

RISK FACTORS

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

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

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

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to the research and development of our products and solutions; (ii) risks relating to our intellectual property rights; (iii) risks relating to the commercialization of our products and solutions; (iv) risks relating to the manufacturing of our products; (v) risks relating to our financial condition and need for additional capital; (vi) risks relating to our general operations; (vii) risks relating to conducting business in the PRC; and (viii) risks relating to the [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, results of operations and financial condition. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

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

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

Our future business, results of operations, financial condition and competitive position depend on our ability to develop and introduce new and enhanced autonomous driving and cross-domain products and solutions that incorporate and integrate the latest technological advancements in sensing and perception technologies, software and hardware, and camera, radar, LiDAR, mapping, and deep learning technologies to satisfy evolving customer,

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regulatory, and safety rating requirements, despite our successful launch of several automotive-grade SoCs and solutions, such as our flagship Huashan A1000 Series SoCs. We may encounter significant unexpected technical and production challenges, or delays in completing the development of new and enhanced products and solutions and ramping up production in a cost-efficient manner, which require us to invest significant resources in R&D and also require that we:

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

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

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

We are focusing our R&D efforts across several key products and solutions, such as automotive-grade SoCs and solutions. We have been investing heavily in our R&D efforts. Our R&D expenses increased from RMB254.6 million in 2020 to RMB595.4 million in 2021, and further increased to RMB764.1 million in 2022. The industries in which we operate are subject to rapid technological changes and are evolving quickly in terms of technological innovation. We need to invest significant resources, including financial resources, in R&D to make technological advances in order to expand our offerings and make our products and solutions innovative and competitive in the market. As a result, we may continue to incur significant R&D expenses in the future.

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

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

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

We integrate certain technologies developed and owned by third parties into our products and solutions, such as certain IP cores for Huashan Series SoCs and Wudang Series SoCs, through agreements. Under these agreements, we are obligated to provide third parties with royalties, economic benefits or technological advantages in exchange for their technologies.

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

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

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RISKS RELATING TO OUR INTELLECTUAL PROPERTY RIGHTS

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

Our success depends in a large part on our ability to protect our proprietary technology as well as our product and solution candidates from competition by obtaining, maintaining and enforcing our intellectual property rights, including patent rights. We have been protecting the proprietary technologies that we consider commercially important by, among others, filing patent applications in the PRC and other jurisdictions. As of the Latest Practicable Date, we owned 28 registered patents in China and 58 registered patents in the United States, and 125 patent applications in China and 59 patent applications in the United States. See “Business – Intellectual Property Rights.” The patent application process may be expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner, if at all. In addition, we may however fail to identify patentable aspects of our R&D outputs before it is too late to obtain patent protection. As a result, we may not be able to prevent competitors from developing and commercializing competitive products and solutions in all such fields.

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

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

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

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

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

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

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

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

Companies operating in automotive-grade SoC and solution industries routinely seek patent protection for their product and solution designs. Some of our competitors have large patent portfolios, and may claim that our expected commercial use of our products or solutions have infringed their patents. These patents have broad claims, so it might be alleged that certain features of our products or solutions fall within the claims of such patents. Therefore, our

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competitors may initiate legal proceedings alleging that we are infringing, misappropriating or otherwise violating their intellectual property rights in connection with the commercialization of the relevant products or solutions.

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

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

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

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

The CNIPA and various governmental patent agencies require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent

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application process and over the lifetime of the patent. Although an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, non-compliance events, including failure to respond to official actions within prescribed time limits, non-payment of periodic maintenance fees, and failure to properly legalize and submit formal documents, can result in abandonment or lapse of the patent or patent application, leading to partial or complete loss of patent rights in the relevant jurisdiction. In any such event, our competitors might be able to enter the market, which would materially and adversely affect our business.

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

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

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

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

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

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we might take against persons making such unauthorized disclosures. In addition, to the extent that our employees or business partners use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

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

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

RISKS RELATING TO THE COMMERCIALIZATION OF OUR PRODUCTS AND SOLUTIONS

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

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

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personnel is intense. If we are unable to attract, motivate and retain a sufficient number of qualified sales and marketing personnel to support our business, our commercialization of our products and solutions may be adversely affected.

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

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

We invest significant effort from the time of our initial contact with an automotive OEM to the time when the automotive OEM chooses our products and solutions to incorporate into one or more specific vehicle models to be produced by the automotive OEM. We could expend significant resources pursuing, but fail to achieve, a design win for our products and solutions under development and commercialization stages. After a design win, it is typically difficult for a product, solution or technology that did not receive the design win to displace the winner until the automotive OEM issues a new request for quotation because an automotive OEM will generally not change complex technology already integrated in its systems until a vehicle model is revamped. In addition, the firm with the winning design may have an advantage with the automotive OEM going forward because of the established relationship between the winning firm and the automotive OEM, which would make it more difficult for that firm's competitors to win the designs for other production models. If we fail to win a significant number of automotive OEM design competitions in the future, our business, results of operations and financial condition would be adversely affected.

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

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

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

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

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

Our major customers are automotive OEMs and Tier 1 suppliers. Revenue generated from our largest customer for the years ended December 31, 2020, 2021 and 2022 accounted for 47.7%, 40.7% and 43.5%, respectively, of our total revenue during those periods. Revenue generated from our five largest customers for the years ended December 31, 2020, 2021 and 2022 accounted for 88.5% , 77.7% , and 75.4%, respectively, of our total revenue during those periods. Our business, results of operations and financial condition for the foreseeable future may continue to depend on sales to a relatively small number of customers. In the future, our current major customers may decide not to purchase our products or solutions, may purchase fewer of our products or solutions than they did in the past, or may alter their purchasing patterns. For example, automotive OEMs may discontinue incorporation of our products or solutions in their vehicle models, including as a result of a transition to in-house solutions or solutions provided by our competitors, or their individual or aggregate production levels may decline due to a number of factors, including supply chain challenges and macroeconomic conditions. Further, the amount of revenue attributable to any single major customer, or our major customer concentration generally, may fluctuate in any given period. If our major customers scale back or terminate their business relationship with us, or if we are unable to negotiate favorable contractual terms with them, or we are unable to secure new customers at all or on favorable or comparable terms, our business, financial condition and results of operations may be materially and adversely affected.

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

The sales results of our products and solutions will partially depend on our customers and partners effectively deploying and operating our products and solutions on the vehicle models in the future, and their failure to do so may result from factors beyond our control. Our products and solutions are technologically complex, incorporate many technological

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

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

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

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

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

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

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

This Document contains estimates and forecasts concerning our industries, including estimates of the addressable markets of our current and anticipated future products and solutions, that are based on industry publications and reports or other publicly available information. These estimates and forecasts involve a number of assumptions and limitations, and are subject to significant uncertainty, and you are cautioned not to give them undue weight. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy and completeness of the included information. We have not independently verified this third-party information. Similarly, our internal estimates and forecasts are based on a variety of assumptions, including assumptions regarding market acceptance of automotive-grade SoCs and solutions and the manner in which those new and rapidly evolving markets will develop. While we believe our assumptions and the data underlying our estimates and forecasts are reasonable, these assumptions and estimates may not be correct and the conditions supporting our assumptions or estimates may change at any time, thereby reducing the predictive accuracy of these underlying factors. As a result, our estimates and forecasts may prove to be incorrect. If third-party or internally generated data prove to be inaccurate or we make errors in our assumptions based on that data, the addressable markets for our products and solutions may be smaller than we have estimated, our future growth opportunities and sales growth may be smaller than we estimate, and our future business, results of operations and financial condition may be materially and adversely affected.

Our future financial performance will depend on our ability to make timely investments in the correct market opportunities. If one or more of these markets experience a shift in customer or prospective customer demand, then our products and solutions may not compete as effectively, if at all, and they may not be incorporated into commercialized end customer products. Given the evolving nature of the markets in which we operate, it is difficult to predict customer demand or adoption rates for our products and solutions or the future growth of the markets in which we operate. Even if the automotive-grade SoC and solution markets grow substantially, there is no guarantee that demand for our products and solutions will correlate with that growth if we fail to effectively pursue such opportunities. There is also no guarantee that our business will be successful simply because of the future addressable markets of our products and solutions, or because of the trends of the addressable markets of our products and

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solutions. If demand does not develop or if we cannot accurately forecast customer demand, then the size of our markets, inventory requirements or our future business, results of operations and financial condition would be adversely affected.

RISKS RELATING TO THE MANUFACTURING OF OUR PRODUCTS

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

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

Our major suppliers are tapeout and technical services, IP core and hardware components providers. Charges from our largest supplier for the years ended December 31, 2020, 2021 and 2022 accounted for 24.3%, 28.7% and 18.1%, respectively, of our total purchase amount during those periods. Charges from our five largest suppliers for the years ended December 31, 2020, 2021 and 2022 accounted for 77.6%, 68.2% and 50.9%, respectively, of our total purchase amount during those periods. The stability of operations and business strategies of our suppliers are beyond our control, and we cannot assure you that we will be able to secure a stable relationship with such suppliers. Finding and qualifying alternate or additional suppliers and vendors is often a lengthy process and can lead to production delays, interruptions to our services, or additional costs, and such alternatives are sometimes not available at all. The inability of suppliers or vendors to deliver necessary production materials, equipment, or services can disrupt the production processes of our products and make it more difficult for us to implement our business strategy. Suppliers and vendors periodically extend lead times, face capacity constraints, limit supplies, increase prices, experience quality issues, or encounter cybersecurity or other issues that can interrupt or increase the cost of our supply and services. Production of our products can be disrupted by the unavailability of resources, such as water, silicon, electricity, gases, and other materials. The unavailability or reduced availability of materials or resources would require us to reduce production or incur additional costs, which would harm our business and results of operations.

We also rely on third-party providers to manufacture, assemble, and test certain components and products. From time to time, these third parties may become unable to perform these services on a timely or cost-effective basis, in sufficient volumes, or at all. In some cases,

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there are limited or no readily available satisfactory alternate providers. In any of these circumstances, we may encounter supply delays or disruptions or incur additional costs that could prevent us from meeting customer demand and/or adversely affect our business and financial condition. We typically have less control over delivery schedules, design and manufacturing co-optimization, manufacturing yields, quality, product quantities, and costs for components and products that are manufactured or supplied by third parties. Delays or quality issues with one component could limit our ability to manufacture the entire completed product.

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

We depend on TSMC to manufacture our SoCs.

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

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

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

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

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

RISKS RELATING TO OUR FINANCIAL CONDITION AND NEED FOR ADDITIONAL CAPITAL

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

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

- technological advancements;
- market acceptance of our products and solutions and product and solution enhancements, and the overall level of sales of our products and solutions;
- R&D expenses;
- our relationships with our customers and suppliers;
- our ability to control costs;
- sales and marketing expenses;
- enhancements to our infrastructure and systems and any capital improvements to our facilities;

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- potential acquisitions of businesses and product lines; and
- general economic conditions, inflation, rising interest rates, and international conflicts and their impact on the automotive industry in particular.

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

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

Our R&D expenditures were RMB254.6 million, RMB593.5 million and RMB766.4 million in 2020, 2021 and 2022, respectively. See “Financial Information – R&D Expenditure and Total Operating Expenditure.” Our capital expenditures were RMB11.1 million, RMB33.8 million and RMB71.1 million in 2020, 2021 and 2022, respectively. We expect to incur significant R&D expenditures and capital expenditures for R&D of our product and solution candidates, purchase of property, plant and equipment and purchase of intangible assets, thus enhancing our market position. Inherent risk exists for such significant R&D expenditures and capital expenditures as our investment may not succeed or generate the benefits that we expect, which could materially affect our profitability. Even if we achieve our goals for such investment, our short-term cash flow and liquidity may be adversely affected. While we intend to explore alternative arrangements to reduce the capital intensity of any future expansion, there is no assurance this will be successful.

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

Since our inception, we have incurred operating losses and net losses. In 2020, 2021 and 2022, we had operating losses for the year of RMB292.9 million, RMB722.7 million and RMB1,052.8 million, respectively, we had net losses for the year of RMB760.2 million, RMB2,356.5 million and RMB2,753.9 million, respectively, and we had adjusted net loss (non IFRS measure) for the year of RMB272.9 million, RMB613.6 million and RMB700.3 million, respectively. We expect to record significantly increased net losses in 2023 and may continue to incur net losses in the short term, as we are in the stage of expanding our business and operations in the rapidly growing automotive-grade SoC and solution markets, and are continuously investing in R&D. We may not be able to achieve or subsequently maintain profitability in the near future. We believe that our future revenue growth will depend on, among other factors, our ability to develop new technologies, enhance customer experience, establish effective commercialization strategies, compete effectively and successfully and

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develop new products and solutions. Accordingly, you should not rely on the revenues of any prior period as an indication of our future performance. We also expect our costs and expenses to increase in future periods as we continue to expand our business and operations, and invest in R&D and geographic expansion. In addition, we expect to incur substantial costs and expenses as a result of being a public company. If we are unable to generate adequate revenues and manage our expenses, we may continue to incur significant losses and may not be able to achieve or subsequently maintain profitability.

Moreover, we had negative equity or total deficit of RMB1,385.7 million, RMB3,662.3 million and RMB6,506.2 million as of December 31, 2020, 2021 and 2022, respectively, primarily due to our preferred share liabilities. We expect to achieve a net assets position upon [REDACTED], as the convertible redeemable preferred shares will be re-designated from financial liabilities to equity as a result of the automatic conversion into ordinary shares. Our net deficit position exposes us to liquidity risk. Our future liquidity, payment of trade and other payables, capital expenditure plans and repayment of outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing. We may have a net deficit position in the near future, which may limit our working capital for the purpose of operations or capital for our expansion plans and materially and adversely affect our business, results of operations and financial condition.

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

We recorded net cash outflow from operating activities of RMB248.1 million, RMB639.3 million and RMB754.7 million in 2020, 2021 and 2022, respectively. See “Financial Information – Liquidity and Capital Resources – Net Cash Flows Used in Operating Activities.” We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. If we continue to record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition. Our future liquidity primarily depends on our ability to maintain adequate cash inflows from our operating activities and adequate external financing such as offering and issuing securities, and/or other sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. If we fail to obtain sufficient funding in a timely manner and on reasonable terms, or at all, we will be in default of our payment obligations and may not be able to expand our business. Thus, our business, results of operations and financial condition may be adversely affected.

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

In 2020, 2021 and 2022, the government grants we recognized as other payables and accruals amounted to RMB30.8 million, RMB29.6 million and RMB60.0 million, respectively, and those we recognized as other income amounted to RMB2.9 million, RMB18.1 million and

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RMB15.4 million, respectively. In addition, operating in the automotive-grade SoC and solution industries, a number of our PRC subsidiaries enjoy various types of preferential tax treatment according to the prevailing PRC tax laws. For example, Black Sesame Shanghai and Black Sesame Wuhan were recognized as high and new technology enterprises and were entitled to a preferential income tax rate of 15% instead of 25% from 2019 to 2025 and from 2022 to 2025, respectively. For more details of the preferential tax treatments, see Note 12 to the Accountant’s Report in Appendix I to this Document.

The PRC governmental authorities may decide to reduce or cancel such government grants or preferential tax treatment, or require us to repay part or all of the government grants we previously received at any time, which could adversely affect our business, results of operations, financial condition and prospects. In addition, we may not be able to successfully or timely obtain the government grants or preferential tax treatment that may become available to us in the future, and such failure could adversely affect our business, results of operations, financial condition and prospects.

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

We have historically issued several series of redeemable convertible preferred shares, consisting of Series A, Series A-1, Series B-1, Series B-2, Series B-3, Series B-4, Series B+, Series C and Series C+ Preferred Shares, to investors. Upon the completion of this [REDACTED], all of such preferred shares will be automatically converted into ordinary shares. Additionally, the foregoing investors have the right to require us to redeem such preferred shares if this [REDACTED] is not consummated on or prior to certain date. For the identity and background of the foregoing investors, see “History and Corporate Structure – Pre-[REDACTED] Investments.”

The redeemable convertible preferred shares were recorded on a fair value basis. The binomial option-pricing model was adopted to determine the fair value of the redeemable convertible preferred shares, and the key valuation assumptions used discount rate, risk-free interest rate and volatility. Any change in the assumptions may lead to different valuation results and, in turn, changes in the fair value of these financial instruments issued to investors. To the extent we need to revalue the redeemable convertible preferred shares prior to the closing of the [REDACTED], any change in fair value of redeemable convertible preferred shares and related valuation uncertainty could materially affect our results of operations and financial condition.

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

Our contract liabilities mainly represent cash collections in advance of fulfilling performance obligations. Our contract liabilities increased rapidly from RMB1.0 thousand as of December 31, 2020 to RMB5.7 million as of December 31, 2022. See “Financial Information – Description of Major Components of Our Results of Operations.” There is no

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assurance that we will be able to fulfill our obligations in respect of contract liabilities as the fulfillment of our performance obligations is subject to various factors that are beyond our control. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to refund the advance payment made by our customers. As a result, our liquidity and financial condition may be adversely affected.

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

We are exposed to credit risk related to delay in payment and defaults of our various customers or related parties. As of December 31, 2020, 2021 and 2022, our trade and notes receivables amounted to RMB35.4 million, RMB49.5 million and RMB125.2 million, respectively, and our prepayments and other receivables amounted to RMB20.3 million, RMB95.5 million and RMB151.6 million, respectively. We may not be able to collect all such trade and notes receivables and prepayments and other receivables due to a variety of factors that are beyond our control, including long payment cycle of public sector customers, adverse operating condition or financial condition of customers, and customers’ inability to pay caused by their end users’ delay in payment.

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

We may be subject to inventory obsolescence risk.

Our business expansion requires us to manage a large volume of inventory effectively. Our inventories increased from nil as of December 31, 2020 to RMB3.2 million as of December 31, 2021, and further to RMB72.8 million as of December 31, 2022. Our inventories as of December 31, 2021 primarily consisted of finished goods for our autonomous driving products and solutions, and our inventories as of December 31, 2022 was primarily for our mass-produced SoCs. Our inventory turnover days increased from nil in 2020 to 15 days in 2021, and further to 119 days in 2022. Although we have established an inventory management system to prevent inventory obsolescence risk, we cannot guarantee that our inventories can be fully utilized within their shelf life. See “Business – Logistics and Inventory Management – Inventory Management.” As our business expands, our inventory obsolescence risk may also increase commensurately with the increase in our inventories and our inventory turnover days.

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

We have adopted the Pre-[REDACTED] Share Plan to offer persons selected by our Company an opportunity to acquire a proprietary interest in the success of our Company, or to increase such interest, by acquiring Shares. The maximum number of Shares underlying the Pre-[REDACTED] Share Plan is 156,847,868 Shares, representing approximately 32.32% of

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the issued share capital of our Company as at the Last Share Issuance Date and approximately [REDACTED]% of the total issued share capital of our Company immediately following the completion of the [REDACTED]. See “Statutory and General Information – D. Share Incentive Scheme” in Appendix IV to this Document. We recorded share-based payment expenses of RMB19.1 million, RMB111.7 million and RMB339.5 million in 2020, 2021 and 2022, respectively. We believe such share-based awards are important to our ability to attract, retain and motivate our key individuals, and we may continue to grant share-based awards in the future. As a result, our share-based payment expenses may increase, which may adversely affect our results of operations and financial condition.

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

Our share of profits or losses of investments accounted for using the equity method is primarily related to our equity investment in our associates. As of December 31, 2022, the associates in which our investments accounted for using the equity method included Mairun and Guoqi. For details, see Note 18 to the Accountant’s Report in Appendix I to this Document. Our share of profits of investments accounted for using the equity method in 2020 amounted to RMB0.2 million, and our share of losses of investments accounted for using the equity method in 2021 and 2022 amounted to RMB0.7 million and RMB1.0 million, respectively. If the performance of the associates deteriorates, the amount of our share of results of associates may decrease, and we may record share of losses of investments in associates, which may adversely affect our results of operations and financial condition.

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

RISKS RELATING TO OUR GENERAL OPERATIONS

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

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

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

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

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

We have a limited operating history compared to some of our competitors. Our operations to date have focused on establishing our intellectual property portfolio and conducting R&D activities and the commercialization of our product and solution candidates. As of the Latest Practicable Date, certain of our products and solutions are still at various development stages. As a result of our limited operating history, and particularly in light of the rapidly evolving nature of our industries, it may make it difficult to evaluate our current business and reliably predict our future performance. Our historical results may not provide a meaningful basis for evaluating our business, results of operations, financial condition and prospects, and we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors, and may not be able to achieve promising results in future periods. If we cannot address these risks and overcome these difficulties successfully, our business and prospects will suffer.

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

Hiring and retaining key individuals, such as key management, technical staff, qualified executives, developers, engineers and sales representatives are critical to our business, in particular, to the R&D and commercialization of each of our products and solutions. The competition for highly skilled employees in our industries is increasingly intense. Changes in our management team would also disrupt our business. Our management and senior leadership team has significant industry experience, and their knowledge and relationships would be difficult to replace. See "Directors and Senior Management." Changes in our management team may occur from time to time, and we cannot predict whether significant resignations will occur or whether we will be able to recruit qualified personnel. In addition, changes in the interpretation and application of employment-related laws to our workforce practices may result in increased operating costs and less flexibility in how we meet our changing workforce needs. See "Regulatory Overview – Laws and Regulations on Employment and Social Welfare." To help attract, retain and motivate key individuals, employee incentives such as

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share incentive schemes have been, and will continue to be, an important part of our compensation. Our employee hiring and retention also depend on our ability to build and maintain a diverse and inclusive workplace culture and be viewed as an employer of choice. If our share-based or other compensation programs and workplace culture cease to be viewed as competitive, our ability to attract, retain, and motivate key individuals would be weakened, which would in turn materially and adversely affect our business, results of operations and financial condition.

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

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

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

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

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Our international strategy and ability to conduct business in international markets may be adversely affected by legal, regulatory, political and economic risks. Changes in international trade policies, including imposition of trade restrictions and sanctions, may adversely affect our reputation, business, results of operations and financial condition.

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

In addition, we may face operational issues that could materially and adversely affect our reputation, business, results of operations and financial condition, if we fail to address certain factors including, but not limited to, the following:

- difficulties in developing, staffing and simultaneously managing a foreign operation as a result of distance, language and cultural differences;
- challenges in formulating effective local sales and marketing strategies targeting users from various jurisdictions and cultures, who have a diverse range of preferences and demands;
- challenges in identifying appropriate local business partners and establishing and maintaining good working relationships with them;
- dependence on local platforms in marketing our international products and solutions overseas;
- challenges in selecting suitable geographical regions for international business;
- longer customer payment cycles;
- currency exchange rate fluctuations;
- political or social unrest or economic instability;
- protectionist or national security policies that restrict our ability to invest in or acquire companies, to develop, import or export certain technologies, or to utilize technologies that are deemed by local governmental regulators to pose a threat to their national security;
- compliance with applicable foreign laws and regulations and unexpected changes in laws or regulations, including compliance with privacy laws and data security laws, including the European Union General Data Protection Regulation, or GDPR, and compliance costs across different legal systems;

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- differing, complex and potentially adverse customs, import/export laws, tax rules and regulations or other trade barriers or restrictions which may be applicable to transactions conducted through our international and cross-border platforms, related compliance obligations and consequences of non-compliance, and any new developments in these areas; and
- increased costs associated with doing business in foreign jurisdictions.

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

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

Meanwhile, we are subject to the risk that we, our employees or any third parties that we engage to do work on our behalf in certain countries may take action determined to be in violation of anticorruption laws in any jurisdiction in which we conduct business, including the U.S. Foreign Corrupt Practices Act (“FCPA”). Any violation of the FCPA or any similar anti-corruption law or regulation could result in substantial fines, sanctions, civil and/or criminal penalties and curtailment of operations in certain jurisdictions and might adversely affect our reputation, business, results of operations and financial condition.

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In recent years, the United States has increased export controls restrictions on China through the Export Administration Regulations (the “**EAR**”), administered by the Bureau of Industry and Security of the U.S. Department of Commerce, which includes a list of foreign persons on which certain trade restrictions are imposed, including businesses, research institutions, government and private organizations, individuals and other types of legal persons (the “**Entity List**”). Where a foreign person is included on the Entity List, the export, re-export and/or transfer (in-country) of items which are subject to the EAR generally is prohibited unless the specified license requirements are met. If certain of our customers and suppliers are listed on the Entity List and subject to restrictions from sourcing or selling technologies, software, or products from/to us, there is no guarantee that we will be able to obtain as well as extend and maintain the requisite regulatory permits in relation to our transactions with these customers and suppliers, or that such permits will cover all our existing and potential transactions with such customers and suppliers. The aforementioned restrictions, and similar or more expansive restrictions or sanctions, including sanctions currently imposed or may be imposed in the future by the Office of Foreign Assets Control of the United States or other relevant authorities in other jurisdictions, may materially and adversely affect our customers’ and suppliers’ ability to acquire or use technologies, systems, software, devices or components that may be critical to their products, service offerings and business operations, which in turn may adversely affect our business, results of operations and financial condition.

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

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

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

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

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

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

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

Products and solutions within the industry, such as those we develop, may contain errors, defects, security vulnerabilities or software issues that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Despite internal testing, our products and solutions may contain serious errors or defects, security vulnerabilities or software issues which we are unable to successfully correct in a timely manner or at all, which could result in revenue loss, significant expenditures of capital, a delay or loss in market acceptance and damage to our reputation and brand, any of which could adversely affect our reputation, business, results of operations, and financial condition.

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

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

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

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

Our policy allows products with defects to be returned and exchanged by our customers within the warranty period. If we experience any deterioration in the quality of our products, we will incur higher costs associated with returns, exchanges and warranties. We may also be required by law to adopt new or amend existing return, exchange and warranty policies from time to time. While these policies improve customer experience and promote customer loyalty, which may in turn help us acquire and retain customer, they also subject us to additional costs and expenses which we may not recoup through increased revenue. We cannot assure you that our return, exchange and warranty policy will not be misused by our customers, which may significantly increase our costs and may materially and adversely affect our business and results of operations. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new users at a desirable pace, which may materially and adversely affect our results of operations.

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

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

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

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

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

In recent years, privacy and data protection has become an increasing regulatory focus of government authorities across the world. The PRC government has enacted a series of laws, regulations and governmental policies for the protection of personal data in the past few years. We are subject to a variety of laws and regulations relating to data security and privacy, as our business operations involve collection, use, storage, retention, transfer, disclosure and other processing of data, and procurement of data from third parties for training purpose. The interpretation and application of laws, regulations and standards relating to cybersecurity, data protection and privacy remain uncertain and are constantly changing, and these regulations are also affected by different interpretations or significant changes which leads to uncertainty

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about the scope of our responsibility in this regard. For instance, on June 10, 2021, the Standing Committee of the National People’s Congress promulgated the Data Security Law of the People’s Republic of China (《中華人民共和國數據安全法》) (the “Data Security Law,” effective since September 1, 2021). The Data Security Law sets out a number of obligations on data security and privacy undertaken by entities and individuals engaged in data-related activities. It also prohibits any individual or entity in China from providing data stored in China to foreign judicial or law enforcement departments without the approval of the competent authorities in China. Besides, the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》), which was promulgated by Cyberspace Administration of China on July 7, 2022 and became effective on September 1, 2022, stipulates the obligation that before applying for the security assessment of outbound data transfer, data processors shall conduct a self-assessment of the risks in the outbound data transfer. And on November 7, 2016, the Standing Committee of the National People’s Congress promulgated the Cybersecurity Law of the People’s Republic of China (《中華人民共和國網絡安全法》), effective since June 1, 2017), and pursuant to which, the state is to advance the development of a socialized service system for cybersecurity, and encourage related businesses and institutions to carry out cybersecurity services such as certification, testing and risk assessment. According to the Measures for Cybersecurity Review (《網絡安全審查辦法》), which was promulgated by the Cyberspace Administration of China, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance, the Ministry of Commerce, the People’s Bank of China, the State Administration for Market Regulation, the National Radio and Television Administration, the National Administration of State Secrets Protection, and the State Cryptography Administration on December 28, 2021 and became effective on February 15, 2022, entities meeting certain standards shall apply for a cybersecurity review. Meanwhile, the Network Data Security Management Regulations (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) and Several Provisions on the Management of Automobile Data Security (for Trial Implementation) (《汽車數據安全管理若干規定(試行)》) further provide rules on network data security and automobile data process. While we strive to comply with our privacy guidelines as well as all applicable data protection laws and regulations, any failure or perceived failure to comply may result in proceedings or actions against us by government entities or others, and could damage our reputation.

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

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

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

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

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

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

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

We may be involved in legal proceedings and commercial or contractual disputes in the ordinary course of our business. We cannot assure you that we will not be involved in various legal and other disputes in the future, which may expose us to additional risks and losses. In

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addition, we may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management’s attention from our core business. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may materially and adversely affect our reputation, business, results of operations, financial condition and prospects.

Our legal right to some leased properties may be challenged.

As of the Latest Practicable Date, we had not completed the filings for one of our lease agreements in China. Under the Measures for Administration of Lease of Commodity Properties (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on December 1, 2010 and became effective on February 1, 2011, both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. We may be required by relevant government authorities to file the lease agreement for registration within a time limit, and may be subject to a fine ranging from RMB1,000 to RMB10,000 for such non-registration exceeding such time limit. Further, as our leases expire, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could require us to close such offices. Our inability to enter into new leases or renew existing leases on terms acceptable to us could materially adversely affect our business, results of operations and financial condition.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

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

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

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

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

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

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

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

Judgments of courts of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty on that with China. Currently, China does not have treaties providing for the reciprocal enforcement of judgments in civil and commercial matters by courts with Japan, the United States, the United Kingdom or most other western countries. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition

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and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (the “Arrangement”), pursuant to which reciprocal recognition and enforcement of the judgment may be possible between these two jurisdictions provided that the judgment is rendered by a final court of these two jurisdictions and the parties has a expressly written choice of court. It may be difficult or impossible for you to enforce judgment between these jurisdictions if you have not agreed on sole jurisdiction with the other party. In addition, Hong Kong has no arrangement for reciprocal enforcement of judgments with the United States and certain other jurisdictions. As a result, you may encounter difficulty in enforcing foreign judgments against us or our Directors or senior management.

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

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

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

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

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

Our Company is incorporated in the Cayman Islands. We conduct our business through operating subsidiaries in China. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose “de facto management bodies” are located within China are considered “Chinese resident enterprises” and thus will generally be subject to an EIT at the rate of 25% on their global income. On April 22, 2009, the SAT released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》, “Circular 82”), as amended on December 29, 2017, which sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of China and controlled by Chinese enterprises or Chinese enterprise groups is located within China. Under Circular 82, a foreign enterprise controlled by a Chinese enterprise or Chinese enterprise group is considered a Chinese resident enterprise if all of the conditions apply.

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

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

Further, withholding tax at 10% will normally apply to dividends payable to investors that are non-Chinese resident enterprise by Chinese resident enterprise or on gain recognized by the non-Chinese investors with respect to the sale of shares of the Chinese resident enterprise as such dividend or gain is derived from sources within China. Chinese withholding tax at a 20% rate may apply to dividends paid to and any gain realized by non-resident individual shareholders. If we are deemed by the Chinese tax authorities as a Chinese resident enterprise for tax purpose in the future, the dividends to be distributed by the Company and the gain with

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respect to the sale of shares of the Company may be regarded as income from “sources within China” and be subject to Chinese income tax, unless such tax is reduced by an applicable income tax treaty between China and the jurisdiction of the non-Chinese investors. It is unclear whether non-Chinese Shareholders of our Company would be able to claim the benefits of any tax treaties between their country of tax residence and China and if we are required under the EIT Law to withhold Chinese income tax on our dividends payable to our Shareholders, or if our Shareholders are required to pay Chinese income tax on the transfer of the shares, the returns on our shareholders’ investment in our Shares will be reduced.

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

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

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

The Renminbi is not currently a freely convertible currency. We receive most of our payments from customers in Renminbi and may need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares. Under the Chinese existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from SAFE or its local

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branches by complying with certain procedural requirements. However, the Chinese government may take measures at its discretion in the future to restrict access to foreign currencies for current account transactions if foreign currencies become scarce in China. We may not be able to pay dividends in foreign currencies to our Shareholders if the Chinese government restricts access to foreign currencies for current account transactions. Foreign exchange transactions under our capital account continue to be subject to significant foreign exchange controls and require the approval of the SAFE or its local branches. These limitations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

Most of our revenue and costs are denominated in Renminbi. Any significant revaluation of the Renminbi may materially and adversely affect our results of operations, cash flows and financial condition. The exchange rate of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the Chinese government and changes in China and in international political and economic conditions. Since 1994, the conversion of the Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by the People’s Bank of China, which are set daily based on the previous business day’s interbank foreign exchange market rates and current exchange rates on the world financial markets. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policies goals.

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

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

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返

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程投資外匯管理有關問題的通知》，the “SAFE Circular 37”), which was promulgated by SAFE and replaced SAFE circular No. 75 and became effective on July 4, 2014, requires a Chinese individual resident (“Chinese Resident”) to register with the local SAFE branch before contributing legitimate onshore or offshore assets in an overseas Special Purpose Vehicles for the purpose of offshore equity financing or investment. They must also make filings with SAFE thereafter upon the occurrence of certain changes in the capital structure.

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

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

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

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》, the “SAFE Circular 7”), which replaced the earlier rules promulgated by the SAFE in March 2007. Under the SAFE Circular 7 and other relevant requirements and regulations, Chinese residents who participate in stock incentive plans in an overseas publicly listed company are required to register with the SAFE or other branches and complete certain other procedures. The Chinese resident participants of stock incentive plans are required to retain a qualified Chinese agent, which could be the Chinese subsidiary of such overseas listing public company or other qualified institutions selected by Chinese subsidiary) to register with the SAFE and complete other procedures on behalf of such participants for stock incentive plans. The participants must also retain an overseas entrusted institution to complete matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the Chinese agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the Chinese agent or the overseas entrusted institution or other material changes. Also, SAFE Circular 37 stipulates the Chinese residents who participate in a share incentive plan of an overseas non-publicly listed special purpose company may register with SAFE or its local branches before they exercise the share options. We and our Chinese employees who have been granted RSUs will be subject to these regulations. Failure of our Chinese share option holders or restricted shareholders to complete their SAFE registrations may subject these Chinese residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions may also limit our ability to contribute additional capital into our Chinese subsidiary, limit our Chinese subsidiary’s ability to distribute dividends to us, or otherwise materially adversely affect our businesses.

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

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

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

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

On February 3, 2015, the SAT promulgated the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“Circular 7”), which replaced certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Equity Transfers of Non-resident Enterprises (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (“Circular 698”). Circular 7 provided comprehensive guidelines relating to, and also heightened the Chinese tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a Chinese resident enterprise (the “Chinese Taxable Assets”). For example, Circular 7 stated that where a non-resident enterprise transfers Chinese Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such Chinese Taxable Assets, and such transfer is deemed for the purpose of avoiding EIT payment obligations and without any other bona fide commercial purpose, the transfer may be reclassified by the Chinese tax authorities as a direct transfer of Chinese Taxable Assets.

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

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RISKS RELATING TO THE [REDACTED]

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

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

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

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

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

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performances of and fluctuations in the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatilities in the price and trading volumes of our Shares. A number of China-based companies have listed their securities, and some are in the process of preparing for listing their

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securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards China-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

Since there will be a gap of several days between [REDACTED] and trading of our Shares, holders of our Shares are subject to the risk that the price 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 [REDACTED] on the Stock Exchange until several Hong Kong business days after the pricing date. 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 adverse market conditions or other adverse development which could occur between the time of sale and the time trading begin.

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

The [REDACTED] of the Shares is higher than the net tangible book value per Share immediately prior to the [REDACTED]. Therefore, purchases of the Shares in the [REDACTED] will experience an immediate dilution in [REDACTED] net tangible book value, and our existing Shareholders will receive an increase in the [REDACTED] adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our Shares may experience further dilution of their interests if the [REDACTED] exercise the [REDACTED] or if we obtain additional capital in the future through equity offerings.

We have significant discretion as to how we will use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

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

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Any future sales, or perceived sale, of a substantial amount of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future.

Future sales of a substantial amount of our Shares by our existing Shareholders, or the possibility of such sales, could adversely affect the market price of our Shares from time to time. See “[REDACTED]” for a more detailed discussion of restrictions that may apply to future sales of our Shares. In particular, if we cease being regarded as a Pre-Commercial Company after [REDACTED], the lock-up periods during which the relevant shareholders are subject to as set out in Rules 18C.13 to 18C.14 of the Listing Rules will expire on the later of: (1) the date on which such lock-up periods would have ended if we had applied for [REDACTED] as a Commercial Company; and (2) the date falling on the 30th day after the announcement on the removal of designation as a Pre-Commercial Company as required under Rule 18C.24 of the Listing Rules. After these restrictions lapse, the market price of our Shares may decline as a result of future sales of a substantial amount of our Shares or other securities relating to our Shares in the public market, the issuance of new Shares or other securities relating to our Shares, or the perceptions that such sales or issuances may occur. This could adversely affect the market price of our Shares and our ability to raise equity capital in the future.

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

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

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

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

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

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

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

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

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. We conduct most of our operations in China and most of our assets are located in China. In addition, a majority of our Directors and executive officers reside within China, and most of the assets of these persons are located within China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon these individuals, or to bring an action against us or against these individuals in Hong Kong in the event that you believe your rights have been infringed under the Hong Kong laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of the PRC may render you unable to enforce a judgment against our assets or the assets of our Directors and officers.

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

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

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

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

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

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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.

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

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