particularly prevalent in the autonomous driving market. If that is the case, we may incur significant additional development costs and product recall, repair or replacement costs. These problems may also result in claims, including class actions, against us by our customers or others, and subject us to liabilities and damages. Our reputation or brand may be damaged as a result of these problems and customers may be reluctant to buy our products, which could adversely affect our ability to retain existing customers and attract new customers and could adversely affect our business, results of operations and financial condition.

Our business depends substantially on the efforts of our management and highly skilled personnel including research and development personnel, and our operations may be severely disrupted if we lost their services.

Our future performance depends on the services and contributions of our management to oversee and execute our business plans and identify and pursue new opportunities and product innovations. Any loss of service of our management can significantly delay or prevent us from achieving our strategic business objectives, and adversely affect our business, financial condition and operating results. From time to time, there may be changes in our management team, resulting from the hiring or departure of executives, which could also disrupt our business. Hiring suitable replacements and integrating them into our existing teams also require a significant amount of time, training and resources, and may impact our existing corporate culture.

Additionally, competition for highly skilled personnel is often intense, and we may incur significant costs to attract and retain highly skilled personnel in our research and development team. We may not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs. We have experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications, specifically in relation to attracting and retaining chip specialized engineers and technicians who are crucial to our product development. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the estimated value of our equity or equity awards declines, it may adversely affect our ability to retain highly skilled employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and prospects could be adversely affected.

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We have granted, and may continue to grant, certain awards under our share incentive plans, which may result in increased share-based compensation expenses.

Prior to the Reorganization, we had established Suteng ESOP, a limited liability partnership established in the PRC and the then employee shareholding vehicle pursuant to the 2020 Suteng ESOP Plan. As part of the Reorganization, the 2020 Suteng ESOP Plan was terminated and replaced by the Pre-[REDACTED] Share Incentive Scheme A, pursuant to which, a total of 13,450,225 Ordinary Shares were issued to Robust, one of the ESOP Holding Entities. To attract and retain talents, the Company also adopted the Pre-[REDACTED] Share Incentive Scheme B with effect from December 30, 2021. As of the Latest Practicable Date, a total of 35,510,152 Ordinary Shares were issued to the ESOP Holding Entities to hold such Shares on trust for the participants of the Pre-[REDACTED] Share Incentive Scheme A and the Pre-[REDACTED] Share Incentive Scheme B. As of the Latest Practicable Date, the Company had granted awards, representing 27,941,619 underlying Ordinary Shares to a Director and other eligible participants pursuant to the terms of the Pre-[REDACTED] Share Incentive Scheme A and the Pre-[REDACTED] Share Incentive Scheme B. As set forth in the applicable award agreements, restricted shares held for the benefit of directors, officers and employees are subject to satisfaction of certain [REDACTED] vesting conditions and therefore, under IFRSs, the Shares underlying such awards are treated as restricted shares in substance and are accounted for as share-based compensation. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we may continue to grant share-based compensation awards to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may affect our financial condition and results of operations. We may re-evaluate the vesting schedules, lock-up period, or other key terms applicable to the grants under the Share Incentive Schemes from time to time. If we choose to do so, we may experience a substantial change in our share-based compensation expenses in the reporting periods following this [REDACTED].

We face regulation and potential liability related to privacy, data protection, information security and cybersecurity which may require significant resources and may adversely affect our business, operations and financial performance.

The PRC

Our operations subject us to laws and regulations addressing privacy and the collection, use, storage, disclosure, transfer and protection of a variety of types of data. The interpretation and application of laws, regulations and standards relating to privacy, data protection, information security and cybersecurity keep evolving and remain uncertain and may be changed in the future, which may lead to uncertainty about the scope of our responsibility in this regard. See “Regulatory Overview — Regulations on Internet Information Security and Privacy Protection.”

In particular, on November 14, 2021, the Cyberspace Administration of China (“CAC”) published the Draft Cyber Data Security Regulations, which provide that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or spin-off of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad of data processors processing over one million users’ personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. As of the Latest Practicable Date, the Draft Cyber Data

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Security Regulations had not been enacted or taken effect. Additionally, there is no timetable as to when it will come into effect. On December 28, 2021, the CAC, together with other relevant administrative departments, jointly promulgated the Cybersecurity Review Measures which took effect on February 15, 2022. According to the Cybersecurity Review Measures, an internet platform operator who possesses personal information of more than one million users shall apply for a cybersecurity review before listing in a foreign country, and the relevant governmental authorities may initiate a cybersecurity review if they consider relevant network products or services affect or data processing activities may affect national security.

As of the Latest Practicable Date, we had not been notified of being classified as a critical information infrastructure operator (“CIIO”), we had not received any inquiry, notice, warning from any PRC government authorities, and have not been subject to any investigation, sanctions or penalties made by any PRC government authorities regarding national security risks caused by our business operations or the Listing. In addition, CCRC confirmed to us during a recent telephonic consultation that (1) the term of “listing abroad” (國外上市) under the Cybersecurity Review Measures does not apply to listing in Hong Kong, and thus we are not required to proactively submit an application for cybersecurity review for our Listing in Hong Kong; and (2) since the Draft Cyber Data Security Regulations has not become effective or been formally implemented, currently we are not required to apply for cybersecurity review under the Draft Cyber Data Security Regulations. As the definitions for terms such as “affect or may affect national security” are broad, and there remains uncertainty how these rules will be enacted and interpreted, we cannot guarantee that the Cybersecurity Review Measures and Draft Cyber Data Security Regulations will not be interpreted in a way that will adversely affect us.

The PRC government has introduced a variety of laws and regulations on cybersecurity and data security in addition to the Cybersecurity Review Measures. For instance, the PRC Cyber Security Law came into effect on June 1, 2017. Pursuant to the PRC Cyber Security Law, network constructors, network operators, and service providers that provide services via network are required to perform certain functions related to cybersecurity protection and the strengthening of network information management through taking technical and other necessary measures to safeguard the operation of networks, responding to network security effectively, preventing illegal and criminal activities, and maintaining the integrity and confidentiality and usability of network data. Moreover, certain additional requirements are imposed on CIIOs, including that during their operations in the PRC, CIIOs should generally store the personal information and important data collected and produced within the territory of PRC and perform certain security obligations. On September 12, 2022, the CAC promulgated a series of draft amendments to the PRC Cyber Security Law, imposing more stringent legal liabilities for certain violations. Such draft amendments were released for soliciting public comments until September 29, 2022. However, as of the Latest Practicable Date, their final form, interpretation and implementation remained substantially uncertain. On September 1, 2021, the PRC Data Security Law took effect, and provides for data security and privacy obligations on entities and individuals carrying out data processing activities, including but not limited to the collection, storage, use, processing, transmission, provision, and public disclosure of data. For those data processing activities which may affect national security, the PRC Data Security Law also requires a national security review procedure. On August 16, 2021, the CAC, jointly with other PRC authorities, issued the Provisions on Management of Automotive Data Security (Trial), which took effect on October 1, 2021, or the Automotive Data Provisions. The Automotive Data Provisions regulate, among other things, the processing of auto data that include both personal

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information and important data involved in the process of automotive design, production, sales, use, operation and maintenance. There exists great uncertainty regarding interpretations and implementations of the PRC Data Security Law, the Automotive Data Provisions and other applicable laws and rules for those laws are recently issued. As of the Latest Practicable Date, we were in compliance with the currently effective and applicable PRC laws on cybersecurity and data security in all material respects. Those laws do not have a material adverse impact on our business or offshore listing plan. However, we cannot preclude the possibility that new laws, regulations or rules published in the future will impose additional compliance requirements on us, will subject us to the cybersecurity or national security review in relation to our operations, or will require us to change our business practices or incur additional operating expenses, which may have material and negative impacts on our business, financial condition and prospects and the value of our products.

Since privacy, data protection, information security and cybersecurity regimes are evolving, uncertain and complex, we may need to constantly update or enhance our compliance measures, which require implementation costs. The compliance measures we adopt may prove ineffective. Any failure by us to comply with current and future regulatory or customer-driven privacy, data protection and information security requirements, or to prevent or mitigate security breaches, cybersecurity attacks, or improper access to, use of, or disclosure of data, or any security issues or cyber-attacks affecting us, could result in significant liability, costs, and a material loss of revenue resulting from the adverse impact on our reputation and brand, loss of proprietary information and data, disruption to our business and relationships, and diminished ability to retain or attract customers and business partners. Such events may result in governmental enforcement actions and prosecutions, private litigation, fines and penalties or adverse publicity, and could cause customers and business partners to lose trust in us, which could have an adverse effect on our reputation and business.

The U.S., European Union and Other Jurisdictions

Personal privacy and information security are significant issues in the United States and the other jurisdictions in which we operate or make our products and solutions available. The legislative and regulatory framework for privacy and security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Our handling of data is subject to a variety of foreign laws and regulations, including regulation by various foreign government agencies, such as the U.S. Federal Trade Commission (“FTC”).

In the United States, the FTC and many state attorneys general are applying federal and state consumer protection laws as imposing standards for the online collection, use and dissemination of data. At the state level, lawmakers continue to pass new laws concerning privacy and data security. Particularly notable in this regard is the California Consumer Privacy Act, or CCPA, which became effective on January 1, 2020. Although we are working to comply with those federal and state laws and regulations that apply to us, those laws and regulations are evolving and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another.

Many other foreign countries and governmental bodies, including the European Union, the United Kingdom and other relevant jurisdictions, have laws and regulations concerning the collection and use of Personal Identifiable Information obtained from their residents or by

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businesses operating within their jurisdiction. These laws and regulations often are more restrictive than those in the United States. Within the European Union, legislators have adopted the General Data Protection Regulation, or GDPR, effective May 2018 which may impose additional obligations and risks upon our business and which may increase substantially the penalties to which we could be subject in the event of any non-compliance.

We may incur substantial expenses in complying with the obligations imposed by the governments of the foreign jurisdictions in which we do business or seek to do business and we may be required to make significant changes in our business operations, all of which may adversely impact our revenue and our business overall. Any failure or perceived failure by us to comply with the U.S. federal or state or other foreign laws or regulations, or any actual or suspected security incident, whether or not resulting in unauthorized access to, or acquisition, release or transfer of PII or other data, may result in governmental enforcement actions and prosecutions, private litigation, fines and penalties or adverse publicity and could cause our customers to lose trust in us, which could have an adverse impact on our reputation and business. Any inability to adequately address privacy and security concerns, even if unfounded, or comply with applicable laws, regulations, policies, industry standards, contractual obligations, or other legal obligations could result in additional cost and liability to us, damage our reputation, inhibit sales and adversely impact our business. We also expect that there will continue to be new proposed laws, regulations and industry standards concerning privacy, data protection and information security in the United States, the European Union and other jurisdictions, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. New laws, amendments to or re-interpretations of existing laws and regulations, industry standards, contractual obligations and other obligations may require us to incur additional costs and restrict our business operations.

We are subject to, and must remain in compliance with, numerous laws and governmental regulations concerning the manufacturing, use, distribution and sale of our products. Some of our customers also require that we comply with their own unique requirements relating to these matters.

We manufacture and sell LiDAR products that contain components and materials that are subject to government regulations in both the locations where we manufacture and assemble our products and the locations where we sell our products. Since we operate on a global basis, this is a complex process that requires continuous monitoring of regulations and an ongoing compliance process to ensure that we and our suppliers are in compliance with existing and new regulations in each market where we operate. Among other types of regulations, safety regulations play an important role in our operations. These regulations often impose stringent compliance and reporting requirements and are subject to rapid evolution due to new scientific or technological data, adverse publicity regarding the industry recalls and safety risks of autonomous driving. If there is an unanticipated new regulation that significantly impacts the manufacturing, use, distribution and sale of our products, that regulation could materially and adversely affect our business, results of operations and financial condition. If we are not currently in compliance with existing regulations, or if we fail to adhere to new regulations or fail to continually monitor updates to such regulations, we may incur costs in remedying our non-compliance and it may disrupt our operations. Some of our customers also require that we comply with their own unique requirements relating to these matters. In such circumstances, we may also be subject to litigation, lose customers, suffer negative publicity and our business, results of operations and financial condition could be adversely affected. In

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addition, we have no control over our products being resold or used by our customers in jurisdictions where our products are deemed incompliant with relevant laws and regulations, which could result in damage to our brand and adversely affect our business, results of operations and financial condition.

Certain of our operating subsidiaries may be required to obtain a series of licenses or permits or make additional filings or registrations.

In order to operate our business, we need to obtain a series of licenses, permits and approvals, make filings or complete registrations according to relevant PRC laws and regulations. For example, we are required by the PRC laws and regulations to obtain certain approvals and permits and follow other procedural requirements for our construction projects, fire control and environmental protection. Such laws and regulations include the Administrative Measures for the Approval and Recordation of Enterprise Investment Projects (企業投資項目核准和備案管理辦法), the PRC Construction Law (中華人民共和國建築法), the PRC Urban and Rural Planning Law (中華人民共和國城鄉規劃法), Administrative Measures on Construction Permits for Construction Projects (建築工程施工許可管理辦法) and the Administrative Regulations on the Environmental Protection of Construction Projects (建設項目環境保護管理條例). Failure to fully comply with these laws or regulations may subject us to fines or suspension of our construction projects or fail to locate desirable alternatives for such construction projects. We have not obtained construction permits, completed as-built acceptance filings or environmental protection filings or acceptance inspection for several of our buildings under construction and may not be able to do so or follow the procedural requirements in a timely manner or at all. For the permits or approvals we obtained or procedures we completed based on our understanding that are or may be subject to higher standard requirements from relevant governmental authorities, we shall meet such requirements before such construction projects are put into service. We have conducted several inquiries and interviews with the competent governmental authorities which confirmed that practically we are not required to obtain such approvals or permits or fulfill such procedures, or that the failure to do so will not result in penalties against us. Based on such interviews, our PRC Legal Advisor is of the view that relevant governmental authorities will not impose administrative penalty on us due to the failure to obtain construction permits or completing as-built acceptance filings or environmental protection filings. In the event that relevant laws and regulations change, we may be subject to additional regulatory requirements and may incur extra compliance costs, which may adversely affect our business, financial condition and results of operations.

In addition, for the purpose of conducting research and development in the ordinary course of our business, we are cooperating with a service provider with surveying and mapping qualifications. Such service provider would independently collect the point clouds and other information required for our research and development and process the collected data in compliance with relevant regulations, ensuring that the processed data does not involve surveying and mapping geoinformation, personal information, important data or other data subject to administrative supervision. We only collect compliantly processed data from certain service provider for research and development purposes. However, if our cooperation with such service provider cannot continue or we cannot reach cooperation with other qualified service providers in the market, we may be subject to the requirement of obtaining a surveying and mapping qualification certificate and complying with the state’s surveying and mapping criteria. There is no assurance that we will be able to meet such criteria in a timely manner or at all, and our research and development activities might be affected, any of which may materially and adversely affect our business, financial condition and

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results of operations. Given the significant amount of discretion held by relevant PRC authorities in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control, we cannot guarantee you that we have obtained or will be able to obtain and maintain all requisite licenses, permits, filings and registrations.

Our leased property interests may be defective and our right to lease the properties affected by such defects may be challenged, which could cause significant disruption to our business. In addition, failure to renew our current leases or locate desirable alternatives for our leased properties could materially and adversely affect our business.

We lease properties for our offices, dormitories and manufacturing facilities. One of our leased properties used for manufacturing has been mortgaged by the property owner for mortgage loan prior to our occupation. As a result, there are uncertainties to the continuous operation of such manufacturing facility and we may be forced to relocate our affected operations, if the mortgagee chose to auction off the underlying property and recover any outstanding amount from the property owners. The ownership certificates or other similar proof of two of our leased properties have not been provided to us by the relevant lessors. Such leased properties are used as dormitory and office. Therefore, we cannot assure you that such lessors are entitled to lease the relevant real properties to us. If the lessors are not entitled to lease the real properties to us and the owners of such real properties decline to ratify the lease agreements between us and the respective lessors, we may not be able to enforce our rights to lease such properties under the respective lease agreements against the owners. As a result, we may face challenges from the legal owners of the properties or other third parties, and may be forced to vacate the relevant properties and relocate our offices. We may incur additional expenses during the process, and our business, financial condition and results of operations may be negatively affected. As of the Latest Practicable Date, we were not aware of any claim or challenge brought by any third parties concerning the use of our leased properties without obtaining proper ownership proof. Additionally, we have not registered 13 of our lease agreements with the relevant governmental authorities. Under the relevant PRC laws and regulations, we may be required to register and file with the relevant governmental authority executed leases. As advised by our PRC Legal Advisors, failure to register the lease agreements for our leased properties will not affect the validity of these lease agreements, but the competent housing authorities may order us to register the lease agreements in a prescribed period of time and impose a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease if we fail to complete the registration within the prescribed timeframe.

There is no assurance that we will be able to extend or renew our leases upon expiration of the current term on commercially reasonable terms or at all, and our rights to use these leased properties may be negatively affected by prior encumbrances on these properties. In any such events, we may be forced to relocate our affected operations. This could disrupt our operations and result in significant relocation expenses. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our current leased properties as our business continues to grow and failure in relocating our affected operations could adversely affect our business and operations.

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Our employees or other third parties may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could cause significant liability for us, harm our reputation or otherwise result in other consequences that may have a material adverse effect on our business, financial condition and results of operations.

Misconduct could include violations of laws, fraud or other improper activities. Examples could include the failure to comply with our policies and procedures or with regulatory requirements relating to environmental, health or safety matters, bribery of foreign government officials, import-export control, lobbying or similar activities, and any other applicable laws or regulations. Although we have implemented policies, procedures and controls to prevent and detect these activities, these precautions may not prevent all misconduct, and as a result, we could face unknown risks or losses. Our failure to comply with applicable laws or regulations due to misconduct or other improper activities by any of our employees, suppliers, agents or business partners could damage our reputation and may subject us to fines and penalties, restitution or other damages, or loss of current and future customer contracts, any of which would adversely affect our business, reputation and results of operations.

Changes in automotive safety regulations may cast significant uncertainties on our operations and financial prospects.

Government regulations have imposed stringent requirements on vehicle safety in general and in the context of autonomous driving. For example, the PRC government issued the Administrative Norms for Road Testing and Demonstrative Application of Intelligent and Connected Vehicles (Trial Implementation) (智能網聯汽車道路測試與示範應用管理規範(試行)) on July 27, 2021, which came into effect on September 1, 2021. It requires that any entity planning to conduct a road testing and demonstrative application of autonomous driving vehicles shall provide a statement on its safety and a temporary license plate for the tested vehicle. On the local level, the government of Shenzhen issued the Regulations of Shenzhen Special Economic Zone on the Administration of Intelligent and Connected Vehicles (深圳經濟特區智能網聯汽車管理條例) on June 30, 2022. The regulation governs every major phase of an autonomous driving vehicle from its development to marketing, including the vehicle’s road testing, access registration, use management, transport, traffic accidents and legal liabilities.

While we believe increasing automotive safety standards will present a market opportunity for our products, government safety regulations are subject to changes based on a number of factors that are out of our control, including new technologies, adverse publicity regarding industry recalls and safety risks of autonomous driving, accidents involving our products, domestic and foreign political situations, and litigation relating to our products and our competitors’ products. Changes in government regulations, as well as changes or evolution in court interpretation of those regulations, especially with respect to the autonomous driving industry could adversely affect our business. If government priorities shift and we are unable to adapt to changing regulations or to court interpretations of those regulations, our business may be materially and adversely affected.

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We may need to raise additional capital in the future in order to execute our business plan, which may not be available on acceptable terms, or at all.

We may need additional capital in the future to fund our continued operations, and we may be unable to raise additional funds, whether through equity or debt financing, when needed on favorable terms or at all. If we do raise additional capital through public or private equity offerings, the ownership interest of our existing shareholders, including investors in this [REDACTED], will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our shareholders’ rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Any failure to raise capital as and when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies.

Adverse conditions in the automotive industry or the global economy could have adverse effects on our results of operations.

While we make our strategic plans based on the assumption that the markets we are targeting will grow, our business is dependent in large part on, and directly affected by, business cycles and other factors affecting the global automobile industry and global economy. Automotive production and sales are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences, consumer confidence, fuel costs, fuel availability, environmental impact, governmental incentives and regulatory requirements, and political volatility, especially in energy-producing countries and growth markets. In addition, automotive production and sales can be affected by the ability of our customers to continue operating in response to challenging economic conditions, labor relations issues, regulatory requirements, trade agreements and other factors. The volume of automotive production in China and the rest of the world has fluctuated, sometimes significantly, from year to year, and we expect such fluctuations to give rise to fluctuations in the demand for our products. Any significant adverse change in any of these factors may result in a reduction in automotive sales and production by our customers and could have a material adverse effect on our business, results of operations and financial condition.

Changes in international trade policies and rising political tensions may adversely impact our business and results of operations.

We are susceptible to constantly changing international economic, regulatory, social and political conditions, and local conditions in foreign countries and regions. China’s political relationships with foreign countries and regions may affect the prospects of our relationships with third parties, such as business partners, suppliers and future customers. There can be no assurance that our existing or potential service providers or collaboration partners will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign countries or regions. Any tensions and political concerns between China and the relevant foreign countries or regions may cause a decline in the demand for our future products and adversely affect our business, financial condition, results of operations, cash flow and prospects. Rising trade and political tensions could reduce levels of trades, investments, technological exchanges and other economic activities between China and other countries and regions, which would have an adverse effect on global economic conditions, the stability of global financial markets, and international trade policies.

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If our customers are not confident in our long-term prospects, or if we are subject to any negative publicity, our business prospects, operating results, financial condition and our ability to access to capital may suffer materially.

We have yet to fully develop and commercialize our products and solutions, and the successful commercialization of our products and solutions depends in part on our customers and potential customers committing to use our products and solutions in their own products. Customers may be less likely to purchase our products if they are not convinced that our business will succeed or that our service and support and other operations will continue in the long term. Similarly, suppliers and other third parties will be less likely to invest time and resources in developing business relationships with us if they are not convinced that our business will succeed. If we are unable to establish and maintain confidence in our long-term business prospects among customers, prospective customers, suppliers and other third parties within our industry, or are subject to negative publicity, then our business, results of operations, financial condition and access to capital may suffer materially. In addition, we are unable to control how our customers deploy and use our products, which may subject us to negative publicity.

We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

We face various risks in connection with our business and may lack adequate insurance coverage or have no relevant insurance coverage. Insurance companies in China do not currently offer as extensive an array of insurance products, such as those related to autonomous driving, as insurance companies in other more developed economies do. As of the Latest Practicable Date, we had not obtained any business liability or disruption insurance to cover our operations. We have determined that the costs of insuring against these risks and the difficulties associated with acquiring such insurances on commercially reasonable terms render these insurances impractical for our business. However, any uninsured business disruptions may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our business and results of operations.

In addition, we are in the process of purchasing product liability insurance. We may not have sufficient insurance coverage for all future claims on our products. Any product liability claims brought against us, with or without merit, could increase our product liability insurance rates or prevent us from securing continuing coverage, could harm our reputation in the industry and could reduce revenue. Product liability claims in excess of our insurance coverage would be paid out of cash reserve, harming our financial condition and adversely affecting our results of operations.

We are subject to risks associated with strategic alliances or acquisitions.

We have entered into and may in the future enter into strategic alliances, including joint ventures or minority equity investments, with various third parties to further our business purpose from time to time. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by third parties, and increases in expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these third parties suffers negative publicity or harm to their reputation from events relating

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to their businesses, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

From time to time, we may also undertake acquisitions to add new products and technologies, acquire talent, gain new sales channels or enter into new markets or sales territories. In addition to possible stockholder approval, we may need approvals and licenses from relevant government authorities for the acquisitions and to comply with any applicable laws and regulations, which could result in increased delay and costs, and may disrupt our business strategy if we fail to do so. Furthermore, acquisitions and the subsequent integration of new assets, businesses, key personnel, customers, vendors and suppliers require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our operations. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant.

As a company with limited operating history, we have limited experience with acquisitions and the integration of acquired technology, personnel and corporate culture. Failure to successfully identify, complete, manage and integrate acquisitions could materially and adversely affect our business, financial condition and results of operations and could cause the trading price of our Shares to decline.

We are subject to cybersecurity risks to our LiDAR products and solutions and customer data processed by us or third-party vendors or suppliers, and any material failure, weakness, interruption, cyber event, incident or breach of security could prevent us from effectively operating our business.

We are at risk for interruptions, outages and breaches of operational systems, including business, financial, accounting, research and development, data processing or manufacturing processes, owned by us or third-party vendors or suppliers. Cybersecurity incidents could materially disrupt our operational systems, result in loss of intellectual property, trade secrets or other proprietary or competitively sensitive information. Additionally, cybersecurity incidents could compromise certain information of our customers, employees, suppliers or others; jeopardize the security of our facilities; or affect the performance of our products and the integrated software in our LiDAR solutions.

A cyber incident could be caused by disasters, insiders or malicious third parties using sophisticated, targeted methods to circumvent firewalls, encryption and other security defenses, including hacking, fraud, trickery or other forms of deception. The techniques used by cyber attackers change frequently and may be difficult to detect for long periods of time. Although we have taken measures designed to protect us against intellectual property theft, data breaches and other cyber incidents, such measures will require updates and improvements, and we cannot guarantee that such measures will be adequate to detect, prevent or mitigate cyber incidents. The implementation, maintenance and improvement of these measures require significant management time, support and cost.

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Moreover, there are inherent risks associated with developing, improving, expanding and updating our current systems. These risks may affect our ability to manage our data and inventory, procure parts or supplies, or produce, sell, deliver and service our solutions, adequately protect our intellectual property or achieve and maintain compliance with, or realize available benefits under, applicable laws, regulations and contracts. We cannot be sure that the systems upon which we rely, including those of our third-party vendors or suppliers, will be effectively implemented, maintained or expanded as planned. If we do not successfully implement, maintain or expand these systems as planned, our operations may be disrupted, our ability to accurately and timely report our financial results could be impaired, and deficiencies may arise in our internal control over financial reporting, which may impact our ability to certify our financial results. Moreover, our proprietary information or intellectual property could be compromised or misappropriated and our reputation may be adversely affected. If these systems do not operate as we expect them to, we may be required to expend significant resources to make corrections or find alternative sources for performing these functions. A significant cyber incident could impact our production capability, harm our reputation, cause us to breach our contracts with other parties or subject us to regulatory actions or litigation, any of which could materially and adversely affect our business, results of operations and financial condition.

Our business is subject to the risks of earthquakes, fire, floods and other natural catastrophic events, global pandemics and interruptions by man-made problems, such as network security breaches, computer viruses or terrorism. Material disruptions of our business or information systems resulting from these events could adversely affect our operating results.

A significant natural disaster, such as an earthquake, fire, flood or pandemic, occurring at our headquarters, one of our manufacturing facilities or where a customer is located could adversely affect our business, operating results and financial condition. Further, if a natural disaster or man-made problem were to affect our suppliers, it could adversely affect the ability of our customers to use our products and solutions. In addition, natural disasters and acts of terrorism could cause disruptions in our or our customers’ businesses, national economies or the world economy as a whole, as was the case in the past several years due to the COVID-19 pandemic. We also rely on information technology systems to communicate among our workforce and with third parties. Any disruption to our communications, whether caused by a natural disaster or by man-made problems, such as power disruptions, could adversely affect our business. Although we maintain incident management and disaster response plans, in the event of a major disruption caused by a natural disaster or man-made problem, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our research and development activities or lengthy interruptions in manufacturing, any of which could adversely affect our business, operating results and financial condition.

We may be subject to stricter laws and regulations, including labor laws and regulations, and to potential legal proceedings in the ordinary course of business, which may materially and adversely affect our business, results of operations and financial condition.

Laws, rules and regulations applicable to us may become more stringent. Pursuant to the PRC Labor Contract Law, as amended, or the Labor Contract Law, and its implementation rules, employers are subject to various requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees’ probation and unilaterally terminating

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labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law of the People’s Republic of China (中華人民共和國勞動合同法) and its implementation rules may limit our ability to make those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. In addition, under the PRC Social Insurance Law (中華人民共和國社會保險法) and the Administrative Measures on Housing Fund (住房公積金管理條例), employees are required to participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance, and housing funds, and employers are required, together with their employees or separately, to pay the contributions to social insurance and housing funds for their employees. The relevant government agencies may examine whether an employer has made adequate payments of the requisite statutory employee benefits, and employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. If the relevant PRC authorities determine that we shall make supplemental contributions, that we are not in compliance with labor laws and regulations, or that we are subject to fines or other legal sanctions, such as order of timely rectification, our business, financial condition and results of operations may be adversely affected. China’s overall economy and the average wage have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our consumers who pay for our services, our business, results of operations and financial condition may be materially and adversely affected.

During the ordinary course of our business, we have been and will continue to be subject to legal or administrative proceedings and claims. As we face increasing competition and gain an increasingly high profile, the possibility of intellectual property rights claims, commercial claims, and other assertions against us may grow. In addition, we could face material legal claims for breach of contract, product liability, fraud, tort or breach of warranty. Defending a lawsuit, regardless of its merit, could be costly and may divert management’s attention and adversely affect the market’s perception of us and our products.

The current tensions in international trade and rising political tensions, particularly between the United States and China, may adversely impact our business, financial condition, and results of operations.

Although we are a primarily China-based company, we have operations in the U.S. and certain of our key customers are located in the U.S. and other countries outside of China. In addition, certain of our technologies could be subject to restrictions by the U.S. government in the future. We are subject to export control and import laws and regulations in the U.S. and other countries, including the U.S. Export Administration Regulations, or the EAR, U.S. Customs regulations and various economic and trade sanctions regulations administered by the U.S. Treasury Department’s Office of Foreign Assets Controls. U.S. export control laws and regulations and economic sanctions prohibit the shipment of certain products to U.S. embargoed or sanctioned countries, governments and persons. In particular, the U.S. government has added certain Chinese companies and institutions to the Entity List published by the U.S. Department of Commerce’s Bureau of Industry and Security (“BIS”), and imposed targeted economic and trade restrictions on them that, if not waived, will limit their access to the items subject to the EAR. Such U.S. sanctions against Chinese companies may extend to us if we violate the economic sanctions, for example, by exporting, reexporting or

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transferring (in country) the items subject to the EAR to such companies. Certain of our customers are on the Entity List. While we believe that the products we provide to such customers are not subject to the EAR, if more of our customers are listed on the Entity List or the U.S. government imposes more stringent restrictions, or if relevant government authorities interprets the current regulations differently from our view, our sales may be negatively affected. In addition, if any new tariffs, legislation, or regulations are implemented (including those imposing economic or trade sanctions, export control restrictions or outbound investments restrictions), or if existing trade agreements are renegotiated, such changes could adversely affect our business, financial condition, and results of operations. Recently, there have been heightened tensions in international economic relations, such as that between the United States and China, but also as a result of the conflict in Ukraine and sanctions on Russia. More recently, the U.S. Department of Commerce published an interim final rule that introduces novel restrictions related to semiconductor, semiconductor manufacturing, supercomputer, and advanced computing items and end uses in China. These sanctions and export controls could adversely affect us and/or our supply chain, business partners, or customers.

The U.S. government has imposed, and has proposed to impose, additional, new, or higher tariffs on certain products imported from China to penalize China for what it characterizes as unfair trade practices. China has responded by imposing, and proposing to impose, additional, new, or higher tariffs on certain products imported from the United States. Following mutual retaliatory actions for months, on January 15, 2020, the United States and China entered into the Economic and Trade Agreement between the United States of America and the People’s Republic of China as a phase one trade deal, effective on February 14, 2020. In addition, the U.S. government has issued new rules that expanded the definition of military end use and eliminated the applicability of certain license exceptions for exports to countries including China, thereby expanding the export license requirements for U.S. companies to sell certain items to companies in China that have operations that could support military end uses. The U.S. government has also broadened the restrictions on the sale of goods manufactured outside the United States that are produced using certain controlled U.S.-origin technology or software to companies on a special list, or the Entity List, and the restrictions on the use of U.S.-origin semiconductor manufacturing equipment that produces semiconductor devices for companies on the Entity List.

In addition, political tensions between the United States and China have escalated due to, among other things, trade disputes, the COVID-19 outbreak, tensions over Taiwan sanctions imposed by the U.S. Department of Treasury on certain officials of the Hong Kong Special Administrative Region and the PRC central government, the executive orders issued by former U.S. President Donald J. Trump in August 2020 that prohibit certain transactions with certain Chinese companies, and various restrictions related to the Chinese semiconductor industry imposed by the U.S. government. Against this backdrop, China has implemented, and may further implement, measures in response to the changing trade policies, treaties, tariffs and sanctions and restrictions against Chinese companies initiated by the U.S. government.

On September 19, 2020, the Ministry of Commerce of the People’s Republic of China (“MOFCOM”) promulgated the Regulations on the List of Unreliable Entities, or MOFCOM Order No. 4 of 2020. A working mechanism composed of relevant government agencies will be established to administer the regime of the List of Unreliable Entities. A foreign entity that is designated onto the List of Unreliable Entities may be subject to several measures, including but not limited to:

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(i) being restricted or prohibited from engaging in import or export activities related to China; and (ii) being restricted or prohibited from investing in China. When an enterprise, organization, or individual of China must conduct business with a designated foreign entity in special circumstances, the enterprise, organization, or individual shall submit an application to the working mechanism for approval, and only when approval is granted may such enterprise, organization, or individual conduct the corresponding transaction.

On January 9, 2021, the MOFCOM promulgated the Rules on Counteracting Unjustified Extra-Territorial Application of Foreign Legislation and Other Measures (阻斷外國法律與措施不當域外適用辦法), or MOFCOM Order No. 1 of 2021. Pursuant to MOFCOM Order No. 1 of 2021, where a citizen, legal person or other organization of China is prohibited or restricted by foreign legislation and other measures from engaging in normal economic, trade and related activities with a third nation (or region) or its citizens, legal persons or other organizations, they shall truthfully report such matters to the competent department of commerce of the State Council within 30 days. The working mechanism, with the participation of relevant departments of central government authorities, will take the following factors into account when assessing whether there exists unjustified extra-territorial application of foreign legislation and other measures: (i) whether international law or the basic principles of international relations are violated; (ii) potential impact on China’s national sovereignty, security and development interests; (iii) potential impact on the legitimate rights and interests of the citizens, legal persons or other organizations of China; and (iv) other factors that shall be taken into account. If it is determined that there exists unjustified extra-territorial application of foreign legislation and other measures, the MOFCOM may issue an injunction that the relevant foreign legislation and other measures shall not be accepted, executed, or observed. A citizen, legal person or other organization in China may apply for exemption from compliance with an injunction.

On June 10, 2021, the Standing Committee of National People’s Congress, or the SCNPC, passed the Countering Foreign Sanctions Law (反外國制裁法), which became effective immediately. The Countering Foreign Sanctions Law provides a legal basis not only for the Chinese government to take action in response to foreign sanctions, but also for Chinese citizens and organizations to bring civil actions for injunctive relief or damages. Under the Countering Foreign Sanctions Law, the competent department of the State Council may place any individuals and organizations that are directly or indirectly involved in making, determining, or implementing the discriminatory restrictive measures as provided therein on the Countermeasure List. A foreign individual or organization on the Countermeasure List may be subject to one or several countermeasures, including but not limited to prohibitions or restrictions on commercial transactions, cooperation or such other activities with organizations and individuals within the territory of China. Furthermore, pursuant to the Countering Foreign Sanctions Law, any organization and individual within the territory of China shall comply with the countermeasures. Any organization or individual who fails to comply or cooperate in implementing the countermeasures may be held liable in accordance with law.

Since MOFCOM Order No. 4 of 2020, MOFCOM Order No. 1 of 2021 and the Countering Foreign Sanctions Law are newly enacted, there is a high degree of uncertainty with respect to how they will be interpreted and implemented.

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Rising political tensions could reduce levels of trade, investment, technological exchange, and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on our and our customers’ business, prospects, financial condition, and results of operations.

As our business is affected by markets located overseas, tariffs and export control measures taken or to be taken by the PRC, U.S. or any other government or other trade tensions or unfavorable trade policies may affect marketability of our products. Currently, exports of our LiDAR products to the U.S. are subject to 25% tariffs imposed pursuant to Section 301 of Trade Act of 1974. The current international trade tensions and political tensions between the United States and China, and any escalation of such tensions, may have a material negative impact on our ability to secure the supply of raw materials and key components necessary for our operations and our ability to continue to sell to global customers and further grow our customer base.

Non-compliance with above laws and regulations could subject us to adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, prospects, results of operations, financial condition and reputation.

RISKS RELATED TO DOING BUSINESS IN CHINA

Changes in China’s or global economic, political or social conditions or government policies could have a material and adverse effect on our business and operations.

Substantially all of our operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

While the Chinese economy has experienced significant growth over the past decades, there can be no assurance that the growth would be maintained or equitable across sectors. The Chinese government has implemented various measures to encourage economic growth. Some of these measures may benefit the overall Chinese economy, but may not have the same effect on us.

In addition, the global economic, political and social conditions are evolving rapidly and are subject to uncertainties. For example, health epidemics have caused significant downward pressure for the global economy. Geopolitical tension and conflicts, energy crisis, inflation risk, interest rate increases, instability in the financial system, and the tightening of monetary policy by the U.S. Federal Reserve impose new challenges and uncertainties on the global economy. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. Furthermore, sanctions and export control measures are unilaterally imposed by the U.S. or other jurisdictions from time to time. These measures are expected to have significant impact on the targeted countries, markets and/or entities. Chinese companies may be affected by such sanctions or export control measures. We may also be exposed to risks in dealing with business partners subject to sanctions or export controls. As a result, we could be required to incur additional costs to comply with these complicated regulations and measures and could face penalties for any violation, even if inadvertent.

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We are subject to PRC laws and regulations that could require us to modify our current business practices and incur increased costs.

We are subject to extensive national, provincial and local governmental regulations, policies and controls, covering, among others and in addition to specific industry-related regulations, the following aspects: (i) consumer protection and product liability; (ii) cybersecurity, data security and protection of personal information; (iii) security laws and regulations; (iv) establishment of or changes in shareholder of foreign investment enterprises; (v) foreign exchange; and (vi) taxes, duties and fees.

The liabilities, costs, obligations and requirements associated with these laws and regulations may cause interruptions to our operations or impact our financial position and results of operations. Failure to comply with the relevant laws and regulations in our operations may result in various penalties, including, among others, the suspension of our operations and thus adversely and materially affect our business, prospects, financial condition and results of operations. Additionally, there can be no assurance that the relevant government agencies will not change such laws or regulations or impose additional or more stringent laws or regulations. Compliance with such laws or regulations may require us to incur material capital expenditures or other obligations or liabilities. Legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business.

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with capital raising activities.

PRC laws and regulations in relation to overseas issuance and listing of shares have been evolving. As a result, we may be required to make filings with or report to the CSRC or other PRC governmental authorities for our capital raising activities. Any failure or perceived failure to make filings, report or comply with other applicable laws and regulations would have a material adverse effect on our capital raising activities and result in negative publicity and legal proceedings or regulatory actions against us.

On July 6, 2021, the General Office of the State Council, together with another regulatory authority, jointly promulgated the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (關於依法從嚴打擊證券違法活動的意見), which calls for, among others, enhanced administration and supervision of overseas-listed China-based companies, proposes to revise the relevant regulation governing the overseas issuance and listing of shares by such companies, and clarifies the responsibilities of competent domestic industry regulators and government authorities.

On February 17, 2023, the CSRC released 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 supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, Domestic Enterprises (as defined in the Trial Measures) that seek to offer and list securities overseas, directly or indirectly, should fulfill the filing procedure and report

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relevant information to the CSRC. See “Regulatory Overview — Regulations on M&A and Overseas Listings.” We are required to file with the CSRC in accordance with the Trial Measures after our application for listing is initially submitted, and there is uncertainty as to whether we will be able to complete the filing. If we could not complete such filing procedure, we will suspend or terminate our application for listing.

In addition, according to the Trial Measures, any future issuance or offering after our listing may also be subject to filing or report procedures of the CSRC and we are also required to report certain material matters to the CSRC after our listing. Any failure to perform such filing or reporting procedures would subject us to administrative penalties by the CSRC which could harm our reputation and may adversely affect our results of operations or financial condition.

Furthermore, on February 24, 2023, the CSRC released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “Confidentiality Provisions”), which also came into effect on March 31, 2023. Pursuant to the Confidentiality Provisions, any future inspection or investigation conducted by overseas securities regulators or the relevant competent authorities on our PRC domestic companies with respect to our overseas issuance and offering shall be carried out in a manner that is in compliance with PRC laws and regulations.

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

Companies operating in the PRC are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time at locations where we operate our businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in the PRC given the different levels of economic development in different locations. The relevant government authorities may examine whether an employer has made adequate payments of the requisite employee benefit payments, and employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties.

During the Track Record Period, we were not in strict compliance with the contribution requirements in relation to our employees because we did not make social insurance contributions in full amount and engaged third-party agencies to pay social insurance premium and housing provident funds for certain of our employees. Our PRC Legal Advisor has advised us that, under PRC laws and regulations, we might be subject to late fees and fines for not being in strict compliance with such contribution requirements. If any competent government authority is of the view that the social insurance payments we made for our employees do not satisfy the requirements under relevant PRC laws and regulations, we might be ordered to pay the unpaid amount within a certain period and a late fee that equals to 0.05% of the total unpaid amount per day, accruing from when the social insurance contribution was due. If we fail to pay the unpaid amount or the late fee, we may be subject to a fine ranging between one to three times of the total unpaid amount of the social insurance contribution. Accordingly, the maximum penalties that might have been imposed on the

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Group in that regard would be three times of the total unpaid amount of social insurance contributions as of the end of the Track Record Period. Our PRC Legal Advisor has also advised us that, in the event that we fail to pay the housing provident fund in full amount, the housing provident fund administrative center will order us to pay the amount within a prescribed time limit. If we fail to do so upon the expiration of the above-mentioned time limit, further application will be made to the People’s Court for compulsory enforcement. As of the Latest Practicable Date, we had not received any notification from the relevant PRC regulatory authorities requiring us to pay shortfalls or late payments with respect to the social insurance and/or housing funds, nor had we been subject to any related administrative penalties. Given that we have obtained a letter of confirmation from, and relevant confirmation during our interview with the relevant competent authorities, our PRC Legal Advisor are of the view, with respect to the certain PRC subsidiaries with certain number of employees, that the risk of the competent authorities requiring us to pay shortfalls with respect to the social insurance and housing funds and/or take the initiative to impose penalties on us is relatively remote.

We cannot assure you that we will not receive any complaint or demand for social insurance or housing provident fund contribution from our employees, or that the relevant PRC authorities will not require us to make additional social insurance and housing provident fund contributions. As a result, our financial condition and results of operations could be adversely affected.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

The conversion of RMB into foreign currencies, including Hong Kong dollars and U.S. dollars, is based on rates set by the People’s Bank of China. It is difficult to predict how market forces or government policies may impact the exchange rate between RMB, Hong Kong dollars, U.S. dollars or other currencies in the future. The value of RMB against Hong Kong dollars, U.S. dollars and other currencies is affected by changes in China’s political and economic conditions and by China’s foreign exchange and monetary policies, among other things. We cannot assure you that RMB will not appreciate or depreciate significantly in value against Hong Kong dollars and U.S. dollars in the future.

Any significant appreciation or depreciation of RMB may materially and adversely affect our revenue, earnings and financial position, and the value of, and any dividends payable on, our Shares. For example, to the extent that we need to convert Hong Kong dollars and U.S. dollars we receive into RMB to pay our operating expenses, appreciation of RMB against Hong Kong dollars and U.S. dollars would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of RMB against Hong Kong dollars and U.S. dollars may significantly reduce the Hong Kong dollar or the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our Shares.

We have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

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Governmental regulation of currency conversion may limit our ability to utilize our revenue effectively and affect the value of your investment.

The PRC government imposes regulations on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenue in RMB. Under our current corporate structure, our Company in the Cayman Islands may rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our wholly foreign-owned subsidiaries in China are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by our shareholders or the ultimate shareholders of our corporate shareholders who are PRC residents. But approval from or registration with appropriate government authorities or delegated banks is required where RMB is to be converted into foreign currencies and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Additional restrictions on the convertibility of the RMB into foreign currencies may be imposed in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demand, we may not be able to pay dividends in foreign currencies to our shareholders.

PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

PRC regulations and rules concerning mergers and acquisitions including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the M&A Rules require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds famous trademarks or PRC time-honored brands.

In addition, the Establishment of Security Review System Pertaining to Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於建立外國投資者併購境內企業安全審查制度的通知) issued by General Office of the State Council that became effective in March 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review led by the MOFCOM and the NDRC, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. These laws and regulations are continually evolving as the newly enacted Foreign Investment Law (外商投資法) took effect in 2020. On December 19, 2020, the Measures for the Security Review for

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Foreign Investment (外商投資安全審查辦法) was jointly issued by the NDRC and the MOFCOM and took effect from January 18, 2021. The Measures for the Security Review for Foreign Investment (外商投資安全審查辦法) specified provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts or other relevant government agencies may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our wholly foreign-owned subsidiaries in China to liability or penalties, limit our ability to inject capital into these subsidiaries, limit these subsidiaries’ ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

The Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-Trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), or SAFE Circular 75, required PRC residents to register with the relevant local branch of SAFE before establishing or controlling any company outside of China, referred to as an offshore special purpose company, for the purpose of raising funds from overseas to acquire or exchange the assets of, or acquiring equity interests in, PRC entities held by such PRC residents and to update such registration in the event of any significant changes with respect to that offshore company. SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or SAFE Circular 37, in July 2014, which replaced SAFE Circular 75. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a “special purpose vehicle.” The term “control” under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles or PRC companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of the special purpose vehicle. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be

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restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions. In February 2015, SAFE issued the Circular of the SAFE on Further Simplifying and Improving the Policies Concerning Foreign Exchange Control on Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知), or SAFE Circular 13, which took effect on June 1, 2015. SAFE Circular 13 has delegated to the qualified banks the authority to register all PRC residents’ investment in a “special purpose vehicle” pursuant to SAFE Circular 37, except that those PRC residents who have failed to comply with SAFE Circular 37 will remain within the jurisdiction of the local SAFE branch and must make their supplementary registration application with the local SAFE branch.

We have requested PRC residents who we know hold direct or indirect interest in our Company to make the necessary applications, filings and amendments as required under SAFE Circular 37 and other related rules. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our Company, and we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements under SAFE Circular 37 or other related rules. The failure or inability of our PRC resident shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, restrict our cross-border investment activities, limit the ability of our wholly foreign-owned subsidiaries in China to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into these subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange restrictions. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), issued by SAFE in February 2012, employees, directors, supervisors and other senior management participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We and our directors, executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted restricted shares, restricted share units or options are subject to these regulations upon our listing. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit our ability to contribute additional capital into our wholly foreign-owned subsidiaries in China and limit these subsidiaries’ ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors and employees under PRC law.

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Our business benefits from certain government grants, financial incentives and discretionary policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.

In the past, local governments in China granted certain financial incentives from time to time to our PRC subsidiaries or consolidated affiliated entities as part of their efforts to encourage the development of local businesses. In 2020, 2021 and 2022, we recognized RMB6.7 million, RMB9.6 million and RMB24.1 million of income from government grants in consolidated statements of comprehensive loss, respectively. In addition, several COVID-19 related government policies, such as relief of social security and waiver of toll charges, the exact magnitude of which cannot be quantified, have also contributed to the improvement of our financial performance during the Track Record Period. However, the timing, amount and criteria of government financial incentives are determined within the sole discretion of the local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. We generally do not have the ability to influence local governments in making these decisions. Local governments may decide to reduce or eliminate incentives at any time. We cannot assure you of the continued availability of the government incentives currently enjoyed by our PRC subsidiaries or consolidated affiliated entities. Any reduction or elimination of incentives would have an adverse effect on our results of operations.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the EIT Law, and its implementation rules, an enterprise established outside of the PRC with “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. On April 22, 2009, the State Administration of Taxation, or the SAT, issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. If the PRC tax authorities determine that we should be classified as a PRC resident enterprise for PRC tax purposes, our global income will be subject to income tax at a uniform rate of 25%, which may have a material

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adverse effect on our financial condition and results of operations. Notwithstanding the foregoing provision, the EIT Law also provides that, if a PRC resident enterprise directly invests in another PRC resident enterprise, the dividends received by the investing PRC resident enterprise from the invested PRC resident enterprise are exempted from income tax, subject to certain conditions. However, it remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company with indirect ownership interests in PRC resident enterprises through intermediary holding companies.

Moreover, if the PRC tax authorities determine that our Company is a PRC resident enterprise for PRC enterprise income tax purposes, gains realized on the sale or other disposal of our Shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises, or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. Any such tax may reduce the returns on your investment in our Shares.

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies, and heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

The SAT has issued several rules and notices to tighten the scrutiny over acquisition transactions in recent years, including the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) issued in December 2009, or SAT Circular 698, the Notice on Several Issues Regarding the Income Tax of Non-PRC Resident Enterprises (關於非居民企業所得稅管理若干問題的公告) issued in March 2011, or SAT Circular 24, and the Notice on Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-PRC Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) issued in February 2015, or SAT Circular 7. Pursuant to these rules and notices, if a non-PRC resident enterprise indirectly transfers PRC taxable properties, referring to properties of an establishment or a place in the PRC, real estate properties in the PRC or equity investments in a PRC tax resident enterprise, by disposing of equity interest in an overseas holding company, such indirect transfer should be deemed as a direct transfer of PRC taxable properties and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%. SAT Circular 7 sets out several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose. An indirect transfer satisfying all the following criteria will be deemed to lack reasonable commercial purpose and be taxable under PRC law: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC income tax on the direct transfer of such assets. Nevertheless, the indirect transfer falling into the safe harbor available under SAT Circular 7 may

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not be subject to PRC tax and the scope of the safe harbor includes qualified group restructuring as specifically set out in SAT Circular 7, public market trading and tax treaty exemptions.

In October 2017, the SAT released the Public Notice Regarding Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告), or SAT Public Notice 37, effective from December 2017. SAT Public Notice 37 replaced a series of important circulars, including but not limited to SAT Circular 698, and revised the rules governing the administration of withholding tax on China-source income derived by a non-resident enterprise. SAT Public Notice 37 provides for certain key changes to the current withholding regime, for example, the withholding obligation for a non-resident enterprise deriving dividend arises on the date on which the payment is actually made rather than on the date of the resolution that declared the dividends.

Under SAT Circular 7 and SAT Public Notice 37, the entities or individuals obligated to pay the transfer price to the transferor are the withholding agents and must withhold the PRC income tax from the transfer price if the indirect transfer is subject to the PRC enterprise income tax. If the withholding agent fails to do so, the transferor should report to and pay the tax to the PRC tax authorities. In the event that neither the withholding agent nor the transferor fulfills their obligations under SAT Circular 7 and SAT Public Notice 37, according to the applicable law, apart from imposing penalties such as late payment interest on the transferor, the tax authority may also hold the withholding agent liable and impose a penalty of 50% to 300% of the unpaid tax on the withholding agent. The penalty imposed on the withholding agent may be reduced or waived if the withholding agent has submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with SAT Circular 7.

However, as there is a lack of clear statutory interpretation, we face uncertainties on the reporting and consequences on future private equity financing transactions, share exchange or other transactions involving the transfer of shares in our Company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. Our Company and other non-resident enterprises in our group may be subject to filing obligations or may be taxed if our Company and other non-resident enterprises in our group are transferors in such transactions, and may be subject to withholding obligations if our Company and other non-resident enterprises in our group are transferees in such transactions. For the transfer of shares in our Company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under the rules and notices. As a result, we may be required to expend valuable resources to comply with these rules and notices or to request the relevant transferors from whom we purchase taxable assets to comply, or to establish that our Company and other non-resident enterprises in our group should not be taxed under these rules and notices, which may have a material adverse effect on our financial condition and results of operations. There is no assurance that the tax authorities will not apply the rules and notices to our offshore restructuring transactions where non-PRC residents were involved if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our non-PRC resident investors may be at risk of being taxed under these rules and notices and may be required to comply with or to establish that we should not be taxed under such rules and notices, which may have a material adverse effect on our financial condition and results of operations or such non-PRC resident investors' investments in us. We have conducted acquisition transactions in the past and may conduct additional acquisition transactions in the future. We cannot assure you that the PRC tax

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authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

RISKS RELATED TO THE [REDACTED]

There has been no prior public market for our Shares prior to the [REDACTED], and you may not be able to resell our Shares at or above the price you pay, or at all.

Prior to the completion of the [REDACTED], there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our company and the [REDACTED] (for itself and on behalf of the [REDACTED]), which may not be indicative of the price at which our Shares will be traded following the completion of the [REDACTED]. The market price of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

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

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

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

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our substantial shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Hong Kong Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

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

As the [REDACTED] of our Shares is higher than the net tangible book value per Share immediately prior to the [REDACTED], purchasers of our Shares in the [REDACTED] will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the [REDACTED] may experience further dilution in their shareholding percentage.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

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

We have no experience operating as a public company.

We have no experience conducting our operations as a public company. After we become a public company, we may face enhanced administrative and compliance requirements, which may result in substantial costs.

In addition, since we are becoming a public company, our management team will need to develop the expertise necessary to comply with the numerous regulatory and other requirements applicable to public companies, including requirements relating to corporate governance, listing standards and securities and investor relationships issues. As a public company, our management will have to evaluate our internal controls system with new thresholds of materiality, and to implement necessary changes to our internal controls system. We cannot guarantee that we will be able to do so in a timely and effective manner.

We cannot assure you that we will declare and distribute any amount of dividends in the future and you may have to rely on price appreciation of our Shares for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we have not yet adopted a dividend policy with respect to future dividends. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

Our Board has discretion as to whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our Company may only pay dividends either out of profits or share premium account, and provided always that in no circumstances may a dividend be paid if this

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would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our Board. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert reports, contained in this document.

This document, particularly the sections headed “Business” and “Industry Overview,” contains information and statistics relating to our industry. Such information and statistics have been derived from different official government publications, available sources from public market research and other sources from independent suppliers, and from an independent industry report prepared by China Insights Consultancy. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. The information from official government sources has not been independently verified by us, the [REDACTED], any of their respective directors and advisors, or any other persons or parties involved in the [REDACTED] (excluding China Insights Consultancy), and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under the laws of the Cayman Islands than other jurisdictions, you may have difficulties in protecting your shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Cayman Companies Act and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in the

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jurisdictions where minority Shareholders may be located. See “Summary of Cayman Islands Company Law and Taxation — 6. Protection of Minorities” in Appendix III to this document.

As a result of all of the above, minority Shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management, Directors or our majority Shareholder, which may provide different remedies to minority Shareholders when compared to the laws of the jurisdiction in which such shareholders are located.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management based on foreign laws.

We are an exempted company incorporated under the laws of the Cayman Islands. However, we conduct substantially all of our operations in China and most of our assets are located in China. In addition, all of our directors and senior executive officers reside within China for at least a significant portion of the time and all of them are PRC nationals. As a result, it may be difficult for you to effect service of process upon us or our management residing in China. It may also be difficult for you to enforce in Chinese courts the judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state. On January 9, 2021, the MOFCOM promulgated the Measures for Blocking Improper Extraterritorial Application of Foreign Laws and Measures (《阻斷外國法律與措施不當域外適用辦法》), or Order No. 1, with immediate effect. Under Order No. 1, if a citizen, legal person or other organization of China is prohibited or restricted by foreign legislation and other measures from engaging in normal economic, trade and related activities with a third state (or region) or its citizens, legal persons or other organizations, the citizen, legal person or other organization shall truthfully report such matters to the MOFCOM within 30 days. Upon assessment and confirmation that there exists unjustified extra-territorial application of foreign legislation and other measures, the MOFCOM will issue a prohibition order to prevent the relevant foreign legislation and other measures from being accepted, executed, or observed, but such a citizen, legal person or other organization may apply to the MOFCOM for an exemption from compliance with such prohibition order. However, since Order No. 1 is relatively new, its enforcement involves uncertainty in practice.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of written arrangement with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a foreign court.

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There will be a time gap of several business days between [REDACTED] and trading of our Shares [REDACTED] in the [REDACTED]. Holders of our Shares are subject to the risk that trading prices of our Shares could fall during the period before trading of our Shares begins.

The [REDACTED] of our Shares is expected to be determined on the [REDACTED]. However, our Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be several Hong Kong business days after the [REDACTED] date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of unfavorable market conditions, or other adverse developments, that could occur between the time of sale and the time trading begins.

Forward-looking information in this document is subject to risks and uncertainties.

This document contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this document, the words “anticipate,” “believe,” “estimate,” “expect,” “plans,” “prospects,” “going forward,” “intend” and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.