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Post Hearing Information Pack of

Mobvoi Inc.
出門問問有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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Mobvoi Inc.
出門問問有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**US$0.0000479889 per Share**
[REDACTED]	**:**	**[REDACTED]**

Joint Sponsors, **[REDACTED]**, **[REDACTED]**, **[REDACTED]** *and* **[REDACTED]**

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Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk Factors" in this document.

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IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the **[REDACTED]**.

There are risks associated with any investment. Some of the particular risks in investing in the **[REDACTED]** *are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* **[REDACTED]**.

WHO WE ARE

We provide AI-generated content (AIGC) solutions, AI enterprise solutions, smart devices and accessories with generative AI and voice interaction technologies at the core of our business.

According to the CIC Report, we ranked third in the field of AI voice technologies and natural language processing (NLP) software solution[(Note 1)] with a market share of 1.4% in China in terms of revenue recognized in 2022. On the other hand, in the rapid growing area of AIGC, we are one of the market players in Asia capable of self-building our large language model, "Sequence Monkey", which is equipped with multi-modal generative capability and has an ability to understand and generate humanized text, audios, images and videos. In 2022, we generated the largest amount of revenue from AIGC solutions among other market players in China[(Note 2)]. Furthermore, our revenue from Smart Devices and Other Accessories reached RMB197.3 million (or approximately USD28.1 million) in 2022, accounting for a market share of 0.02% of the global AI-empowered hardware solution market in terms of revenue.

We are a market player in the development of AI CoPilot in Asia through providing personalized AI assistants with voice interaction and content generation technologies to help users complete various tasks in work and life. Leveraging our voice interaction capability and our large language model with multi-modal generative capability, "Sequence Monkey", we are committed to providing AI CoPilot experience by integrating AI technology, innovative solution and commercialization capability through various software and hardware solutions to content creators, enterprises and consumers around the globe.

Notes:

1. In 2022, the AI voice and NLP software solution sub-market accounted for 37.5% of the AI software solution market, which accounted for 28.8% of China's AI market, both in terms of revenue.

2. In 2022, the size of China's AIGC market in terms of revenue was RMB0.4 billion, which accounted for 0.2% of China's AI market of the same year.

In 2020, we developed UCLAI, which has the ability to understand and generate text, and based on this, we introduced the upgraded version, "Sequence Monkey", in 2023. Compared with "UCLAI", "Sequence Monkey" has the ability to generate image, 3D content, speech and speech recognition in addition to text. Further, "Sequence Monkey" has the capability to train with more data and tackle more complex tasks than "UCLAI".

Before launching "Sequence Monkey", some of our AIGC solution matrix such as "Moyin Workshop", "Mozhuan Writing" and "Weta365" were built using exclusive algorithm models, each of which had its own modality and each modality has a distinct model for (i) speech recognition and synthesis, (ii) image recognition and generation, (iii) text understanding and generation, and (iv) digital avatar generation. In such cases, the maintenance of multiple models for each modality (for example, audio, images and text) incurred large amount of research and development expenses and the independence of models might affect the performance of subsequent tasks by a poor performing node in the pipeline. With the integration of Sequence Monkey into a multi-modal large language model in 2023, our research and development with regard to algorithms became more concentrated and cross-modal information loss due to consolidation within a single model has been largely reduced.

The below table summarizes the models or exclusive algorithm models used to develop the relevant AIGC solution matrix before and after the launching of "Sequence Monkey" and the advantages of utilizing "Sequence Monkey":

	AIGC solution matrix		
	Moyin Workshop	**Mozhuan Writing**	**Weta365**
Models used before the launching of "Sequence Monkey" in 2023	Exclusive algorithm models for (1) TTS and (2) ASR	UCLAI	Exclusive algorithm models for (1) TTS; (2) digital avatar generation; and (3) computer vision (CV)
Model used after the launching of "Sequence Monkey" in 2023	Sequence Monkey	Sequence Monkey	Sequence Monkey

	AIGC solution matrix		
	Moyin Workshop	**Mozhuan Writing**	**Weta365**
Benefits of utilizing "Sequence Monkey" over "UCLAI" or exclusive algorithm models . .	Prosody and naturalness of synthetic speech have been greatly improved. Content creators can now utilize AI writing (which was launched in May 2023) in the context of short videos (including editing and rewriting in different styles), making it more convenient to content creators.	More AI writing templates (such as slogans and adverts) are available for content creators and the quality and skills with regard to AI writing have been greatly improved.	Prosody and naturalness of synthetic speech have been greatly improved. Digital avatars will have more natural expressions and their mouth movements are more synchronized. Efficiency of video creation is enhanced. For example, avatar presentations can be generated simply based on a PowerPoint script.

During the Track Record Period in November 2023, we officially launched (i) "Qi Miao Wen" (an upgraded version of our "Mozhuan Writing") — an AI writing assistant within our AIGC solution matrix with an additional feature of interactive dialogue; and (ii) "AI Ask365"— a solution for targeting enterprise customers and creating AI-empowered digital personnel who can act autonomously based on prescribed scenarios. For details, please refer to the paragraphs headed "Business — Our Solutions — AI Software Solutions — "Qi Miao Wen" — Our AI writing assistant" and "Business — Our Solutions — AI Software Solutions — "AI Ask365" — Our AI-empowered digital personnel creator" in this document.

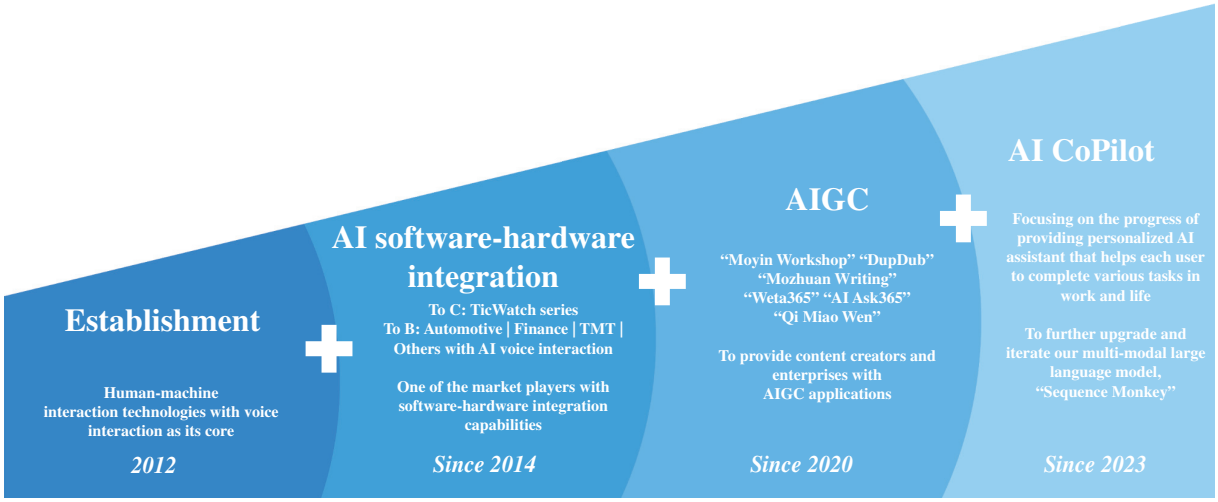
Since our Group was incorporated and up to the Latest Practicable Date, we had recorded more than 14 million users globally covering content creators, enterprises and consumers. For the years ended December 31, 2021, 2022 and 2023, we recorded 2.8 million, 4.6 million and 4.2 million[(Note 3)] users, respectively. Under content creators related scenarios, we are dedicated to providing high-quality AI voiceover solutions globally with our AI voiceover assistant, "Moyin Workshop" and our integrated AIGC solutions, "DupDub". We had recorded over nine million users for our AIGC solutions worldwide since 2020. For the years ended December 31, 2021, 2022 and 2023, we recorded approximately 1.5 million, 3.0 million and 4.0 million users on our AIGC platforms, respectively. Meanwhile, under enterprise-related scenarios, we have pre-installed our

Note:

3. Upon our disposal of Mobvoi JV in 2022, the tracking of the number of users of our in-vehicle speech dialogue system was discontinued.

automotive voice interaction solutions in more than two million vehicles since 2020. Under consumer-related scenarios, we have accumulated sales of more than one million pieces of our smart devices since 2020.

Our business segments consist of (i) AI Software Solutions, which comprise AIGC solutions and AI enterprise solutions; and (ii) Smart Devices and Other Accessories. We began to provide AIGC solutions in 2020, AI enterprise solutions in 2017 and Smart Devices and Other Accessories in 2015. We started to develop our AI CoPilot technology in 2023.



WHAT DO WE OFFER

AI Software Solutions

To content creators:

We are dedicated to empowering content creation by providing AIGC solutions around the world. As of the Latest Practicable Date, we had attracted approximately 840,000 cumulative paying users for our AIGC solutions and achieved over one million payments since the launch of the solutions. As of the Latest Practicable Date, we had built our AIGC solution matrix enabling content creators to achieve efficient content generation:

- *AI voiceover assistant:* "Moyin Workshop" — provides high-quality AI voiceover solutions, serving millions of users, especially video creators, worldwide as of the Latest Practicable Date.

- *AI writing assistant:* "Mozhuan Writing" and "Qi Miao Wen"[(Note 4)] — offer distinguished AI written content generation solutions.

- *AI avatar:* "Weta365" — provides AI video generation and virtual live streaming solutions.

- *Integrated solutions:* "DupDub" — provides high-quality AI voiceover solutions, distinguished AI written content generation solutions and AI Avatar generation.

To enterprises:

Leveraging our strong software-hardware integration capability and voice interaction technologies, we are able to customize AI Software Solutions for enterprises from automotive, finance, TMT and others such as healthcare and retail industries, for instance:

- *AI voice interaction solutions:* With comprehensive interaction as foundation, we offer humanized and intelligent AI voice interaction solutions to various industries including automotive and finance industry. Software solutions include voice-interacted in-car control which helps achieve phone call answering, navigation, weather checking, hotel booking functions, through default or personalized hot words, and AI anti-fraud solution to the enterprises we serve to prevent theft and falsification. Additionally, enterprise solutions may also be provided to enterprises with AI software-embedded hardware to further cater to the highly customized demand of the enterprises we serve.

- *Intelligent customer service solutions:* We apply intelligent voice interaction technologies into customer service scenarios to reduce costs and increase operating efficiency. For instance, our intelligent customer service solutions can perform AI customer service, make callbacks and provide humanoid responses.

During the Track Record Period, our revenue and financial performance were significantly contributed by the IP rights arrangement project with Automotive Sub A which commenced in October 2021 and from which we generated revenue of RMB3.2 million, RMB213.0 million and RMB138.8 million, accounting for 0.8%, 42.6% and 27.4% of our total revenue in 2021, 2022 and 2023, respectively. The said IP rights arrangement project was completed in June 2023.

Note:

4. After the launch of "Qi Miao Wen", content creators will gradually be guided from "Mozhuan Writing" to "Qi Miao Wen". As such, we anticipate that the number of subscriptions in relation to "Mozhuan Writing" will decrease whilst there would be an increase in the user subscription rate of "Qi Miao Wen", although there is no expected timeframe or any anticipated schedule for the replacement as of the Latest Practicable Date.

The accomplishment of the IP rights arrangement project with Automotive Sub A is a significant value-adding milestone for our Group to strengthen and expand such a profitable business model. It serves as a successful precedent for our Group to market our IP rights arrangement business, in particular, opens up the opportunity for us to cooperate with other companies from the automotive industry.

In January 2023, leveraging our expertise in the industry, we started our IP rights arrangements with a new automotive customer, namely, a technology development subsidiary of a PRC domestic automotive group. We provided IP rights and technologies to the said automotive customer, from which we generated revenue of RMB4.0 million in 2023. We completed in late 2023 our performance obligations under the IP rights arrangements, namely, delivering the deliverables that satisfied the requirements of this new automotive customer. In December 2023, we entered into another contract, with a contract sum of RMB1.2 million, to continue our cooperation with the same customer and the contract is expected to be substantially completed in 2024.

As of the Latest Practicable Date, our relationship with this new automotive customer was still at its early stage and continuous investment in research and development was required and expected. For this reason, we recorded a gross profit margin of 56% for the IP rights arrangements with this new automotive customer in 2023. For the year ending December 31, 2024, we do not expect the gross profit margin attributable to this new automotive customer to be as high as that achieved in the project with Automotive Sub A.

We expect to record a decrease in revenue, gross profit and gross profit margin for our AI enterprise solutions in 2024. The revenue contribution by this new automotive customer has been substantially smaller in terms of contract value compared to the project with Automotive Sub A, which was completed in 2023.

For details of the two series of IP rights arrangements, please refer to the paragraphs headed "Business — Our Solutions — AI Software Solutions — AI enterprise solutions IP rights arrangements with Automotive Sub A" and "Business — Our Solutions — AI Software Solutions — AI enterprise solutions — IP rights arrangements with a technology development subsidiary of a PRC domestic automotive group" in this document.

Smart Devices and Other Accessories

We have launched various smart devices, such as AI smart watch — TicWatch series, AI smart treadmill — Mobvoi Home Treadmill Incline. We have gradually applied advanced AI technology in three major human-machine interaction life scenarios of "wearable, automotive and smart homes" through software-hardware integrated devices. Our relevant smart devices can be interconnected by our personal virtual assistant — "Xiaowen":

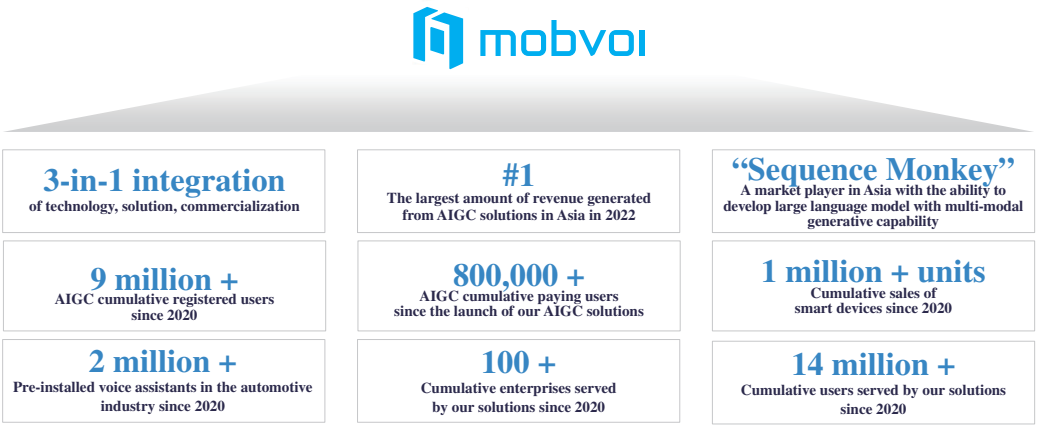
- ***User experience***: Our TicWatch series have been highly recognized with numerous international awards.

- ***Strategic cooperation***: We have established in-depth strategic cooperation with a world-leading multinational technology company focusing on search engine technology and a multinational technology corporation that creates semiconductors, software, and services related to wireless technology. Benefiting from the long-term cooperation on multiple projects, we have effectively improved our technological and solution capabilities. As a result, we have developed and maintained a pre-eminent research and development team.

- ***Design and algorithms***: Our sport, health algorithms and sensors feed the human-machine interaction to the relative technology modules to achieve constant optimization and efficient iteration. Our iconic "dual-screen and dual-system" design resolves the two major pain points of smart watches: low battery life and low visibility under high bright outdoor conditions.

We typically purchase raw materials, key hardware components and customized parts from suppliers and outsource the assembly of our in-house designed products to our contract manufacturers.

The following graph sets forth our operating highlights as of the Latest Practicable Date:



OUR STRENGTHS

We believe the following competitive advantages have contributed to our success and differentiated us from our competitors, and will continue to drive our growth in the future:

- Strong large language model capabilities and vertical module technologies;
- Well-established solution matrix of AI-empowered, voice-enabled, end-to-end and software-hardware integrated solutions to serve diverse customer groups;
- Solid commercialization capabilities of our AI technologies and user-in-the-loop ecosystem;
- Well-positioned business exposure with international vision; and
- Visionary management team and innovative corporate culture.

For details, please refer to the paragraph headed "Business — Our strengths" in this document.

OUR STRATEGIES

To achieve our mission and further solidify our market position, we intend to pursue the following strategies:

- Continuously improve and enrich our solution matrix;
- Continuous investment in research and development and optimize capabilities of our large language model with multi-modal generative capability, "Sequence Monkey";
- Further strengthening our commercialization capabilities;
- Expand our international reach; and
- Pursue strategic cooperation, investments and acquisitions.

For details, please refer to the paragraph headed "Business — Our strategies" in this document.

OUR CUSTOMERS AND SUPPLIERS

Our customers

Our customers primarily consist of (i) content creators who purchase our AIGC solutions; (ii) enterprises to whom we sell our AI enterprise solutions; (iii) consumers who purchase our Smart Devices and Other Accessories; and (iv) online and offline distributors to whom we sell our Smart Devices and Other Accessories. For each of the years ended December 31, 2021, 2022 and 2023, our revenue generated from our five largest customers accounted for 37.0%, 62.8% and 49.9% of our revenue, respectively, while our revenue generated from our largest customer for each of the years ended December 31, 2021, 2022 and 2023, accounted for 24.1%, 42.6% and 27.4% of our revenue, respectively. For details, please refer to the paragraph headed "Business — Our customers" in this document.

Our suppliers

Our suppliers primarily consist of suppliers of hardware components and raw materials, contract manufacturers, providers of cloud services and servers, suppliers of data sources, and service providers of warehouse and logistic services. Our major suppliers are mostly situated in China. For each of the years ended December 31, 2021, 2022 and 2023, our purchases from our top five suppliers accounted for 32.7%, 24.3% and 20.3% of our costs of sales, respectively while our purchase from our largest supplier accounted for 11.4%, 9.7% and 5.7%, respectively, of our costs of sales for the same years. For details, please refer to the paragraph headed "Business — Our suppliers" in this document.

RISK FACTORS

Our business and the **[REDACTED]** involve certain risks as set out in "Risk Factors" in this document. You should read that section in its entirety carefully before you decide to invest in our Shares. The following is a non-exhaustive list of some of the major risks we face:

- The competitiveness of our solutions is based on our research and development capabilities. If we fail to continuously develop and upgrade our solutions with technological innovation, we may not be able to retain existing customers, attract new customers or maintain our market position in the industry.

- We face fierce competition in the AI industry; in particular, certain leading technology companies have signalled their intention on price competition for gaining share in the AIGC market. If we do not compete effectively, we may suffer from a loss of customers and our business, results of operations, financial conditions or business prospects could be materially and adversely affected as a result.

- Any actual or perceived misuse of AI technologies committed by us or by other third parties intentionally or inadvertently, could materially and adversely affect our business, results of operations, financial conditions and business prospects.

- We may be subject to complex and evolving laws and regulations in China. Any failure to comply with the evolving PRC laws and regulations relating to AIGC services, data security, privacy and personal information protection may subject us to legal or administrative proceedings, which may materially and adversely affect our reputation and business operations.

- We have been and will continue investing in research and development, which may adversely affect our profitability and operating cash flow in the short term and may not generate the results we expect to achieve.

- The continuous and collaborative efforts of our senior management and key employees are crucial to our success, and our business may be harmed if we lose their services.

For details, please refer to the paragraph headed "Risk Factors" in this document.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We are applying for the **[REDACTED]** under Rule 8.05(3) of the Listing Rules and satisfy the **[REDACTED]**/revenue test, among other things, with reference to (i) our revenue for the financial year ended December 31, 2023, being RMB507.1 million, which is over HK$500 million as required by Rule 8.05(3) of the Listing Rules; and (ii) our expected **[REDACTED]** at the time of the **[REDACTED]**, which, based on the low-end of the indicative **[REDACTED]** range of **[REDACTED]** per **[REDACTED]**, exceeds HK$4 billion as required by Rule 8.05(3) of the Listing Rules.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table sets out a summary of our results of operations for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Continuing operations			
Revenue	397,914	500,194	507,060
Cost of sales	(248,718)	(164,043)	(180,981)
Gross Profit	149,196	336,151	326,079
Research and development expenses	(91,505)	(118,663)	(154,746)
Selling and marketing expenses	(105,938)	(97,120)	(150,711)
Administrative expenses	(48,701)	(55,169)	(88,987)
Other incomes and losses, net	35,650	7,584	24,708
Impairment losses recognized on trade receivables	(461)	(1,195)	(3,885)
(Loss)/profit from operations	(61,759)	71,588	(47,542)
Finance costs	(1,008)	(1,003)	(253)
Share of losses of a joint venture	(18,567)	(9,362)	—
Gain on disposal of interest in a joint venture/a subsidiary	—	28,999	773
Changes in fair value of financial assets	—	1,179	—
Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares	(98,893)	(775,084)	(753,785)
Loss before taxation from continuing operations	(180,227)	(683,683)	(800,807)
Income tax	(1,753)	(1,296)	(1,795)
Loss for the year from continuing operations	(181,980)	(684,979)	(802,602)
Discontinued operations			
(Loss)/profit for the year from discontinued operations	(94,316)	15,174	—
Loss for the year	(276,296)	(669,805)	(802,602)
Other comprehensive income for the year (after tax):			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements	35,877	(195,647)	(38,803)
Item that may be reclassified subsequently to profit or loss:			
Changes in the fair value of financial assets measured at fair value through other comprehensive income	—	—	1,783
Exchange differences on translation of financial statements of overseas subsidiaries	35,272	(120,100)	(27,821)
Other comprehensive income for the year	71,149	(315,747)	(64,841)
Total comprehensive income for the year attributable to equity shareholders of the Company	(205,147)	(985,552)	(867,443)

NON-IFRS MEASURE

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net (loss)/profit (non-IFRS measure) as additional financial measure, which are not required by, or presented in accordance with, IFRS. We believe that this non-IFRS

measure facilitates comparisons of operating performance from period to period and company to company and provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net (loss)/profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial conditions as reported under IFRS.

We define "adjusted net (loss)/profit" (non-IFRS measure) as loss for the year from continuing operations excluding changes in the carrying amount of contingently redeemable preferred shares and ordinary shares, share-based compensation and **[REDACTED]** expenses. We have made adjustments to the following items consistently during the Track Record Period:

- Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares, which are affected primarily by the changes in the redemption price of the preferred shares and ordinary shares. We do not expect to record such changes in the future as our contingently redeemable preferred shares and ordinary shares will be automatically converted into equity upon completion of the **[REDACTED]**;

- Share-based compensation, which represents the non-cash employee benefit expenses incurred. It relates to the share rewards we offered to our employees under the **[REDACTED]** Share Option Scheme, which is a non-cash expense; and

- **[REDACTED]** expenses relating to the **[REDACTED]**.

The following table sets out a reconciliation of our non-IFRS financial measure for the years indicated:

	For the year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Loss for the year from continuing operations	**(181,980)**	**(684,979)**	**(802,602)**
Adjusted for:			
Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares	98,893	775,084	753,785
Share-based compensation	9,648	17,322	41,698
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net (loss)/profit (non-IFRS measure)	(73,439)	108,891	17,535

Revenue

The following table sets out a breakdown of our revenues by segments for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
AI Software Solutions	59,519	15.0	302,888	60.6	343,247	67.7
— AIGC solutions	6,822	1.7	39,857	8.0	117,605	23.2
— AI enterprise solutions	52,697	13.3	263,031	52.6	225,642	44.5
Smart Devices and Other Accessories	338,395	85.0	197,306	39.4	163,813	32.3
Total	**397,914**	**100.0**	**500,194**	**100.0**	**507,060**	**100.0**

Our revenue grew rapidly from RMB397.9 million in 2021 to RMB500.2 million in 2022, and further to RMB507.1 million in 2023. Such increase was generally in line with the growth in AI Software Solutions contributed by (i) the increase in revenue from AIGC solutions due to the increase in paying users for our AIGC solutions; and (ii) the increase in revenue from AI enterprise solutions primarily due to the IP rights arrangements with Automotive Sub A for sharing certain copyrights, patents and know-how matters in relation to backend technology for automotive speech dialogue system, which was partially offset by the decrease in revenue from Smart Devices and Other Accessories affected by the delay in launching of new flagship products. The delay in the launch of new flagship products was primarily caused by the pandemic prevention policies under which transport of the testing machines used for the co-development projects among us, Semiconductor Corporation A and Technology Corporation A were hindered. In addition, the travel restrictions had restricted our physical interactions with Semiconductor Corporation A's experts and Technology Corporation A's technical staff. The growth in our revenue from RMB500.2 million in 2022 to RMB507.1 million in 2023 was relatively modest, primarily due to the increase in revenue from our AIGC solutions due to an increase in the number of paying users of our AIGC solutions, partially offset by (i) the decrease in revenue from the IP rights arrangements with Automotive Sub A leading to a decrease in revenue from our AI enterprise solutions; and (ii) the decrease in revenue from our Smart Devices and Other Accessories considering most of the products sold during the first half of 2023 were old models, which entered into the later stage of product life cycle. For details, please refer to the paragraph headed "Financial Information — Description of major components of our results of operations — Revenue" in this document.

The following table sets forth our revenue by geographical locations of end customers for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Mainland China	97,191	24.4	290,944	58.2	328,512	64.8
United States	73,683	18.5	55,372	11.1	34,600	6.8
United Kingdom	24,232	6.1	22,430	4.5	15,984	3.2
Italy	50,458	12.7	23,756	4.7	13,754	2.7
Spain	15,047	3.8	11,556	2.3	8,326	1.6
Germany	25,586	6.4	6,417	1.3	33,189	6.5
Japan	14,961	3.8	19,781	4	13,802	2.7
Brazil	7,222	1.8	15,972	3.2	18,435	3.6
Other countries or regions	89,534	22.5	53,966	10.7	40,458	8.1
Total	**397,914**	**100.0**	**500,194**	**100.0**	**507,060**	**100.0**

Our revenue from Mainland China amounted to RMB97.2 million, RMB290.9 million and RMB328.5 million for the years ended December 31, 2021, 2022 and 2023, respectively, representing 24.4%, 58.2% and 64.8% for the same years. The overall increase in our revenue from Mainland China as a percentage of our total revenue was due to (i) the continuous increase in revenue from our AIGC solutions since its introduction in 2020 from which more than 99% of our revenue was generated in Mainland China; and (ii) the IP rights arrangements with Automotive Sub A, which commenced in 2021. Automotive Sub A was our largest customer in 2022 and 2023, from whom we generated revenue of RMB3.2 million, RMB213.0 million and RMB138.8 million, accounting for 0.8%, 42.6% and 27.4% of our total revenue in 2021, 2022 and 2023, respectively. For details, please refer to the paragraph headed "Business — Our Solutions" in this document.

Cost of sales

Our cost of sales primarily consists of cost of inventories, fulfillment related expenses and staff costs. The following table sets forth our cost of sales by nature for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Cost of inventories	184,821	74.3	121,567	74.1	121,258	67.0
Fulfillment related expenses	36,787	14.8	21,608	13.2	15,563	8.6
Staff costs	10,499	4.2	4,297	2.6	11,643	6.4
Impairment losses and obsolete inventories	11,219	4.5	9,630	5.8	21,974	12.2
Technical service fees	4,993	2.0	6,854	4.2	10,476	5.8
Others *(note)*	399	0.2	87	0.1	67	0.0
Total	**248,718**	**100.0**	**164,043**	**100.0**	**180,981**	**100.0**

Note: Others mainly include outsourcing development fee and office expenses.

In 2021, 2022 and 2023, our cost of sales amounted to RMB248.7 million, RMB164.0 million and RMB181.0 million, respectively, primarily due to the fluctuation in cost of inventories and fulfillment related expenses which is generally in line with the fluctuation in our revenue from Smart Devices and Other Accessories and AI enterprise solutions. Our impairment losses and obsolete inventories remained relative stable for the years ended December 31, 2021 and 2022. It increased by 128.2% from RMB9.6 million for the year ended December 31, 2022 to RMB22.0 million for the year ended December 31, 2023, primarily due to (i) the longer time interval between the launch of new flagship products which resulted in a decline in the value of older models at the later stages of their life cycle; and (ii) the introduction of new products in May 2023 which further reduced the competitiveness of older models. Our staff costs increased by 1.7 times from RMB4.3 million in 2022 to RMB11.6 million in 2023, primarily attributable to the staff costs in connection with our AI enterprise solutions.

Research and development expenses

We incurred research and development expenses of RMB91.5 million, RMB118.7 million and RMB154.7 million for the years ended December 31, 2021, 2022 and 2023, respectively, in (i) developing and upgrading our content creator platforms and adopting different languages in our AIGC solutions; (ii) iterating and optimizing our AI enterprise solutions, including upgrade of automotive AI assistant and upgrade of bank intelligent customer services with dialogue; and (iii) equipping our Smart Devices and Other Accessories with AI CoPilot technologies and developing our human-machine interaction model.

Our research and development expenses increased from RMB91.5 million in 2021 to RMB118.7 million in 2022, and further to RMB154.7 million in 2023, primarily due to the increase in number of staff in research and development function in relation to our solutions and the increase in technical service fees for the development of our large language model which are in line with our Group's strategies to enrich our solution matrix and optimize capabilities of our "Sequence Monkey", a large language model with multi-modal generative capability. For details, please refer to the paragraph headed "Financial Information — Description of major components of our results of operations — Research and development expenses" in this document.

Selling and marketing expenses

Our selling and marketing expenses decreased from RMB105.9 million in 2021 to RMB97.1 million in 2022 primarily due to the absence of the launch of a new flagship product in Smart Devices and Other Accessories in 2022, resulting in a reduction in promotion and advertising expenses. The selling and marketing expenses increased from RMB97.1 million in 2022 to RMB150.7 million in 2023, primarily due to (i) the increase in channel fees in connection with our AIGC platforms resulting from a higher rate of conversion into paying users and a higher average acquisition cost per paying user; and (ii) the increase of user traffic to our AIGC platforms during 2023. For details, please refer to the paragraph headed "Financial Information — Description of major components of our results of operations — selling and marketing expenses" in this document.

Summary of consolidated statements of financial position

The following table sets out a summary of our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	228,265	14,912	10,927
Total current assets	378,191	404,582	396,213
Total non-current liabilities	9,574	2,743	20,051
Total current liabilities	3,519,930	3,721,347	4,517,430
Net current liabilities	3,141,739	3,316,765	4,121,217
Net liabilities	2,923,048	3,304,596	4,130,341
Total equity	(2,923,048)	(3,304,596)	(4,130,341)

The following table sets out details of our current assets and liabilities as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Inventories	123,944	94,918	66,734
Trade receivables	45,464	40,024	57,981
Prepayments, deposits and other receivables	48,237	34,368	44,484
Financial assets measured at fair value through profit or loss	7,707	124,119	34,844
Financial assets measured at fair value through other comprehensive income	—	—	47,066
Time and restricted deposits	21,081	70,903	780
Cash and cash equivalents	131,758	40,250	144,324
	378,191	404,582	396,213
Current liabilities			
Trade payables	29,535	17,694	24,552
Other payables and accruals	54,387	54,224	63,312
Contract liabilities	151,842	60,873	53,131
Bank loans	20,000	20,000	—
Lease liabilities	6,336	6,831	3,148
Contingently redeemable preferred shares and ordinary shares	3,240,626	3,536,115	4,353,833
Current taxation	1,781	1,343	975
Warranty provisions	15,423	16,467	18,479
Deferred income	—	7,800	—
	3,519,930	3,721,347	4,517,430
Net current liabilities	**(3,141,739)**	**(3,316,765)**	**(4,121,217)**

We recorded net current liabilities of RMB3,141.7 million, RMB3,316.8 million and RMB4,121.2 million as of December 31, 2021, 2022 and 2023, primarily consisting of contingently redeemable preferred shares and ordinary shares.

Our redeemable preferred shares and ordinary shares issued will be re-designated from liabilities to equity as a result of their automatic conversion into ordinary shares and our position of net liabilities would turn into net assets upon the **[REDACTED]**.

Our contract liabilities decreased from RMB151.8 million as of December 31, 2021 to RMB60.9 million as of December 31, 2022, primarily due to receipt of the first payment from Automotive Sub A in late 2021 pursuant to the terms of our IP rights arrangements with Automotive Sub A, and a portion of such payment related to certain performance obligations of our Group under the IP rights arrangements that were not yet satisfied as of December 31, 2021. This portion was recognized as revenue in 2022 upon receiving confirmation from Automotive Sub A regarding the satisfaction of the backend test on the know-how passed by our Group to Automotive Sub A. According to our revenue recognition policy which complies with IFRS 15 "Revenue from Contracts with Customers", revenue for our IP rights arrangements with Automotive Sub A was recognized when Automotive Sub A accepted the related deliverables, i.e. when our Group satisfied the related performance obligations by transferring the control of the deliverables to Automotive Sub A. Our contract liabilities increased to RMB72.9 million as of December 31, 2023, of which the non-current portion amounted to RMB19.7 million, primarily due to an increase in the number of paying users on our AIGC platforms, partially offset by the complete realization of revenue from Mobvoi JV upon completion of our performance obligations in 2023.

For details of our discussion of our financial position, please refer to the paragraph headed "Financial Information — Discussion of certain key consolidated statements of financial position items" in this document.

Summary of consolidated statements of cash flows

	For the year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Operating cash flows before movement in working capital	(70,654)	109,971	30,688
Changes in working capital	33,457	(35,867)	(133)
Tax paid	(41)	(1,669)	(2,163)
Net cash (used in)/generated from operating activities	(37,238)	72,435	28,392
Net cash (used in)/generated from investing activities	(21,889)	(40,447)	108,835
Net cash used in financing activities	(22,116)	(125,737)	(28,984)
Net (decrease)/increase in cash and cash equivalents	(81,243)	(93,749)	108,243
Cash and cash equivalents as of January 1	215,342	131,758	40,250
Effect of foreign exchange rate changes	(2,341)	2,241	(4,169)
Cash and cash equivalents as of December 31	131,758	40,250	144,324

For details, please refer to the paragraph headed "Financial Information — Liquidity and capital resources — Cash flow" in this document.

Key financial ratios

	For the year ended December 31,		
	2021	2022	2023
Revenue growth	50.4%	25.7%	1.4%
Gross profit growth	87.3%	125.3%	(3.0)%
Gross profit margin [(1)]	37.5%	67.2%	64.3%
Adjusted net (loss)/profit margin (non-IFRS measure) [(2)]	(18.4)%	21.8%	3.5%
Return on total asset [(3)]	(45.6)%	(159.7)%	(197.1)%
Current ratio [(4)]	0.11	0.11	0.09

Notes:

(1) Gross profit margin equals gross profit divided by revenue for the year and multiplied by 100%.

(2) Adjusted net (loss)/profit margin (non-IFRS measure) equals adjusted net (loss)/profit (non-IFRS measure) divided by revenue for the year and multiplied by 100%.

(3) Return on total assets is calculated by the loss for the year divided by the total assets as at the respective year end and multiplied by 100%.

(4) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year end.

For details, please refer to the paragraph headed "Financial Information — Year-to-year comparison of results of operations" in this document for discussion of the factors affecting our results of operations during the respective years.

Primarily attributable to our historical investment in research and development of our technologies and our talents as well as our selling and marketing expenses incurred, we recorded an adjusted net loss (non-IFRS measure) and a net operating cash outflow in 2021. Due to the increase in our revenue from AI enterprise solutions and AIGC solutions, as well as improvements in the overall gross profit margin, we recorded adjusted net profits (non-IFRS measure) and net operating cash inflows in 2022 and 2023. In addition, we recorded accumulated losses of RMB1,896.2 million, RMB2,566.0 million and RMB3,368.7 million as of December 31, 2021, 2022 and 2023, respectively. Our accumulated losses as of these dates were attributable primarily to our losses incurred in the past resulting from our investment in research and development and the changes in the carrying amount of contingently redeemable preferred shares and ordinary shares.

We had net liabilities of RMB2,923.0 million, RMB3,304.6 million and RMB4,130.3 million as of December 31, 2021, 2022 and 2023, respectively. Our net liabilities positions as of December 31, 2021, 2022 and 2023 were primarily attributable to the contingently redeemable preferred shares and ordinary shares of RMB3,240.6 million, RMB3,536.1 million and RMB4,353.8 million, respectively. Our redeemable preferred shares and ordinary shares issued will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares and our

position of net liabilities would turn into net assets upon the **[REDACTED]**. For details, please refer to the Consolidated Statements of Changes in Equity included the Accountants' Report in Appendix I to this document.

The following table sets forth our gross profit and gross profit margin, by segments for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	Gross Profit RMB'000	*Gross Profit Margin %*	*Gross Profit RMB'000*	*Gross Profit Margin %*	*Gross Profit RMB'000*	*Gross Profit Margin %*
AI Software Solutions	37,351	62.8	284,148	93.8	290,901	84.7
— AIGC solutions	4,695	68.8	35,094	88.0	108,384	92.2
— AI enterprise solutions	32,656	62.0	249,054	94.7	182,517	80.9
Smart Devices and Other Accessories	111,845	33.1	52,003	26.4	35,178	21.5
Total	**149,196**	**37.5**	**336,151**	**67.2**	**326,079**	**64.3**

In 2021 and 2022, our gross profit amounted to RMB149.2 million and RMB336.2 million, corresponding to our gross profit margin of 37.5% and 67.2%, respectively, primarily attributable to (i) our IP rights arrangements with Automotive Sub A which generated relatively high gross profit margin; (ii) the continuous increase in our revenue from AIGC solutions, which in general generated relatively high gross profit margin, since the segment was in place in 2020; and (iii) the increase in the number of paying users subscribing for our AIGC solutions driven by our enhanced solution matrix in 2021 and 2022, offset by the decrease in gross profit of our Smart Devices and Other Accessories since 2021 due to the delay in the launch of TicWatch Pro 5 which led to price decline of older models and an increase in impairment losses and obsolete inventories. Our gross profit decreased by 3.0% from RMB336.2 million in 2022 to RMB326.1 million in 2023, and our gross profit margin decreased from 67.2% to 64.3% for the same years, primarily due to the decrease in revenue from our IP rights arrangements with Automotive Sub A which generated relatively high gross profit margin and the decrease in gross profit of our Smart Devices and Other Accessories, partially offset by the increase in revenue from our AIGC solutions. Our gross profit margin of Smart Devices and Other Accessories decreased from 33.1% in 2021 to 26.4% in 2022 and further to 21.5% in 2023, primarily due to the COVID-19 pandemic which lengthened the time required to develop the new flagship TicWatch Pro 5 after the launch of TicWatch Pro 3 in 2020, and thus continuously increased the sales discount, impairment losses and obsolete inventories since 2022. For details of our Group's business sustainability, please refer to the paragraph headed "Business — Business Sustainability" in this document.

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has curtailed the movement of people, goods and services, causing an impact on general economic conditions, including but not limited to the temporary closures of many businesses and reduced consumer spending.

During the COVID-19 pandemic, our business operations had been affected to a certain extent. Our shipment was affected as a result of (i) the decrease in consumers' spending as a whole; and (ii) interrupted delivery schedules for some of our Smart Devices and Other Accessories. Normally, it takes on average two and eight days, respectively, from the receipt of customer orders to the delivery of our Smart Devices and Other Accessories domestically and internationally. With the spread of COVID-19 during the Track Record Period, on average 10 and 49 days, respectively, were needed before we were able to deliver our products domestically and internationally. At the same time, due to transportation disruptions and pandemic prevention policies, the solution developing and launching schedules with our business partners were delayed. For example, the revenue attributable to our Smart Devices and Other Accessories dropped from RMB338.4 million for the year ended December 31, 2021 to RMB197.3 million for the year ended December 31, 2022 due to a delay in launching our new flagship products. Regarding our business of AI enterprise solutions business, the implementation of part of our scheduled activities and the provision of technical support were suspended. Both our delivery schedule for Smart Devices and Other Accessories and deployment of AI enterprise solutions returned to normal in January 2023 following the global economic recovery. Apart from the above-mentioned impacts, our scheduled business plans, on-site meetings and commercial cooperations were also temporarily affected.

As of the Latest Practicable Date, however, COVID-19 did not impose any material adverse impact on our research and development, daily operation, supply chain and regulatory affairs. We have promptly taken various measures to mitigate the impact of the COVID-19 pandemic on our business operations, such as (i) organizing our employees to work remotely and closely monitoring their health and wellness status; (ii) providing necessities to our employees to accommodate their living needs; (iii) designating separate venues for quarantine purposes; and (iv) conducting routine sanitization and requiring regular negative COVID-19 PCR test result to prevent the resurgence. Given that the PRC government has substantially lifted its COVID-19 prevention and control policies since December 2022, our Directors are of the view that it is unlikely that the COVID-19 pandemic will have a material adverse impact on our business going forward.

Based on the above, our Directors are of view that that the COVID-19 pandemic did not have any material adverse impact on our overall business, financial conditions and results of operations during the Track Record Period and up to the Latest Practicable Date. For details of the risks relating to pandemics and epidemics, please refer to the paragraph headed "Risk Factors — Risks relating to our business and industry — Pandemics and epidemics, natural disasters, terrorist activities, political unrest, and other force majeure events may disrupt our business operations, which could materially and adversely affect our business, results of operations, financial conditions and business prospects" in this document.

BUSINESS SUSTAINABILITY

We have experienced robust business growth during the Track Record Period. As we have been focusing on expanding our business scale via investing in our AI technologies and commercializing such technologies into a portfolio of products and services, rather than seeking immediate financial returns or profitability, we laid a solid foundation for long-term sustainability. Benefiting from the solid foundation we have built and the momentum we have achieved, our

Directors believe we are able to maintain sustainability and growth of our business. Going forward, we plan to achieve profitability primarily with the following robust measures and basis: (i) expanding our business scale by continuous development in all segments; (ii) enhancing our technology capacity and improving our offerings' overall competitive strength; (iii) geographical expansion; and (iv) maintaining our cost structure leveraging our continuous research and development efforts and enhancing our operational efficiency. Please refer to the paragraph headed "Business — Business Sustainability" in this document.

RECENT REGULATORY DEVELOPMENTS RELATING TO AIGC SERVICES

On July 10, 2023, the CAC together with the National Development and Reform Commission, the Ministry of Education, the Ministry of Science and Technology, the Ministry of Industry and Information Technology, the Ministry of Public Security and the National Radio and Television Administration published the Interim Measures for the Administration of AIGC Services (《生成式人工智能服務管理暫行辦法》) ("**Interim Measures for the Administration of AIGC Services**"), which came into effect on August 15, 2023.

The above measures apply to the utilization of generative AI technology to provide services that generate any text, images, audios, videos or other content to the public within the territory of the PRC. We are subject to the provision of the Interim Measures for the Administration of AIGC Services.

Pursuant to the Interim Measures for the Administration of AIGC Services, we shall (i) comply with legal requirements, respect social morality and public order; (ii) carry out training-data processing activities such as pre-training and optimized training according to the applicable laws; (iii) take effective measures to improve the quality, authenticity, accuracy, objectivity and diversity of training data; (iv) assume responsibility as a producer of online information content and a processor of personal information pursuant to applicable laws; and (v) perform security assessment and algorithm filing.

We have proactively taken measures to ensure our compliance with Interim Measures for the Administration of AIGC Services. For details, please refer to the paragraph headed "Regulatory Overview — Government Policies Related to AI Industry" in this document.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Save as otherwise disclosed below, our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2023, being the latest date of our consolidated financial statements as set out in Appendix I to this document, and there is no event since December 31, 2023 that would materially affect the information as set out in the Accountants' Report included in Appendix I to this document.

In May 2023, we successfully launched our latest flagship TicWatch series, TicWatch Pro 5. For the one month ended January 31, 2024, a total of approximately 2,400 units of TicWatch Pro 5 were sold, with an average selling price of RMB653.

For the one month ended January 31, 2024, we had paying users of approximately 46,000. Further, we have two pipeline AIGC solutions, "Yan Zhi Hua (言之畫)", which is an AI painting assistant capable of performing text-to-image, image-to-image and image-to-text functions; and "Yuan365 (元創島)", which is an AI video transformer capable of producing original short videos with just one click. "Yuan365 (元創島)" streamlines the content creation process, allowing content creators to quickly transform their ideas into revenue-generating videos with minimal effort and enhanced creativity. As of the Latest Practicable Date, both our "Yan Zhi Hua (言之畫)" and "Yuan365 (元創島)" were still at the testing stage and was subject to regulatory approvals and had not generated any revenue.

We expect to record a net loss in 2024, primarily due to a change in the carrying amount of contingently redeemable preferred shares and ordinary shares for the same year. We anticipate our revenue from AIGC solutions will continue to grow at a relatively high rate in 2024. Meanwhile, we expect our research and development expenses and selling and marketing expenses will remain at a similar percentage of revenue, aiming at enhancing and consolidating our technological advantage in our large language models and rapidly expanding the visibility of our AIGC solutions and capturing market share in the short term.

Additionally, we anticipate we will continue to increase spending on research and development and selling and marketing in accordance with our strategy of solution upgrades and commercialization. However, we cannot assure you that our resources allocated to research and development will generate positive effect on our profitability, or at all, as research and development activities are inherently uncertain. For details of the risks of research and development, please refer to the paragraph headed "Risk Factors — We have been and will continue investing in research and development, which may adversely affect our profitability and operating cash flow in the short term and may not generate the results we expect to achieve" in this document.

LEGAL PROCEEDINGS AND COMPLIANCE

As of the Latest Practicable Date, none of the legal, arbitral or administrative proceedings to which we were a party, individually or in aggregate, would have a material and adverse effect on our business, financial conditions or results of operations, and we were not aware of any potential or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material and adverse effect on our business, financial conditions and results of operations. During the Track Record Period, we were involved in non-compliance incidents in relation to the contribution to employees' social insurance and housing provident funds and labor dispatch in the PRC. For further details, please refer to the paragraph headed "Business — Legal proceedings and compliance — Non-compliance incidents" in this document.

[REDACTED] STATISTICS

	Based on the minimum indicative [REDACTED] of HK$[REDACTED] per [REDACTED]	Based on the maximum indicative [REDACTED] of HK$[REDACTED] per [REDACTED]
Number of **[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Number of **[REDACTED]**	**[REDACTED]**	**[REDACTED]**
[REDACTED]	**[REDACTED]**	**[REDACTED]**
[REDACTED] *(Note 1)*	HK$**[REDACTED]**	HK$**[REDACTED]**
Unaudited **[REDACTED]** adjusted consolidated net tangible assets of the Group attributable to the equity shareholders of the Company per Share *(Note 2)*	HK$**[REDACTED]**	HK$**[REDACTED]**

Notes:

(1) The calculation of **[REDACTED]** is based on **[REDACTED]** Shares expected to be in issue immediately upon completion of the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised and (ii) each Preferred Share is converted into one share, without taking into account any shares that may be issued under the **[REDACTED]** share Option Scheme). The calculation is based on the indicative **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]**.

(2) The unaudited **[REDACTED]** adjusted consolidated net tangible asset of the Group attributable to the equity shareholders of the Company per Share is calculated based on **[REDACTED]** Shares expected to be in issue immediately upon completion of the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised and (ii) each Preferred Share is converted into one share, without taking into account any shares that may be issued under the **[REDACTED]** share Option Scheme). The calculation is based on the indicative **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]**. Please refer to "Unaudited **[REDACTED]** Financial Information" set out in Appendix II to this document for details.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, **[REDACTED]** and other fees incurred in connection with the **[REDACTED]**. Based on the mid-point of the indicative **[REDACTED]** range and assuming (i) the **[REDACTED]** is not exercised; and (ii) each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme, the total estimated **[REDACTED]** expenses in relation to the **[REDACTED]** is RMB**[REDACTED]**, representing approximately **[REDACTED]**% of the gross **[REDACTED]** from the **[REDACTED]**. The estimated **[REDACTED]** expenses consist of (i) **[REDACTED]**-related expenses (including **[REDACTED]**) of HK$**[REDACTED]**, (ii) fees and expenses of legal advisors and reporting accountants of HK$**[REDACTED]** and (iii) other fees and expenses of HK$**[REDACTED]**. During the Track Record Period, **[REDACTED]** expenses of RMB**[REDACTED]** were incurred, of which RMB**[REDACTED]** were charged to our consolidated statements of profit or loss and other comprehensive income and RMB**[REDACTED]** were recognized to our

consolidated statements of financial position. We estimate that we will further incur **[REDACTED]** expenses of RMB**[REDACTED]** of which RMB**[REDACTED]** will be charged to our consolidated statements of comprehensive income and RMB**[REDACTED]** is expected to be accounted for as a deduction from equity upon the completion of the **[REDACTED]**.

FUTURE PLANS AND [REDACTED]

We estimate that we will receive **[REDACTED]** of HK$**[REDACTED]** (RMB**[REDACTED]**) from the **[REDACTED]** based on the **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the **[REDACTED]** range after deducting the **[REDACTED]** and other estimated expenses paid and payable by us in connection with the **[REDACTED]** and assuming that (i) the **[REDACTED]** is not exercised; and (ii) each Preferred Share is converted into one share, without taking into account any shares that may be issued under the **[REDACTED]** share Option Scheme. In line with our strategies, we intend to use our **[REDACTED]** from the **[REDACTED]** for the purposes and in the amounts set forth below:

- Approximately **[REDACTED]**% or HK$**[REDACTED]** (RMB**[REDACTED]**) will be used for continuously enhancing our modeling technology to carry out model training, vertical optimization on our underlying foundation model and improvement on our existing program algorithm of our solutions by introducing prominent technologies and talents;

- Approximately **[REDACTED]**% or HK$**[REDACTED]** (RMB**[REDACTED]**), for solution development and marketing;

- Approximately **[REDACTED]**% or HK$**[REDACTED]** (RMB**[REDACTED]**) will be allocated to pursue strategic alliances, investments and acquisitions to implement our long-term growth strategies for solution development; and

- Approximately **[REDACTED]**% or HK$**[REDACTED]** (RMB**[REDACTED]**) will be used for working capital and general corporate purposes.

For details, please refer to the section headed "Future Plans and **[REDACTED]**" in this document.

DIVIDENDS

We as of the Latest Practicable Date do not have any predetermined dividend payout ratio. No dividends had been declared or paid by our Company during the Track Record Period. Subject to the Cayman Companies Act and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by

the Directors. Under the Cayman Islands law, our Company may pay a dividend out of either our profits or share premium account (including share premium in the capital reserve account, if any), provided that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As advised by Campbells, our legal advisor as to Cayman Islands laws, subject to the above, there is no restriction under the Cayman Islands law for our Company to declare and pay a dividend, despite our net liabilities position. In addition, our Directors may from time to time pay such interim dividends on shares outstanding of our Company and authorize payment of the same out of the funds of our Company that are lawfully available. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board. For details, please refer to the paragraph headed "Summary of the Constitution of the Company and Cayman Companies Act — Summary of Cayman Islands Company Law and taxation — 4. Dividends and distributions" in Appendix III to this document.

OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders, Dr. Li, Ms. Li and Dr. Lei and their respective wholly-owned investment holding companies (namely, Mobvoi Limited, Mobvoi AGI Limited, AGI Limited, AGI Management Limited, CMWW Limited, CMWW AGI Limited, Wen&Hui Limited, W&H Management Limited and Amberlei Limited), is a group of persons and entities acting in concert with each other. Following the completion of the **[REDACTED]** (assuming (i) no exercise of the **[REDACTED]**; and (ii) each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme), the Controlling Shareholders will be interested in **[REDACTED]**% of the enlarged issued share capital of our Company, comprising (i) the Shares representing **[REDACTED]**% of the issued share capital of our Company directly held by Mobvoi AGI Limited; (ii) the Shares representing **[REDACTED]**% of the issued share capital of our Company directly held by CMWW AGI Limited; and (iii) the Shares representing **[REDACTED]**% of the issued share capital of our Company directly held by Amberlei Limited. For more details, please refer to the section headed "Relationship with Our Controlling Shareholders" in this document.

[REDACTED] INVESTORS

Since our inception, we have attracted a number of reputable and influential institutional or corporate investors to invest in our Company, including the SIG Entities, Google, HongShan, GoerTek (Hong Kong) and a number of other **[REDACTED]** shareholders. For details, please refer to the paragraph headed "History, Reorganization and Corporate Structure — **[REDACTED]** Investments" in this document.

CONTINUING CONNECTED TRANSACTION

We have entered into and expect to continue with a transaction after the completion of the **[REDACTED]** which will constitute our partially exempt continuing connected transaction under Chapter 14A of Listing Rules upon the **[REDACTED]**. See the sections headed "Connected Transaction" and "Waivers from Strict Compliance with the Requirements under the Listing Rules and Exemption from the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver in respect of Partially Exempt Continuing Connected Transaction" for further details.

SHARE INCENTIVE SCHEMES

We have adopted the **[REDACTED]** Share Option Scheme and conditionally adopted the **[REDACTED]** RSU Scheme. The principal terms of such share incentive schemes are summarized in the section headed "Statutory and General Information — D. Share Incentive Schemes" in Appendix IV to this document.

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary" in this document.

"Accountants' Report"	the accountants' report for our Group, the text of which is set out in Appendix I to this document
"AFRC"	Accounting and Financial Reporting Council of Hong Kong
"AITech"	AITech EU B.V., a limited liability company incorporated in the Netherlands on January 21, 2019 and is one of our subsidiaries
"Amberlei Limited"	Amberlei Limited, a business company incorporated in the BVI on June 17, 2015, which is wholly owned by Dr. Lei and is one of our Controlling Shareholders
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company conditionally adopted on March 30, 2024 with effect from the **[REDACTED]**, as amended from time to time, a summary of which is set out in "Summary of the constitution of the Company and Cayman Companies Act" in Appendix III to this document
"associates"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	a committee of the Board established by the Board for the purpose of overseeing the accounting and financial reporting processes of our Company and audits of the financial statements of our Company
"Automotive Sub A"	a limited liability company incorporated under the laws of China and principally engages in investment and research and development in technologies, which is a subsidiary of Automotive Corporation Group
"Automotive Sub B"	a limited liability company incorporated under the laws of Luxemburg and principally engages in investment, which is a subsidiary of Automotive Corporation Group

"Automotive Corporation Group"	a multinational automotive group principally engages in automotive manufacturing, and investment and research and development in technologies
"Beijing Xiaowen"	Beijing Xiaowen Intelligence Technology Co., Ltd (北京小問智能科技有限公司), a limited liability company incorporated in China on April 25, 2018 and a connected person of our Company
"Beijing Yushanzhi"	Beijing Yushanzhi Information Technology Company Limited (北京羽扇智信息科技有限公司), a limited liability company incorporated in China on March 26, 2014 and is one of our subsidiaries
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAC"	Cyberspace Administration of China (中國國家互聯網信息辦公室)
"Cayman Companies Act" or "Companies Act"	the Companies Act (2023 Revision) (as amended, supplemented or otherwise modified from time to time) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation

"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or the "PRC"	the People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires, references in this document to "China" and the "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong Special Administrative Region
"CIC"	China Insights Industry Consultancy Limited, our industry consultant, which is an Independent Third Party
"CIC Report"	an independent market research report commissioned by us and prepared by CIC for the purpose of this document
"Circular 37"	the Notice on Issues Relating to Foreign Exchange Control on Domestic Residents' Offshore Investment, Financing and Round-trip Investment 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程投資外匯管理有關問題的通知), published by the SAFE on July 4, 2014
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"CMWW Limited"	CMWW Limited, a business company incorporated in the BVI on June 17, 2015, which is wholly owned by Ms. Li and is one of our Controlling Shareholders
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "the Company" or "our Company"	Mobvoi Inc. (出門問問有限公司), an exempted company with limited liability incorporated in the Cayman Islands on August 31, 2012

"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to Dr. Li, Ms. Li, Dr. Lei, Mobvoi Limited, Mobvoi AGI Limited, AGI Limited, AGI Management Limited, CMWW Limited, CMWW AGI Limited, Wen&Hui Limited, W&H Management Limited and Amberlei Limited, details of which are set out in the section headed "Relationship with our Controlling Shareholders" in this document
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"COVID-19"	Novel Coronavirus (COVID-19) or Novel Coronavirus Pneumonia, a respiratory illness caused by a new strain of coronavirus and characterized especially by fever, cough, and shortness of breath and may progress to pneumonia and respiratory failure
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)" or "our Directors"	the director(s) of our Company
"Dr. Lei"	Dr. Lei Xin (雷欣), one of our Controlling Shareholders
"Dr. Li"	Dr. Li Zhifei (李志飛), one of our Controlling Shareholders
"Dr. Li Family Trust"	a discretionary family trust established by Dr. Li as settlor and protector with Mobvoi Limited as the beneficiary and Suntera Corporate Trustees (Hong Kong) Limited as the trustee
"EIT"	the PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法), as amended, supplemented or otherwise modified from time to time
"ESG"	environmental, social and corporate governance

"Extreme Conditions"	any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the **[REDACTED]**
"FINI" or "Fast Interface for New Issuance"	an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
"Geekstar"	Geekstar Technology Development (Cayman) Co., Ltd, a limited liability company incorporated in the Cayman Islands and was a wholly-owned subsidiary of our Group before we disposed of 60% equity interest therein in February 2022, details of which are set out in "History, Reorganization and Corporate Structure — Major Acquisitions, Disposals and Mergers — 1. Acquisition of Geekstar and subsequent disposal of shares in Geekstar" in this document
"**[REDACTED]**"	the **[REDACTED]** and the **[REDACTED]**
"GoerTek (HongKong)"	Goertek (HongKong) Co., Limited, a limited liability company incorporated in Hong Kong and is one of our substantial Shareholders
"Google"	Google Ireland Holdings Unlimited Company, an unlimited liability company incorporated in Republic of Ireland and is one of our substantial Shareholders
"Group," "our Group," "our," "we" or "us"	our Company and our subsidiaries from time to time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

"HKSCC **[REDACTED]**"	the application for the **[REDACTED]** to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC's FINI system to apply for the **[REDACTED]** on your behalf
"HKSCC Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"HKSCC Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"HKSCC Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individual or a corporation
"HKSCC Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, in effect from time to time in force
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HK SmartMV"	HK SmartMV Limited (香港斯瑪特文信息科技有限公司), a limited liability company incorporated in Hong Kong on May 31, 2018 and is one of our subsidiaries
"HongShan"	HSG CV IV Holdco, Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands and is one of our Shareholders
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	individual(s) or company(ies), who or which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company and our connected persons

[REDACTED]

"Joint Sponsors", "**[REDACTED]**" and "**[REDACTED]**"	China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited
"Latest Practicable Date"	March 26, 2024, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication

[REDACTED]

[REDACTED]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with Growth Enterprise Market of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the amended and restated memorandum of association of our Company conditionally adopted on March 30, 2024 with effect from the **[REDACTED]**, as amend from time to time, a summary of which is set out in "Summary of the constitution of our Company and Cayman Companies Act" in Appendix III to this document
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"Mobvoi Limited"	Mobvoi Limited, a business company incorporated in the BVI on August 30, 2012, which is wholly owned by Dr. Li and is one of our Controlling Shareholders
"Mobvoi HK"	Mobvoi HK Limited, a limited liability company incorporated in Hong Kong on September 13, 2012 and is one of our subsidiaries
"Mobvoi IT"	Mobvoi Information Technology Company Limited (出門問問信息科技有限公司), a limited liability company incorporated in China on March 13, 2017 and is one of our subsidiaries

"Mobvoi Innovation"	Mobvoi Innovation Technology Company Limited (出門問問創新科技有限公司), a limited liability company incorporated in China on November 17, 2020 and is one of our subsidiaries
"Mobvoi JV"	Volkswagen-Mobvoi (Beijing) Information Technology Co., Ltd., a joint venture established between Mobvoi HK and Volkswagen (China) Investment Company Limited on March 30, 2017
"Mobvoi Singapore"	Mobvoi Pte. Ltd., a limited liability company incorporated in Singapore on October 25, 2022 and is one of our subsidiaries
"Mobvoi TW"	Mobvoi Taiwan Corporation (台灣出門問問股份有限公司), a limited liability company incorporated in Taiwan on July 31, 2019 and is one of our subsidiaries
"Mobvoi US"	Mobvoi US, LLC, a limited liability company in the United States on March 1, 2016 and is one of our subsidiaries
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Ms. Li"	Ms. Li Yuanyuan (李媛媛), one of our Controlling Shareholders
"Ms. Li Family Trust"	a discretionary family trust established by Ms. Li as settlor and protector with CMWW Limited as the beneficiary and Suntera Corporate Trustees (Hong Kong) Limited as the trustee
"Nanjing Xiaowen"	Nanjing Xiaowen Intelligence Technology Co., Ltd (南京小問智能科技有限公司), a limited liability company incorporated in China on May 14, 2021 and is one of our subsidiaries
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

"Nomination Committee"	a committee of the Board established by the Board to make recommendations to our Board in relation to the appointment and removal of Directors and senior management, and on matters of succession planning

[REDACTED]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"**[REDACTED]** RSU Scheme"	the **[REDACTED]** share award scheme conditionally approved and adopted by resolutions of our Shareholders dated March 30, 2024, the principal terms of which are set out in the section headed "Statutory and General Information — D. Share Incentive Schemes — 2. **[REDACTED]** RSU Scheme" in Appendix IV

"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented and otherwise modified from time to time
"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organizations of such government or, as the context requires, any of them
"PRC Legal Advisor"	Zhong Lun Law Firm, the legal advisor to the Company on PRC laws in connection with the **[REDACTED]**
"**[REDACTED]** Share Option Scheme"	the **[REDACTED]** share option scheme adopted by our Company on October 19, 2015, the principal terms of which are set out in the section headed "Statutory and General Information — D. Share Incentive Schemes — 1. **[REDACTED]** Share Option Scheme" in Appendix IV
"Preferred Share(s)"	the Series A Preferred Shares, the Series A-1 Preferred Shares, the Series A-2 Preferred Shares, the Series B Preferred Shares, the Series C Preferred Shares, the Series D-1 Preferred Shares, the Series D-2 Preferred Shares

[REDACTED]

"document"	this document being issued in connection with the **[REDACTED]**
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	a committee of the Board established by the Board to discharge the Board's responsibilities relating to the remuneration of Directors and executive officers of our Company
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC

"Reorganization"	the reorganization of the Group in preparation of the **[REDACTED]**, details of which are set out in the paragraph headed "History, Reorganization and Corporate Structure — Reorganization" in this document
"Reporting Accountants"	KPMG
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which is currently known as the State Administration of Market Regulation (中華人民共和國國家市場監督管理總局)
"Semiconductor Corporation A"	a limited liability company incorporated under the laws of Singapore and principally engages in manufacturing of semiconductors, which belongs to an international semiconductor group
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"Series A Preferred Share(s)"	the series A preferred shares of par value US$0.0000479889 per share in the authorized share capital of the Company, of which 194,010,340 shares had been in issue as of the Latest Practicable Date and held by the Series A Preferred Share Shareholders, each having the rights, preferences, privileges and restrictions as set forth in the **[REDACTED]** Shareholders' Agreement
"Series A Preferred Share Shareholder(s)"	the holder(s) of Series A Preferred Shares
"Series A-1 Preferred Share(s)"	the series A-1 preferred shares of par value US$0.0000479889 per share in the authorized share capital of the Company, of which 208,383,500 shares had been in issue as of the Latest Practicable Date and held by the Series A-1 Preferred Share Shareholders, each having the rights, preferences, privileges and restrictions as set forth in the **[REDACTED]** Shareholders' Agreement

"Series A-1 Preferred Share Shareholder(s)"	the holder(s) of Series A-1 Preferred Shares
"Series A-2 Preferred Share(s)"	the series A-2 preferred shares of par value US$0.0000479889 per share in the authorized share capital of the Company, of which 50,426,440 shares had been in issue as of the Latest Practicable Date and held by the Series A-2 Preferred Share Shareholders, each having the rights, preferences, privileges and restrictions as set forth in the **[REDACTED]** Shareholders' Agreement
"Series A-2 Preferred Share Shareholder(s)"	the holder(s) of Series A-2 Preferred Shares
"Series B Preferred Share(s)"	the series B preferred shares of par value US$0.0000479889 per share in the authorized share capital of the Company, of which 141,053,024 shares had been in issue as of the Latest Practicable Date and held by the Series B Preferred Share Shareholders, each having the rights, preferences, privileges and restrictions as set forth in the **[REDACTED]** Shareholders' Agreement
"Series B Preferred Share Shareholder(s)"	the holder(s) of Series B Preferred Shares
"Series C Preferred Share(s)"	the series C preferred shares of par value US$0.0000479889 per share in the authorized share capital of the Company, of which 182,740,760 shares had been in issue as of the Latest Practicable Date and held by the Series C Preferred Share Shareholders, each having the rights, preferences, privileges and restrictions as set forth in the **[REDACTED]** Shareholders' Agreement
"Series C Preferred Share Shareholder(s)"	the holder(s) of Series C Preferred Shares

"Series D-1 Preferred Share(s)"	the series D-1 preferred shares of par value US$0.0000479889 per share in the authorized share capital of the Company held by the Series D-1 Preferred Share Shareholders, each having the rights, preferences, privileges and restrictions as set forth in the **[REDACTED]** Shareholders' Agreement
"Series D-1 Preferred Share Shareholder(s)"	the holder(s) of Series D-1 Preferred Shares
"Series D-2 Preferred Share(s)"	the series D-2 preferred shares of par value US$0.0000479889 per share in the authorized share capital of the Company, of which 3,853,084 shares had been in issue as of the Latest Practicable Date and held by the Series D-2 Preferred Share Shareholders, each having the rights, preferences, privileges and restrictions as set forth in the **[REDACTED]** Shareholders' Agreement
"Series D-2 Preferred Share Shareholder(s)"	the holder(s) of Series D-2 Preferred Shares
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Yushanzhi"	Shanghai Yushanzhi Information Technology Co., Ltd (上海羽扇智信息科技有限公司), a limited liability company incorporated in China on August 27, 2012 and is one of our subsidiaries
"Shanghai Mobvoi"	Shanghai Mobvoi Information Technology Company Limited (上海墨百意信息科技有限公司), a limited liability company incorporated in China on March 19, 2013 and is one of our subsidiaries
"Share(s)"	ordinary share(s) with nominal value of US$0.0000479889 each in the share capital of the Company, which are to be **[REDACTED]** in Hong Kong dollars and **[REDACTED]**
"Share Incentive Schemes"	the **[REDACTED]** Share Option Scheme and the **[REDACTED]** RSU Scheme

"Shareholders"	holders of our Shares
"Shenzhen WWZN"	Shenzhen WWZN Information Technology Company Limited (深圳問問智能信息科技有限公司), a limited liability company incorporated in China on June 5, 2018 and is one of our subsidiaries
"Shenzhen Xiaowen"	Shenzhen Xiaowen Intelligence Technology Co., Ltd (深圳小問智能科技有限公司), a limited liability company incorporated in China on June 5, 2018 and a subsidiary of Beijing Xiaowen
"SIG Entities"	comprises SIG I and SIG III, which have been acting in concert with each other
"SIG I"	SIG Global China Fund I, LLLP, a limited liability partnership incorporated in State of Delaware and is one of our Shareholders
"SIG III"	SIG China Investments Master Fund III, LLLP, a limited liability partnership incorporated in State of Delaware and is one of our Shareholders
"STA"	State Taxation Administration of the PRC (中華人民共和國國家税務總局)
	[REDACTED]
"State Council"	State Council of the PRC (中華人民共和國國務院)
	[REDACTED]
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance, unless the context requires otherwise

"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules. For details, please refer to the section headed "Substantial Shareholders" in this document
"Suzhou Mobvoi"	Mobvoi (Suzhou) Information Technology Company Limited (出門問問(蘇州)信息科技有限公司), a limited liability company incorporated in China on September 27, 2018 and is one of our subsidiaries
"Takeovers Code"	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Technology Corporation A"	a limited liability company incorporated under the laws of United States and principally engages in the provision of search and advertising services on the Internet, which belongs to an international technology group
"Track Record Period"	the period comprising the three financial years ended December 31, 2021, 2022 and 2023

[REDACTED]

"United States", "USA" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars", "US$", "USD" or "$"	U.S. dollars, the lawful currency of the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"VAT"	the PRC value-added tax

"Wuhan Mobvoi"	Mobvoi (Wuhan) Information Technology Company Limited (出門問問(武漢)信息科技有限公司), a limited liability company incorporated in China on April 28, 2018 and is one of our subsidiaries
"Wuhan WWZN"	Wuhan WWZN Information Technology Company Limited (武漢問問智能信息科技有限公司), a limited liability company incorporated in China on August 6, 2018 and is one of our subsidiaries
"WWZN IT"	WWZN Information Technology Company Limited (問問智能信息科技有限公司), a limited liability company incorporated in China on January 4, 2018 and is one of our subsidiaries

[REDACTED]

"Zhen Partners"	Zhen Partners Fund I, L.P., a limited partnership established in the Cayman Islands and is one of our Shareholders
"Zhixue"	Zhixue Education Holdings Limited, a limited liability company incorporated in the Cayman Islands and was a wholly-owned subsidiary of our Group before we disposed of the entire equity interest therein in March 2022, details of which are set out in "History, Reorganization and Corporate Structure — Major Acquisitions, Disposals and Mergers — 2. Acquisition of Zhixue and subsequent disposal of shares in Zhixue" in this document

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

Unless the content otherwise requires, references to "2021", "2022" and "2023" in this document refer to our financial year ended December 31 of such year.

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

DEFINITIONS

Certain amounts and percentage figures included in this document were subjected to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be arithmetic aggregation of the figures preceding them.

The English translation of Chinese entities, enterprises, nationals, facilities and regulations in Chinese or another language in this document is for identification purposes only. To the extent that there is any inconsistency between the Chinese names of the Chinese entities, enterprises, nationals, facilities, laws and regulations and their English translations, the Chinese names shall prevail.

GLOSSARY

This glossary contains definitions of certain terms used in this document in connection with our Company and our business. Some of these may not correspond to standard industry definitions, meaning or usage of these terms.

"AGI"	artificial general intelligence
"AI"	artificial intelligence
"AI company"	a company that uses AI technologies to provide AI-empowered products and services to individual consumers or enterprises
"AI CoPilot"	an AI assistant, which was optimized iteratively and developed based on Sequence Monkey, has the capabilities to conduct tasks such as image-text comprehension and speech synthesis together with the possession of voice interaction and content generation technologies to be integrated into our AIGC solution matrix including but not limited to "Moyin Workshop" and "Weta365". It is designed to provide guidance, interactive editing, copy-write functionalities and to help people complete tasks in various application scenarios, such as automotive, finance, TMT and others such as healthcare and retail industries
"AI Software Solutions"	comprise AIGC solutions and AI enterprise solutions
"AIGC"	AI-generated content, meaning leveraging artificial intelligence to automate content generation and to generate personalized content according to user-inputted keywords or requirements
"AIGC company"	a company that provides content generating services using generative AI solutions and products, including supporting creators or enterprises to generate contents on their own by providing APIs or other means
"Android"	a mobile operating system widely used in smartphones and tablets
"API"	application programming interface
"ASR"	automatic speech recognition

GLOSSARY

"CAGR"	compound annual growth rate
"cloud rendering"	rendering of graphics and animations via cloud-based resources
"cognitive model"	a model that interpret the influence of people's thoughts and perceptions on their feelings and behaviour
"cumulative paying user(s)"	number of cumulative paying users since 2020, the year in which our AICG solutions were launched
"DupDub"	an overseas integrated version of certain of the applications in our Group's AIGC solution matrix, namely (i) "Moyin Workshop", (ii) "Mozhuan Writing", (iii) "Qi Miao Wen" and (iv) "Weta365"
"end-to-end"	the process from users beginning to interact with a machine till the machine has completed the generation of outcomes, and specifically includes the procedures of noise reduction, voice recognition, semantic understanding, searching and voice synthesis
"GDP"	gross domestic product
"GPU"	graphics processing unit
"IoT"	internet of things
"KOL"	key opinion leader, a person or organization who has expert product knowledge and influence in a particular field, who is trusted by relevant interest groups and has significant effects on consumer behavior
"large language model"	a large-scale model that is trained with more than 1 billion parameters and is able to perform multi-domain tasks, understand and generate humanized text
"LTE"	long-term evolution
"multi-domain task"	a task performed by large language model which involves multiple different domains with a specific area of knowledge or expertise across different industries and fields

"multi-modal" or "multi-modal generative capability"	an ability of a large language model to generate diverse content that incorporates, integrates and encompasses multiple modes and modalities from difference sources, such as texts, audios, images and videos
"NLP"	natural language processing
"paying user"	in any given year/period, a user who makes payment(s) for subscription, renewal and/or other purchases on any of our content creation platforms among our AIGC solutions
"registered user"	a user account that registered for any of our content creation platforms among our AIGC solutions
"Sequence Monkey"	an upgraded large language model self-developed by our Company based on UCLAI in 2023, which is equipped with multi-modal generative capability (i.e. being able to generate image, video and speech recognition in addition to text) and possesses natural language understanding, knowledge, logic and reasoning capabilities, and is able to conduct much larger scale of model trainings than UCLAI
"Smart Devices and Other Accessories"	comprise hardware-software smart devices such as AI smart watches and AI smart treadmills that are integrated with AI modules, IoT, voice AI interaction technologies and software apps, and other accessories
"sq.m."	square metre
"text to speech" or "TTS"	a technology that converts written text into natural speech output
"TMT"	technology, media and telecom
"UCLAI"	a universal Chinese language AI, a large language model self-developed by our Company in 2020
"UI"	user interface
"user-in-the-loop"	enhancing model training and optimizing output through utilization of human-machine interaction data
"WearOS"	an Android operating system developed by Google LLC with an aim to design for its smartwatches and other wearables

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements relating to our plans, objectives, expectations, predictions, intentions and beliefs, which may not represent our overall performance for the periods of time to which such statements relate. Such statements reflect the current views of our management with respect to future events, operations, liquidity, and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties, and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties faced by the Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business and growth strategies and our ability to achieve such strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our capital expenditure plans;
- our dividend policy;
- capital market developments;
- the actions and developments of our competitors;
- our ability to identify and integrate suitable acquisition targets;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices in the industry and markets in which we operate;

- certain statements in the section headed "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and

- other statements in this document that are not historical facts.

The words "aim", "anticipate", "believe", "can", "continue", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "will", "would" or similar expressions or the negative thereof, as they relate to us, are intended to identify a number of forward-looking statements. In particular, we use these forward-looking statements in the sections headed "Business" and "Financial Information" of this document in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on current plans and estimates and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements and should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove to be incorrect, our business, financial conditions and results of operations may be materially and adversely affected.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

You should carefully consider all of the information set out in this document including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before deciding to invest in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, results of operations, financial conditions and business prospects. In such event, the market price of our Shares could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, results of operations, financial conditions and business prospects. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The competitiveness of our solutions is based on our research and development capabilities. If we fail to continuously develop and upgrade our solutions with technological innovation, we may not be able to retain existing customers, attract new customers or maintain our market position in the industry.

The AI industry in which we operate is characterized by regular changes, including rapid technological innovation, frequent introductions of new solutions, continual shifts in customer demands and preference, and constant emergence of new industry standards and practices. The latest innovation in the AI industry, including but not limited to the GPT-4 modeling, AIGC solutions and natural language technologies, has caught the public's attention. In particular, an AI application named "ChatGPT," developed by OpenAI Incorporation, gained huge popularity in late 2022, which in turn attracted significant investment into the AI industry. As such, our success will depend, in part, on our capabilities to respond to these changes in a cost-effective and timely manner. We need to constantly develop technologies adaptable to our customers' industry and usage. We also need to invest significant resources, including financial and human resources, in research and development to lead technological advances in order to keep our solutions innovative and competitive in the market. Nonetheless, research and development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our research and development results. Our significant investment in research and development may generate limited benefits or none at all. Given the fast pace with which the AI technologies have been and will continue to be developed, we may not be able to upgrade our technologies in a cost-effective and timely manner, or at all. In addition, new advances in AI technologies could render our current

technologies or solutions obsolete or unattractive. If we are unable to keep up with the technological developments in those areas or if new technologies render our technologies or solutions obsolete, customers may no longer be attracted to our technologies or solutions. As a result, we may not be able to retain existing customers or attract new customers and thus fail to secure our market position in the AI industry. Ultimately, our business, results of operations, financial conditions and business prospects may be negatively affected.

We face fierce competition in the AI industry; in particular, certain leading technology companies have signalled their intention on price competition for gaining share in the AIGC market. If we do not compete effectively, we may suffer from loss of customers and our business, results of operations, financial conditions or business prospects could be materially and adversely affected as a result.

The AI industry in which we operate is highly competitive. We primarily compete with companies that focus on the development of AI technologies. Other than companies in the AI industry, we also compete against companies in various industries as they may develop their own AI algorithms for the improvement or enhancement of their solutions. Our competitors may be well-established companies that have advantages in obtaining financial resources, recruiting talents and broadening customers base in comparison with us. As a result, our competitors may be able to respond more quickly and effectively to new or changing technological advances and opportunities, regulatory requirements or customers' demands and preferences than us.

On the other hand, we may also face competition from new entrants who may provide solutions to customers at a lower price, and thus the level of competition may increase in the future. Increased competition could result in slower business growth, price reductions, lower profit margins or loss of market share. Moreover, we may have to invest substantially into research and development, marketing and talent recruitment for maintaining our technological advantages so as to respond to competitions from new entrants, and such investment may or may not generate benefits. If we are unable to compete successfully, or if we are required to invest significantly to compete successfully, our results of operations, financial conditions or business prospects may be materially and adversely affected.

In addition, we may face greater than expected downward pricing pressure as a result of possible price competition by certain leading technology companies seeking to stimulate demand in order to increase market share. Those leading technology companies can devote significantly greater resources than we can to the development, promotion and sales of their products and services and have the ability to initiate or withstand substantial price competition. Pricing pressures and increased competition could result in reduced sales and revenue, reduced margins

and loss of, or a failure to maintain or improve, our competitive market position, any of which could materially and adversely affect our business, results of operations, financial conditions and business prospects.

Any actual or perceived misuse of AI technologies committed by us or by other third parties intentionally or inadvertently, could materially and adversely affect our business, results of operations, financial conditions and business prospects.

AI technologies have been in rapid development and evolvement over the past decades. However, technological development comes with risks and challenges, such as inappropriate and biased uses of such technologies which would breach public confidence, infringe legitimate rights of individuals such as privacy and personality rights, or violate applicable laws and regulations in China or other jurisdictions. Such incidents would impose negative impact on public opinion, consumer perception, views of regulators and result in lower public acceptance and confidence in AI technologies in society. As a result, our solutions may be less appealing to consumers, which may materially and adversely affect our business, results of operations, financial conditions and business prospects.

We have implemented a series of measures to prevent potential misuse of our AI technologies, including implementation of internal control mechanisms and policies on various aspects such as data privacy and personal information protection. Nonetheless, we cannot assure you that our preventive measures relating to misuses of our AI technologies will always be effective and adequate, nor our AI technologies will not be used for any purpose other than the intended purposes of our AI technologies and relevant solutions. Any inappropriate uses of AI technologies, whether actual or perceived, intended or inadvertent and by us or by third parties, may lower public acceptance in adoption of solutions built on AI technologies, generate public criticisms and adversely affect our reputation, violate applicable laws and regulations in China and other jurisdictions, which may result in legal or administrative proceedings against us, pressures from relevant stakeholders and stricter scrutiny by the regulators. The foregoing events may materially and adversely affect our business, results of operations, financial conditions and business prospects.

Our solutions may experience unexpected system failure, interruption, inadequacy or data leakage. Our brand reputation, results of operations, financial conditions or business prospects may be materially and adversely affected by solution failure, or our failure to timely and effectively identify and rectify the problems.

Our technological infrastructure may encounter disruptions or other outages caused by problems or defects in our own technologies and systems, such as malfunctions in our AI technologies or network disruptions, and by physical damages from fires, floods, earthquakes and

other natural disasters, maintenance failures, telecommunication failures, power loss, human error or other accidents. Our infrastructure and systems may be breached if any vulnerabilities therein are exploited by unauthorized third parties. We cannot assure you that any applicable recovery system, security guidance, network protection technologies or other control mechanisms in place are, or will be, adequate and effective to prevent such exploitation, failures, damages and unexpected events that caused disruption to our solutions. It may be difficult for us to respond to such exploitation, failures, damages and events leading to disruption of our solutions in a cost-effective and timely manner.

Despite of our continuous effort in addressing the abovementioned difficulties arisen in our operations, any such disruption, failures, damages and exploitation of vulnerabilities in our solutions, or corresponding control mechanisms and measures being ineffective, our solutions may not satisfy our customers, thus reducing their satisfaction. Further, any actual or perceived service breakdown or security breach may damage our reputation and expose us to risks of litigation and liabilities. We may be required to expend significant capital and other resources to alleviate problems caused by such service breakdowns or security breaches. Consequently, our brand reputation, results of operations and financial conditions could be materially and adversely affected.

We may be subject to complex and evolving laws and regulations in China. Any failure to comply with the evolving PRC laws and regulations relating to AIGC services, data security, privacy and personal information protection may subject us to legal or administrative proceedings, which may materially and adversely affect our reputation and business operations.

In recent years, the PRC government has enacted a series of laws and regulations in areas related to our business, and we expect such laws and regulations will continue to evolve in the future. We are subject to a number of PRC laws and regulations relating to data security and privacy, including restrictions on the collection, usage and storage of personal information and requirements to take steps to prevent personal data from being divulged, stolen or tampered with. In addition, we run the risk that our employees or third parties could misappropriate or illegally disclose confidential information obtained in our business operations. As a result, we may be required to expend significant resources to provide additional protection from the threat of these security breaches or to alleviate problems caused by these breaches.

The interpretation and application of laws, regulations and standards relating to data security and privacy are still evolving, and these regulations are also affected by different interpretations or significant evolvement. For instance, on June 10, 2021, the Standing Committee of the National People's Congress promulgated the Data Security Law of the PRC (《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 the PRC from providing data stored in China to foreign judicial or law enforcement departments without the approval of the competent PRC authorities. With reference to the Data Security Law, the governing authority establishes a system of classified and hierarchical protection of data, strengthens the protection of important data, and implements security review procedures for data activities that may affect national security. Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**"), was promulgated on August 20, 2021 and came into effect on November 1, 2021. The Personal Information Protection Law reiterates the situation in which personal information processors can handle personal information and the requirements for such cases. The Personal Information Protection Law defines the scope of application, the definition of personal information and sensitive personal information, the legal basis for the processing of personal information, and the basic requirements for notification and consent.

On December 28, 2021, the CAC, jointly with other 12 governmental authorities, issued the revised Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Review Measures**"), which became effective on February 15, 2022. According to the Review Measures, a critical information infrastructure operator purchasing network products and services, and network platform operators carrying out data processing activities which affect or may affect national security, must apply for cybersecurity review. However, the Review Measures do not provide the explicit standard of "affect or may affect national security." Therefore, there can be no assurance if we are required to follow the cybersecurity review procedures, and if so, whether we would be able to complete the applicable cybersecurity review procedures in a timely manner. In addition, any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance or perceived non-compliance with the Cybersecurity Law of the PRC (中華人民共和國網絡安全法) ("**Cybersecurity Law**") or related regulations may prevent us from using or providing certain services, and may result in fines or other penalties such as making certain required rectification, suspending our relates business, taking down our operations and bring actions against us by the Chinese regulatory authorities, customers or others.

On July 30, 2021, the state council promulgated the Regulations on Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which became effective on September 1, 2021. Pursuant to such regulations, a critical information infrastructure refers to important network facilities or information systems in important industries, such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs and national defense science, which may endanger national security, people's livelihood and public interest in case of damage, function loss or data leakage. In addition, competent departments and administration departments of each important industry, or protection departments, shall be responsible to formulate determination rules and determine the critical information infrastructure operators in the respective important industry. The result of the

determination of critical information infrastructure operators shall be informed to the operators and notify the Public Security Department of the State Council. We were not determined as a critical information infrastructure operator as of the Latest Practicable Date.

With the latest development of AIGC services, the CAC, with an aim to address potential issues arisen from the provision of AIGC services, together with the National Development and Reform Commission, the Ministry of Education, the Ministry of Science and Technology, the Ministry of Industry and Information Technology, the Ministry of Public Security, and the National Radio and Television Administration had published the Interim Measures for the Administration of AIGC Services (《生成式人工智能服務管理暫行辦法》) ("**Interim Measures for the Administration of AIGC Services**") on July 10, 2023, which came into effect on August 15, 2023. Pursuant to the Interim Measures for the Administration of AIGC Services, AIGC service providers must comply with a number of rules and filing in relation to AIGC content, personal data, privacy protection and intellectual property rights. In case of a breach of the rules or non-compliance with the filing requirements, the regulatory authorities will impose warning, fine and other penalties. Failure to rectify the breach or non-compliance may lead to suspension in operations.

The Administrative Provisions on Algorithm Recommendation of Network Information Services (《互聯網信息服務算法推薦管理規定》) (the "**Administrative Provisions**") was jointly promulgated by the CAC, the MIIT, the Ministry of Public Security and the SAMR on December 31, 2021 and came into effect on March 1, 2022. The Administrative Provisions are applicable to algorithm recommendation service providers. On November 25, 2022, the CAC, MIIT and the Ministry of Public Security promulgated the Administrative Provisions for Deep Synthesis as an Internet Information Service (《互聯網信息服務深度合成管理規定》), which took effect on January 10, 2023. The "deep synthesis technology" provided in such provisions refers to the technology to generate text, graphics, audio, video, virtual scenes, among others, with the use of deep learning and virtual reality. According to the Administrative Provisions, an algorithm recommendation service provider with public opinion attribute or social mobilization ability shall, within ten working days from the date of provision of services, fill in relevant information to go through record-filing formalities. We have submitted the relevant record-filing materials for the algorithmic service to the competent authorities by the Latest Practicable Date. However, we cannot predict whether we will be able to complete such filling in a timely manner or at all. Any failure to comply with such requirements may subject us to, among others, rectifications, warnings and penalties. Any such penalties may damage our reputation and disrupt our business operations.

During the Track Record Period, we had not been subject to any sanctions or penalties, or involved in any regulatory investigation relating to any material violations of the Data Security Law, the Personal Information Protection Law and the Cybersecurity Law. However, there can be no assurance that our existing data security, data privacy, cybersecurity and personal information

protection policies and technical measures are sufficient to protect us from potential risks. In addition, we do not have full control over the parties we work with. Any failure or perceived failure by us or our business partners to comply with the Data Security Law, the Personal Information Protection Law and the Cybersecurity Law, or any failure by our employees to comply with our relevant internal policies and measures, could subject us to legal proceedings, regulatory actions or penalties. Any of these could materially and adversely affect our business, results of operations, financial conditions and prospects.

Our historical performance during the Track Record Period may not be indicative of our future prospects.

During the Track Record Period, we had recorded steady growth in revenue from continuing operations of RMB397.9 million, RMB500.2 million, RMB507.1 million for the years ended December 31, 2021, 2022 and 2023, respectively. However, our historical performance may not be indicative of our future prospects, especially given the completion of the IP rights arrangements with Automotive Sub A in June 2023, and we may not be able to achieve similar performance in the future. Our steady growth in revenue may decline for a variety of reasons, including but not limited to increasing competition and emergence of new AI technologies, which could result in a decrease in customer demand for our offerings.

Our performance may be affected by a number of factors, most of which are beyond our control. Such factors include (i) failure to maintain business relationship with top customers, retain existing customers and attract new customers; (ii) changes to China's economic and social conditions in general; (iii) changes to consumer preference and behaviours; (iv) evolvement in China's policies and regulations, especially in respect of the latest development of AIGC services and other AI offerings; and (v) changes in macro-economic environment. In particular, for the years ended December 31, 2021 and 2022, respectively, from the IP rights arrangements with Automotive Sub A, being our largest customer in 2022, we generated revenue of RMB3.2 million and RMB 213.0 million respectively, accounting for 0.8% and 42.6% of our total revenue for the same respective years. For details, please refer to paragraph headed "Business — Our Solutions — AI Software Solutions — AI enterprise solutions — Intellectual property rights arrangements — IP rights arrangements with Automotive Sub A." in this document. We cannot assure you that we will generate a comparable level of revenue from IP rights arrangements in the future. As a result, we cannot assure you that we will be able to continue to grow steadily or avoid making losses.

We are subject to credit risk in collecting trade receivables.

During the Track Record Period, we recorded trade receivables of RMB45.5 million, RMB40.0 million and RMB58.0 million as of December 31, 2021, 2022 and 2023, respectively. We generally granted credit terms of up to 90 days to our customers upon their acceptance of

products or delivery of solutions. They generally settled the payment by bank transfer. We have established a credit risk management policy under which individual credit evaluations are performed on all customers. These evaluations focus on our customer's history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. During the Track Record Period, we had significant concentration of credit risk for individual customers, but not in countries in which the customers operate. As of December 31, 2021, 2022 and 2023, 80%, 65% and 50% of the total trade receivables were due from the Group's five largest customers within the electronics business segment, respectively. We recorded impairment losses on trade receivables of RMB0.5 million, RMB1.2 million and RMB3.9 million for the years ended December 31, 2021, 2022 and 2023, respectively, which was primarily due to the increase in the amount and aging of trade receivables. For details, please refer to note 34(a) to the Accountants' Report in Appendix I to this document.

We did not experience any material credit risk for trade receivables during the Track Record Period. However, if our customers' cash flows, working capital, financial conditions or results of operations deteriorate or they experience delays in payments from third parties, they may be unable, or they may otherwise be unwilling, to make payments owed to us promptly or at all. Any substantial defaults or delays could materially and adversely affect our cash flows. There is no assurance that our expectations or estimates in recovering the trade receivables as scheduled will be entirely accurate for the future, as we are not in control of all the underlying factors. Therefore, if we are not able to recover the trade receivables as scheduled, our financial position and results of operations may be adversely affected.

We have been and will continue investing in research and development, which may adversely affect our profitability and operating cash flow in the short term and may not generate the results we expect to achieve.

We believe our success relies on our ability to research and develop new AI technologies to meet customers' needs. During the Track Record Period, our research and development expenses amounted to RMB91.5 million, RMB118.7 million and RMB154.7 million for the years ended December 31, 2021, 2022 and 2023, respectively. Since the AI industry in which we operate are subject to constant technological advances, we need to invest significant resources, both financial and human resources, to keep track with the latest development of the AI industry in order to expand our offerings and enhance the competitiveness of our solutions in the market. As a result, we expect that we will continue to invest significantly in research and development.

However, we cannot assure you that our resources allocated to research and development will generate corresponding benefits, or at all. Research and development activities are inherently uncertain, and we may not be able to generate the result we expect, and even if we generate the

result we expect, we may still encounter practical difficulties in commercializing the expected result. Given the nature of constant development of AI technologies, we may not be able to timely apply our AI technologies into our solutions in an efficient and cost-effective manner, or at all. If we are not able to commercialize our research and development results, our business, results of operations and business prospects may be materially and adversely affected. In addition, significant investment in research and development may adversely affect our profitability and operating cash flow in the short term.

The continuous and collaborative efforts of our senior management and key employees are crucial to our success, and our business may be harmed if we lose their services.

Our success is attributed to the continuous and collaborative efforts of our senior management team and key employees from various functions, including but not limited to management, operational, technical and financial functions. Our senior management team and key employees have extensive experience, expertise and qualifications in the AI technologies, which are the foundation for our outstanding growth in the AI industry. In particular, we rely on the expertise, experience and leadership of certain senior management, such as our founder and Chairman, Dr. Li, who has over 13 years of relevant experience in AI industry, and our co-founder, Ms. Li, who has over 14 years of experience in the software development industry. Competition for competent talents and experienced personnel in the AI industry is fierce and the pool of such candidates is very limited. If our senior management team or key employees are unwilling or unable to continue in their current position, we may not be able to find suitable or qualified successor easily, or at all, in a timely manner, and may incur additional expenses to recruit and train new talents. In addition, if any member of our key personnel joins a competitor or forms a competing business, we may lose crucial technological know-how, business secrets, customers and other valuable resources. Consequently, our business operation may be significant disrupted, resulting in the delay in implementing and carrying out necessary business decisions and strategies, and our results of operations and financial conditions could be materially and adversely affected.

Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares may materially affect the Group's financial performance.

Our Company issued several series of redeemable shares to investors. During the Track Record Period, we had issued and repurchased redeemable preferred shares and ordinary shares. Our redeemable preferred shares and ordinary shares issued will be automatically converted into ordinary shares and re-designated from liabilities to equity as a result of the automatic conversion upon the **[REDACTED]**, hence, our position of net liabilities would turn into net assets upon the **[REDACTED]**. Additionally, the investors have the right to require us to redeem such contingently redeemable preferred shares and ordinary shares if this **[REDACTED]** is not consummated on or prior to a certain date or upon the occurrence of some specified events.

As of December 31, 2021, 2022 and 2023, we recorded contingently redeemable preferred shares and ordinary shares of RMB3,240.6 million, RMB3,536.1 million and RMB4,353.8 million, respectively. We recorded changes in the carrying amount of contingently redeemable preferred shares and ordinary shares of negative RMB98.9 million, negative RMB775.1 million and RMB753.8 million for the years ended December 31, 2021, 2022 and 2023, respectively.

The contingently redeemable preferred shares and ordinary shares are measured at the redemption price of the preferred shares and ordinary shares under worst case scenario at the end of each reporting period. To the extent we need to revalue the contingently redeemable preferred shares and ordinary shares prior to **[REDACTED]**, any changes in the carrying amount of contingently redeemable preferred shares and ordinary shares could materially affect our financial position and performance. After the automatic conversion of the contingently redeemable preferred shares and ordinary shares into equity upon the **[REDACTED]**, we do not expect to recognize any further gains or losses on changes in the carrying amount of these contingently redeemable preferred shares and ordinary shares in the future.

Failure to fulfil our obligations in respect of contract liabilities could materially and adversely affect our results of operation, liquidity and financial position.

Our contract liabilities mainly represented the advance payment for our AI Software Solutions that we have yet to recognize as revenue. Our contract liabilities mainly arise from the advance payment made by customers while the underlying products and services are not yet to be provided. As of December 31, 2021, 2022 and 2023, we had contract liabilities of approximately RMB151.8 million, RMB60.9 million and RMB72.9 million, respectively. All of the current contract liabilities are expected to be recognized as income within one year. As of December 31, 2023, our non-current portion of contract liabilities amounted to RMB19.7 million.

There is no assurance that we will be able to fulfil our obligations in respect of contract liabilities. If we are not able to fulfil our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to return the advance payment made by our customers. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

Share-based payment may cause shareholding dilution to our existing Shareholders and have a negative effect on our financial performance.

To incentivize and reward eligible persons who have contributed to the success of our Company, we have adopted the **[REDACTED]** Share Option Scheme and conditionally adopted the **[REDACTED]** RSU Scheme for the benefit of our employees to take up options or awards to subscribe for or obtain Shares. For details, please refer to the paragraph headed "Statutory and General Information D. Share Incentive Schemes" in Appendix IV to this document. The share incentive schemes may continue to incur share-based compensation expenses in the future.

For the years ended December 31, 2021, 2022 and 2023, we incurred share-based compensation of RMB9.6 million, RMB17.3 million and RMB41.7 million, respectively. Our Company will not grant additional options under the **[REDACTED]** Share Option Scheme after the **[REDACTED]**. Assuming full vesting and exercise of all options granted under the **[REDACTED]** Share Option Scheme, the shareholding of our Shareholders immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and each Preferred Share is converted into one Share) would be diluted by **[REDACTED]**%. Expenses incurred with respect to share-based payment may also increase our operating expenses and therefore have a negative effect on our financial performance.

We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third parties from any unauthorized use of our technologies.

Our success is attributed to our trade secrets, trademarks, copyrights, patents, and other intellectual property rights. We rely on, and will continue to rely on, a combination of confidentiality and non-compete agreements with our employees, in particular, our management and key personnel, licensing agreements with third parties with whom we have business relationship, as well as our trademark, domain names, copyrights, trade secrets, patent rights, and other intellectual property rights to protect our business. However, events and factors beyond our control may pose risks to our intellectual property rights as well as our solutions. We have been granted a number of trademark registrations and patents and other intellectual property rights and have filed, and expect to continue to file, intellectual property applications seeking to protect our developed brands and solutions. We cannot be sure that trademark and patent and other intellectual property registrations will be issued with respect to any of our applications. There is also a risk that we could, by omission, fail to renew a trademark or patent or other intellectual property rights on a timely basis or that our competitors will challenge, invalidate or circumvent any existing or future trademarks and patents and other intellectual property rights issued to us. Effective protection of our intellectual property rights is expensive and difficult to maintain, both in terms of application and costs, as well as the costs of defending and enforcing those rights. While we have taken measures to protect our intellectual property rights, we cannot assure you that our actions to

protect our portfolio of intellectual property rights will be sufficient or effective or that third parties will not infringe upon or misappropriate proprietary rights. As a result, our intellectual property rights may be infringed, misappropriated or challenged, which could result in them being narrowed in scope or declared invalid or unenforceable.

Similarly, we also rely on the restrictions on the use and disclosure of unpatented proprietary information and technologies, such as trade secrets and confidential information, in our agreements with employees and third parties for the protection of such intellectual property rights. These agreements, however, may be insufficient or may be breached, either of which could potentially result in the unauthorized use or unauthorized disclosure of our trade secrets and other intellectual properties, especially to our competitors. As a result, we may lose our competitive advantages derived from such intellectual property or suffer significant impairments to our intellectual property rights and limitations on our ability to assert our intellectual property rights against others, all of which may result in material and adverse impacts on our business, results of operations, financial conditions and business prospects.

We may be subject to claims by third parties for infringement or violation of intellectual property rights, which could be time-consuming or costly to defend and may materially and adversely affect our business, results of operations, financial conditions and business prospects.

We depend to a large extent on our ability to effectively research and develop technologies and maintain intellectual property rights such as trademarks, copyrights, patents, relating to our business. However, we cannot assure you that third parties will not put forward claims that our business infringes upon or otherwise violates intellectual property rights which they hold, whether valid or otherwise, without our awareness.

We have not been subject to any material proceeding or claims pending or threatened against us relating to violation of any intellectual property rights. We cannot assure you that purported holders of trademarks, copyrights, patents or other intellectual property rights relating to some or all aspects of our AI technologies, technological infrastructure or operations, would not involve legal proceedings against us in relation to the infringement or violation of such intellectual property rights in China or any other jurisdictions where we have operations. Moreover, since administrative and court authorities in the areas where we operate may have discretion in interpreting and implementing statutory provisions, it may be difficult for us to evaluate the outcome of such legal proceedings. In light of the increased competition among other market participants in the AI industry of China, we may be exposed to higher risk of infringement or violation of intellectual property rights. Defending against any claims, accusations, allegations in legal proceedings can be time-consuming and costly, and our management may need to divert their

time and resources from daily management of operations, which may lead to disruption of our business operations. As a result, we may incur additional costs in preventing potential infringement or violation.

If we are found to have infringed or violated any intellectual property rights held by others, we may be subject to significant liability for our infringement or violation, including but not limited to fines, compensatory or punitive damages and injunction. As such, we may be restricted or prohibited from using such intellectual property rights, which may materially and adversely affect our business, results of operations, financial conditions and business prospects.

We may be subject to complaints, litigations and claims initiated by the intellectual property owners, if any of the resources used, contents created or training data employed, especially data sourced from the Internet, by our Group and its users have infringed or potentially infringed third party intellectual property rights.

As with many developing technologies, AI technology presents risks and challenges on intellectual property that could affect its further development, adoption, and use, and therefore influences our business. To facilitate the development of language models encompassing various languages, our application of AI models, especially the use of AIGC solutions for content creators to achieve efficient content generation may train data by sourcing a comprehensive and representative dataset from the Internet. This may raise issues related to intellectual property right infringement, if the resources used, content created, or training data employed by our Group and our users have infringed or potentially infringed third party intellectual property rights.

While our Group endeavors and will continue to take measures to ensure proper authorization, legality and accuracy of data obtained from the training data providers, Internet, and its users, including but not limited to (i) only selecting open-source websites and analyzing their platform governance rules and licensing provisions; (ii) establishing a comprehensive framework; (iii) obtaining explicit legal permission through contracts with training data providers. However, our current measures may be insufficient to avoid all potential infringements and events and factors beyond our control or anticipation that may pose risks to the effectiveness of our current measures. Therefore, there is no assurance that we can identify all instances in which infringement has occurred or will occur, and there is no assurance that any of the resources used, contents created or training data used by our Group would not involve legal proceedings against us in relation to infringement or violation of intellectual property rights in China or any other jurisdictions where we have operations.

Besides, if a claim of infringement, misappropriation or violation is brought against us, we may be required to pay substantial damages, subject to injunction or court orders or be required to remove the data and redesign our technology. In such an event, we may be required to (i) seek

licenses from third parties to continue commercially use their resources, contents and data to make our AIGC solutions generally available; (ii) to re-engineer our models; or (iii) to discontinue the sale of our models if re-engineering cannot be accomplished on a timely basis, any of which could adversely affect our business and revenue. As a result, we may lose our competitive advantages derived from such intellectual property or suffer significant impairments to our intellectual property rights or receive public criticisms which may adversely affects our brand reputation and credibility, all of which may result in material and adverse impacts on our business, results of operations, financial conditions and business prospects.

In addition, the use of resources, content or data to train our Group's AI models may be subject to future regulatory scrutiny and legal challenges. If we fail to ensure our compliance with the relevant laws and regulations governing the use of resources, content or data to train our Group's AI models, including intellectual property laws, our reputation, business and results of operations may also be materially and adversely affected.

We rely on a limited number of key sales partners to sell our smart devices.

We rely on a limited number of key sales partners, including various online e-commerce platforms, to sell a significant amount of our smart devices. As such, we may be subject to concentration and counterpart risks from these key sales partners. We cannot assure you that we will be able to maintain our relationship with our key sales partners in the future. The key sales partners are not obliged in any way to continue to contract with us at a similar level in the future, or at all. In the event that any of the key sales partners reduces substantial orders of our smart devices, terminates their business relationship with us entirely or fail to settle payments on time, we may need to seek new business partners or customers to compensate for such loss in sales volume, the failure of which may adversely affect our operations. If we fail to maintain relationship with our key sales partners, or if there is a perceived decline in the quality of service or general reputation of these business partners among our customers, we may also suffer loss in sales volume, which in turn, may have adverse impacts on our business, results of operations and financial conditions and prospects.

Failure to abide by the policies, terms and conditions set by our online sales partners could materially and adversely affect our business, results of operations and business prospects.

We rely on a number of leading e-commerce platforms such as Amazon and AliExpress for the sale of our Smart Devices and Other Accessories. These e-commerce platforms are important sales channels for our Smart Devices and Other Accessories. We typically enter into non-exclusive framework agreements with each of them and receive orders from them on a regular basis.

We are bound by the policies, terms and conditions set by these e-commerce platforms for their services. These policies, terms and conditions would evolve from time to time, subject to a number of factors including regulatory updates, trade sanctions and embargoes. If we fail to abide by the policies, terms and conditions set by these e-commerce platforms or adapt to the evolvement of such policies, terms and conditions in a timely manner, our agreements with these e-commerce platforms will be terminated if we cannot rectify the breach within a prescribed timeline. As such, we may not be able to receive orders from, or gain access to these e-commerce platforms, which may materially and adversely affect our business, results of operations, financial conditions and business prospects.

Any negative publicity or misconduct regarding the KOLs that promote our solutions and AI-empowered hardware products could adversely affect our business and results of operation.

We collaborate with KOLs in relation to our branding and marketing. However, we cannot assure you that any of our KOLs' endorsements will remain effective and compatible with the messages that our brands aim to convey. Moreover, we cannot give assurance that any of these KOLs will remain popular or their public perceptions will remain positive. The KOLs may face the recent tightening regulations targeting widespread tax avoidance, which may impose risks to our business. Any of the KOLs' deterioration in image or misconduct, including but not limited to, inappropriate speech, unethical behavior, non-compliance with the relevant laws and regulations or banning from conducting marketing activities would have a significant impact on our brands and subsequently our business and results of operations could be adversely affected.

During the Track Record Period, we were not aware of any incidents caused by any of our KOLs that may materially and adversely affect our reputation and brand image. However, we cannot assure you that there would not be any incident in the future, in which case, our reputation, business and prospects may be adversely affected.

We depend on third parties to assemble, test and ship certain of our smart devices. Such arrangements may limit our abilities on quality control of our smart devices and could have adverse impacts on our business, results of operations and financial conditions.

We engage suppliers and contract manufacturers to assemble, test and ship our smart devices. While we may enjoy economic benefits from such arrangements, we may also face problems arising from quality control of our smart devices. We may encounter operational difficulties from our arrangements with suppliers including packaging and logistics service providers and contract manufacturers, such as limited production capacity, failures to comply with products specification, insufficient quality control and failures to meet production deadlines, which in turn causes disruptions and delays in delivering our smart devices to our customers. Further, our suppliers and contract manufacturers may also experience difficulties such as disruptions and delays in their

productions and operations due to equipment breakdowns, labor strikes or shortages, raw materials or component shortages, natural disasters or other problems. In addition, we may also experience difficulties such as renewing contracts with these suppliers, distributors and contract manufacturers or identifying suitable alternatives with similar production capacity and capabilities in the market, or in case of successful renewal of contracts, the terms and conditions may also be less favorable to us and our plans to launch new products in the future might be adversely affected. Although we may have warranty provisions in the contracts with these services providers, we may have difficulties in enforcing the warranty provisions, or at all, and incur additional costs on pursuing legal proceedings or arbitration. Moreover, we remain primarily responsible for our customers in relation to quality of our smart devices, which we may need to make further provisions for warranty in the event of unanticipated device defects. In the event of any claims from our customers, or legal proceedings instituted or brought against us to demand return of the relevant payment, we will have to spend financial and managerial resources to defend against such claims and legal proceedings. Any of the above would lead to disruptions of our operations and additional costs, which may in turn materially and adversely affect our business, results of operations and financial conditions.

Delays in delivery, poor handling by our logistics providers or disruptions in the transportation network may adversely affect our business, results of operations, financial conditions and business prospects.

We engage logistics service providers for the delivery of smart devices to customers, distributors or end-customers. Any dispute with, or termination of contractual relationships with, our logistics service providers may result in delays in delivery of smart devices to our customers, distributors or end-customers, which may lead to additional costs for re-arrangement of delivery and complaints therefrom. We cannot assure you that we can continue or extend business relationship with our current logistics service providers on terms and prices acceptable to us, or at all. We also cannot assure you that we will be able to establish relationships with alternative logistics service providers in the market for accurate, timely and cost-effective delivery services. If we are unable to maintain or develop good relationships with our current logistics service providers, we may face increase in cost of sales, or disruption to our ability to offer smart devices in sufficient quantities on a timely and cost-effective manner or at prices acceptable to our customers, distributors or end-customers.

As we do not have any direct control over our logistics service providers, we cannot guarantee their quality of services. Any delay in delivery, damage to smart devices resulting from poor handling or other issues such as labor strikes may lead to customers dissatisfaction or even loss of customers. In light of the potential disputes in terms of poor handling or delays, we have obtained relevant insurance cover, and we will maintain insurance cover as an effective risk management policy. Nonetheless, delays in delivery due to disruptions in the transportation

network, such as transportation shortages, work stoppages or infrastructure congestion, could negatively affect our ability to deliver our smart devices to our customers, distributors or end-customers in a timely manner, which may adversely affect our business, results of operations, financial conditions and business prospects.

Our operations may be materially and adversely affected if we fail to obtain, maintain and update licenses, approvals, qualification and certifications that are material to our operations.

The AI industry in which we operate is highly regulated. Our business operations in China are regulated by a number of PRC authorities including but not limited to the MIIT, CAC, MOFCOM and NDRC, which jointly and severally regulate major aspects of our industry in China. We are also required to obtain and maintain the requisite licenses and approvals required in other jurisdictions where we have business operations.

We had obtained all the licenses and approvals from competent governmental authorities in all material aspects that are crucial to our operations in China and other jurisdictions where we operate. However, we cannot assure you that we can successfully renew current licenses required for our business in a timely manner or that these licenses are sufficient to conduct all of current or future business. As the interpretation and implementation of existing and future legislations, regulations and policies governing our business activities are evolving, we cannot assure you that we will not be found in violation of any future legislations, regulations and policies nor any of the legislations, regulations and policies in effect. If we fail to obtain, renew or maintain any of the requisite licenses or approvals or make necessary and appropriate filings in any of the jurisdictions where we have business operations, we may be subject to various penalties, including fines, discontinuation or restriction of our business operations. Any such penalties may damage our reputation, disrupt our business operations and even terminate our business operations in those jurisdictions. As such, our results of operations, financial conditions and business prospects could be materially and adversely affected. For further details on the requisite licenses and approvals for our business operations, please refer to the section headed "Regulatory Overview" in this document.

We had incurred loss from continuing operations and negative operating cash flow during the Track Record Period and there can be no assurance that we will not have loss from continuing operations and negative operating cash flow in the future.

We recorded loss before taxation from continuing operations of RMB180.2 million, RMB683.7 million and RMB800.8 million for the years ended December 31, 2021, 2022 and 2023, respectively. Our loss before taxation from continuing operations for the years ended December 31, 2021, 2022 and 2023 was primarily attributable to (i) our research and development expenses

of RMB91.5 million, RMB118.7 million and RMB154.7 million for the respective years and (ii) changes in the carrying amount of contingently redeemable preferred shares and ordinary shares of RMB98.9 million, RMB775.1 million and RMB753.8 million.

Further, we recorded a net operating cash outflow of RMB37.2 million for the year ended December 31, 2021. Our negative operation cash flow for the year ended December 31, 2021 was primarily attributable to our loss before tax of RMB274.5 million. We cannot assure you that we will be able to generate profits or positive cash flow from our operations in the future. If we encounter long-term and continuous net operating cash outflow in the future, we may not have sufficient working capital to cover our operations, and our business, results of operations, financial conditions and business prospects may be materially and adversely affected.

Government grants currently received by us may be reduced or discontinued in the future.

We have received government grants in the past for our continuous effort in research and development activities. Over the past decades, the Chinese government has implemented various policies to support the development of technological innovation including provisions of government grant to promote and support research and development activities. We have recognized government grants for our continuing operations of RMB34.2 million, RMB8.9 million and RMB19.7 million for the years ended December 31, 2021, 2022 and 2023, respectively, primarily representing funding support from the Nanjing Municipal Government.

Our government grants from the Nanjing Municipal Government primarily consist of subsidies on our operation and research and development which had a significant impact on our Group's financial performance during the Track Record Period. Part of the subsidies were granted upon satisfactions of certain conditions, including, among others, (i) establishment of our Group's headquarter enterprise (the "**HQ Enterprise**") at the Nanjing Economic and Technological Development Zone upon completion of the statutory procedures with the local industry and commerce authorities and (ii) achieving certain level of revenue. Our tenancy expenses in relation to office and research and development bases, accommodations for our talents and purchase price of land for the HQ Enterprise were also subsidized. The subsidies are further subject to continuing fulfillment of certain ongoing conditions, which primarily include the Group's continuous engagement in its principal business and the use of subsidy funds in accordance with the purposes specified by the Nanjing Municipal Government. We cannot assure you that our Group will continue to satisfy the standards of policies to support research and development activities. As a result, we may not be able to receive further government grants in the future and our financial conditions will be adversely affected.

We may be subject to higher income tax rates if certain preferential tax treatments granted to us are not renewed.

During the Track Record Period, four of our subsidiaries had been qualified as High and New Technology Enterprise ("**HNTE**"). Under the EIT Law, an enterprise qualified as a HNTE is entitled to a preferential tax rate of 15% provided that it continues to meet HNTE qualification standards. Beijing Yushanzhi and WWZN IT were qualified as HNTE and were entitled to the preferential tax rate of 15% from 2020 to 2022. Beijing Yushanzhi and WWZN IT renewed the qualifications as HNTE in December 2023 and November 2023, respectively, for another three-year period from 2023 to 2025 and therefore, the preferential tax rate of 15% was adopted for the year ended December 31, 2023 (for the year ended December 31, 2022: 15%). Mobvoi IT was qualified as HNTE and was entitled to the preferential tax rate of 15% from 2021 to 2023. In addition, Mobvoi Innovation was qualified as HNTE and was entitled to the preferential tax rate of 15% from 2022 to 2024. However, the HNTE qualification is subject to re-assessment by the competent tax authorities every three years. We cannot assure you that Beijing Yushanzhi, WWZN IT, Mobvoi IT and Mobvoi Innovation will continue to fully satisfy the HNTE qualification standards and in case Beijing Yushanzhi, WWZN IT, Mobvoi IT and Mobvoi Innovation continue to fully satisfy the HNTE qualification standards, the preferential tax rate will remain 15%. As a result, our financial conditions could be adversely affected if we are not able to enjoy preferential tax treatments resulting from our failure to renew our HNTE qualifications.

Our strategic acquisitions and investments may fail and may have material and adverse effect on our business, results of operations and financial conditions.

We have made strategic acquisitions and investments in the past, and from time to time, we may look for opportunities for further strategic acquisitions and investments in the future to expand and strengthen our solutions coverage and sustain our business growth. For instance, we acquired Geekstar and Zhixue in September 2020 with a view to empower the training industry with AI technologies. For details, please refer to the sub-paragraphs headed "1. Acquisition of Geekstar and subsequent disposal of shares in Geekstar" and "2. Acquisition of Zhixue and subsequent disposal of shares in Zhixue" under the paragraph headed "History, Reorganization and Corporate Structure — Major acquisitions, disposals and mergers".

Our acquisitions and investment strategies rely heavily on our ability to identify suitable targets, our ability to reach agreements with them on commercially reasonable terms with a desirable timeframe, the availability of financing to complete acquisitions or investments, as well as our ability to obtain any necessary Shareholders or regulatory approvals. However, such strategic acquisitions and investments may subject us to certain inherent uncertainties and risks, including high acquisition and financing costs, actual or potential financial obligations and unforeseen or hidden liabilities, failure to achieve our intended goals, benefits or business growth,

uncertainty of entering into markets in which we have limited or minimal knowledge and experience and competitors have stronger market positions, costs associated with, and difficulties in, integrating acquired business and managing a larger business, and diversion of our financial or human resources as well as management attention. Even if we are able to successfully acquire or invest in suitable businesses, there is no assurance that we will achieve expected or forecasted returns from such acquisitions or investments. If we fail to identify or acquire suitable targets, address the inherent uncertainties and risks associated with our strategic acquisitions and investments or achieve expected returns on such acquisitions and investments in the future, our business, results of operations, financial conditions and business prospects may be materially and adversely affected.

We are also exposed to risks during acquisition process such as successor liability relating to the actions by our target and its management before, during and after the acquisition. We will conduct due diligence in connection with the target throughout the acquisition process. However, we cannot assure you that the due diligence we conducted are sufficient to cover all liabilities, both known and unknown, and any contractual guarantees or indemnities that we receive from the sellers of the target and/or their shareholders may not be sufficient to protect us from, or compensate us for, actual liabilities in full amount. Any material liability associated with the target may result in reputational harm and reduction in the benefits of such acquisition or investment. Moreover, if the target, together with its management team or key employees failed to perform as expected, we may suffer financial losses from such acquisition or investment, which in turn adversely affect our business, results of operations and financial conditions.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and other relevant laws and regulations that could subject us to liability and impair our ability to compete in international markets.

We are subject to anti-corruption, anti-bribery, anti-money laundering and other relevant laws and regulations in jurisdictions where we operate. We may be subject to investigations and proceedings by governmental authorities for alleged infringements of these laws if our compliance processes or internal control systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial conditions and results of operations. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial conditions and results of operations. Given the uncertainty, complexity and scope of many of these litigation matters, their outcome generally cannot be predicted with a reasonable degree of certainty. Therefore, our provision for such matters may be inadequate.

In addition, exports of our products must be made in compliance with various economic and trade sanctions laws, rules or regulations in different jurisdictions. For example, The U.S. economic sanctions prohibit persons subject to The U.S. jurisdiction from engaging in the provision of certain products or services to or from certain countries, governments, entities and persons targeted by The U.S. economic sanctions. The United Kingdom financial sanctions and European Union sanctions may impose similar restrictions. We are committed to ensuring our compliances with such economic and trade sanctions laws, rules or regulations, but we may not be able to do so for factors beyond our control or otherwise, and our relevant internal control measures can be costly. For example, even though we take precautions not to engage in any sanctionable activities, we might not be able to procure similar compliance of our independent distributors. Under certain circumstances where our independent distributors do not comply with such economic and trade sanctions laws, rules or regulations, we may also suffer negative consequences, including government investigations, penalties and reputational harm, which could have a material and adverse effect on our business, results of operations and financial conditions.

We might be subject to the risks associated with international trade and investment policies, geopolitics, trade protection and investment restriction measures, and our business, results of operations, financial conditions and prospects could be adversely affected.

Our operations in various countries may be negatively affected by any dispute or conflicts in the countries where we operate, and subsequent administrative measures such as export sanctions and control by relevant government authorities. Trade restrictions that may be imposed by other jurisdictions, which may be difficult or costly for us to comply with. Our operations may be adversely affected if we encounter fiscal policies such as increase in duties and taxes, imposition of tariffs, barriers and quota on crucial components or technologies to our offerings and operations.

With the escalation of the trade dispute between the U.S. and China, the U.S. Department of Commerce's Bureau of Industry and Security ("**BIS**") has issued an entity list (the "**Entity List**"), and had been frequently updating the Entity List to include more PRC-based hi-tech companies. PRC-based companies on the Entity List are subject to trade sanctions and export controls on a number of components and technologies developed by U.S. companies. As of the Latest Practicable Date, we, or any of our major customers, suppliers and any other major business partners had not been on the Entity List. However, we cannot assure you that we or our business partners would not be added to the Entity List in the future. Our operations may be negatively affected if we or any of our business partners are added to the Entity List, which may result in our failures to obtain crucial components or access to the latest technologies originated from the U.S., and in turn, may have material and adverse impacts on our business, results of operations, financial conditions and business prospects.

In addition, on August 9, 2023, the U.S. President Biden signed an executive order on "Addressing United States Investments In Certain National Security Technologies And Products In Countries Of Concern" (the "**EO**") and U.S. Department of Treasury issued an Advance Notice of Proposed Rulemaking (the "**ANPRM**") seeking public comment related to the implementation of the executive order, providing a conceptual framework for outbound investment controls focused on China, including Hong Kong and Macau, involving certain technologies, including AI. As of the Latest Practicable Date, no detailed rules had yet been proposed, and there were no currently effective restrictions or notification requirements. As proposed in the ANPRM, the U.S. Department of Treasury intends to (i) prohibit U.S. investments into covered foreign persons engaged in the development of software that incorporates an AI system and is designed to be exclusively (or primarily) used for military, government intelligence, or mass-surveillance end uses (the "**Proposed Prohibited End Uses**"), and (ii) require U.S. persons to notify the U.S. Department of Treasury if undertaking a transaction with a covered foreign person engaged in the development of software that incorporates an artificial intelligence system and is designed to be exclusively (or primarily) used for: (a) cybersecurity applications, digital forensics tools, and penetration testing tools; (b) the control of robotic systems; (c) surreptitious listening devices that can intercept live conversations without the consent of the parties involved; (d) non-cooperative location tracking (including international mobile subscriber identity Catchers and automatic license plate readers); or (e) facial recognition (the "**Proposed Notifiable End Uses**"). As (1) our AI solutions are primarily used to empower content creators, enterprises and consumers with generative AI and voice interaction technologies, providing prominent AI software and AI software-embedded hardware solutions, and (2) our AI applications are primarily used in areas including automotive, finance, TMT and others such as healthcare and retail industries, our Directors do not believe that our products would fall into the Proposed Prohibited End Uses or the Proposed Notifiable End Uses or that we would be categorized as a "covered foreign person" when the final implementation rules are adopted by the Treasury. In addition, the ANPRM proposes to exclude from the definition of "covered transaction" certain "excepted transactions," including a passive investment into a publicly traded security. Based on the information currently available to the Joint Sponsors and the independent due diligence work conducted by the Joint Sponsors, including but not limited to (i) discussing with the Company to understand its products and solutions; (ii) reviewing the publicly available information in relation to the EO to understand, among others, the contents and latest status; and (iii) conducting background searches and public searches on the Group, nothing has come to the attention of the Joint Sponsors that would cause them to disagree with the Directors' views above. As of the Latest Practicable Date, the EO and the ANPRM did not have any impact on our business operations, however, if the final implementing rules expand the scope of the covered technologies and products to restrict transactions by U.S. persons with us or narrows the scope of "excepted transactions", or if any similar or more expansive restrictions imposed by the U.S. or other jurisdictions are adopted in the future, our business operations, financial performance and funding, as well as our relationship and cooperation with customers, suppliers and investors may be adversely affected.

Our risk management and internal control systems may not be adequate or effective in all respects, which may materially and adversely affect our business, results of operations and financial conditions.

For the enhancement of our operations, we have established risk management and internal control systems that are tailor-made for our business in order to minimize our actual or potential risk exposures. Despite of our ongoing efforts in implementing and improving such systems, we cannot assure you that our risk management and internal control systems will be able to identify, prevent and manage all risks arisen from our operations, in a timely manner, and our precautions taken to prevent and address actual or potential risks may not be effective. Also, the effectiveness of our risk management and internal control systems also depends on the implementation by our employees. We cannot assure you that such implementation will not involve any human errors or mistakes, which may in turn adversely affect our operations. As such, if we fail to implement effective risk management and internal control systems in a timely manner or our preventive measures are not effective, our business, results of operations and financial conditions could be adversely affected.

We may be involved in legal proceedings and commercial disputes, which could have materially and adversely impact on our business, results of operations, financial conditions and business prospects.

We have in the past involved in legal proceedings and commercial disputes arisen from our business operations. We may also subject to claims and various legal proceedings and commercial disputes in the future. In addition, agreements entered into by us may include indemnity clauses which may subject us to damages and compensations in the event of a claim against any indemnified party. These claims could be asserted under a variety of laws, including but not limited to consumer protection laws, intellectual property laws, and labor and employment laws. Given the inherent uncertainty of litigation, it is possible that we might incur liabilities as a consequence of the proceedings and claims brought against us, including those that are not currently believed by us to be reasonably possible.

Legal proceedings and commercial disputes may be expensive, time-consuming or disruptive to our business operations. As such, we may enter into new or further agreements or other arrangements to settle legal proceedings and resolve such disputes. We cannot assure you that such agreements or arrangements are on acceptable terms or that no further legal proceedings or commercial disputes in the future. These agreements or arrangements may also significantly increase our operating expenses.

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations in the jurisdictions where we operate. We may be subject to investigations and legal or administrative proceedings by competent authorities for alleged infringements or violations of these laws and regulations if our internal control mechanisms and policies are not implemented properly and adequately. These investigations and proceedings may result in penalties, fines and sanctions or other liabilities, which could have a material and adverse impact on our reputation, business, results of operations and financial conditions. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or rules, we could be subject to one or more enforcement actions or otherwise be found to be in violation of such laws, regulations or rules, which may result in penalties, fines and sanctions and in turn materially and adversely affect our reputation, business, results of operations, financial conditions or business prospects. Given the uncertainty, complexity and scope of many of these litigation matters, their outcomes generally cannot be predicted. Therefore, our provision for such matters may be inadequate.

Our Directors had confirmed that, during the Track Record Period and up to the Latest Practicable Date, there had been no legal or administrative proceedings pending or threatened against us or any of our Directors that could, individually or in aggregate, have a material effect on our business, results of operations or financial conditions. However, new legal or administrative proceedings and claims may arise in the future and the current legal or administrative proceedings and claims we face are subject to inherent uncertainties. If one or more legal or administrative matters were resolved against us or an indemnified third party for amounts in excess of our management's expectations or certain injunctions are granted to prevent us from using certain technologies in our solutions, our business and results of operations could be materially and adversely affected. Further, outcomes of legal or administrative proceedings could result in significant compensatory, punitive or other monetary damages, disgorgement of revenue or profits, remedial corporate measures, injunctive relief or specific performance against us that could materially and adversely affect our results of operations and financial conditions. Moreover, even if we eventually prevail in these matters, we could incur significant legal fees or suffer significant reputational harm, which could have a material and adverse effect on our business prospects and future growth, including our ability to attract new business partners, expand our relationships with governmental regulators and industry groups and recruit and retain employees and agents. For further details regarding our legal proceedings and non-compliance events, see "Business — Legal Proceedings and Compliance."

Despite we enter into long-term framework agreements with our suppliers and sales partners, the fact that we only enter into contracts with them periodically could result in significant fluctuations and interruptions to our business.

We usually enter into long-term framework agreements with our suppliers or sales partners. However, we usually enter into contracts with our business partners periodically. We conduct review and assessment on our business partners at the end of the contractual term to determine whether to renew the contracts based on their performance or our business need; renewal of contracts is subject to the mutual consent and agreement between our business partners and us. We cannot ensure that our business partners that we are satisfied with will agree to renew contracts with us. If we are not able to maintain long-term relationships with our current business partners, supply from our suppliers and sale to our sales partners may be disrupted and our business, results of operations, financial conditions and business prospects will be materially and adversely affected.

We cannot assure you that our current or future agreements, if any, with our major suppliers and sales partners can be negotiated on terms and prices equivalent to or more favorable than current terms and prices. Our sales and operating income could be materially and adversely affected if there are any material changes from our key suppliers' or sales partners' business plans or markets, which could in turn materially and adversely affect our business, results of operations, financial conditions and business prospects.

We rely on independent distributors over whom we have limited control.

During the Track Record Period, a significant amount of our smart devices was sold through distributors. The performance of our distributors, their ability and distribution network to sell our smart devices are crucial to our rapid growth, which may have direct impacts on our revenue and profitability. As of December 31, 2023, we had engaged 39 distributors. Due to the number of our distributors, we may not be able to exert our controls, or at all, on these distributors in a timely and effective manner. We have adopted policies including providing recommended retail and sale price to e-commerce platforms and distributors and taking into account of the geographic coverage of distributors during selection process to minimize the risk of cannibalization. In particular, we have implemented internal control policies to prevent cannibalization between e-commerce platforms and our proprietary online stores such as applying same recommended price for the same product and providing different multi-item combo packs to the e-commerce platforms and our proprietary online stores. However, we have limited control over the daily business activities on our distributors. Non-compliance by any of our distributors on the terms and conditions in the relevant distribution agreements or our risk management and internal control system or measures adopted may adversely affect the overall sales volume of our smart devices and our assessment on development strategies. We cannot assure you that our distributors will at all times comply with

our sales policies or that they will not compete with each other for market share in respect of our smart devices. If any of the distributors fails to distribute our smart devices to end-customers in a timely manner, overstocks, or carries out actions which are inconsistent with our business strategy, it may affect our future sales. This may in turn materially and adversely affect our business, results of operations, financial conditions and business prospects.

Our distributors may accumulate excessive or obsolescent inventory and any excessive build-up on inventory could adversely affect the volume of future orders from our distributors. Failure to manage our inventory effectively could have an adverse effect on our business, results of operations, financial conditions and business prospects.

Some of our smart devices are sold to distributors, who maintain their own inventories of our smart devices. Our smart devices will then be distributed to end-customers through various means by our distributors. We actively communicate with our distributors to understand their inventory levels and the actual amounts of our smart devices sold to end-customers. However, we cannot assure you that we are or will be able to accurately track the inventory level of our distributors or to effectively identify any excessive inventory build-up at various levels of our distribution network. We face higher risks of excessive or obsolescent inventories when we launch new smart devices as the market demand to the smart devices is uncertain. In such event, our distributors may reduce future orders until their inventory levels correspond with the market demand. We may also consider product return requests in accordance with the terms of agreements. Generally, we do not allow return of unsold products. As of December 31, 2021, 2022 and 2023, we had provision balance of RMB15.4 million, RMB16.5 million and RMB18.5 million, respectively, for potential claims of product return and other warranties. For details, please see the paragraph headed "Business — Product Returns, Exchanges and Warranties." The reduction in orders on our existing or future Smart Devices and Other Accessories, together with actual or potential returns of smart devices, could pose significant risks on our revenue recognition and sales volume of smart devices and result in material and adverse impacts on our business, results of operations, financial conditions and business prospects.

On the other hand, our inventories decreased from RMB123.9 million as of December 31, 2021 to RMB94.9 million as of December 31, 2022, and further to RMB66.7 million as of December 31, 2023. Our inventory turnover days were 159.2 days, 242.5 days and 163.0 days in 2021, 2022 and 2023, respectively. For details, please refer to the paragraph headed "Financial Information — Discussion of certain key consolidated statements of financial position items — Inventories" in this document. If we fail to maintain sufficient inventory levels of raw materials and finished goods, we may experience disruptions in our business operations such as delay in delivery of our Smart Devices and Other Accessories, which in turn may negatively affect our

growth and brand reputation. If we fail to manage our inventories effectively, we may be subject to a heightened risk of inventories obsolescence and any such situation may have an adverse effect on our business, results of operations, financial conditions and business prospects.

We are subject to risks relating to the warehousing of our smart devices.

Before delivery of our smart devices to our customers or distributors, we temporarily store them in warehouses leased by us or engage third-party logistics service providers to provide warehousing services to us. We may suffer damages to the smart devices as a result of accidents, including fires and floods. If such accidents were to occur, our ability to supply smart devices to our customers and distributors could be adversely affected. The occurrence of any of these incidents could also require us to make significant provisions and delay our delivery of smart devices. Loss of sales or increased costs that we may incur due to such disruption of operations and delay in delivery may not be recoverable under our existing insurance policies, and prolonged business disruptions could result in a loss of end-customers. If any one or more of the above were to happen, our business, results of operations, financial conditions and business prospects may be materially and adversely affected.

Our results of operations, financial conditions and business prospects may be adversely affected by the recoverability of our prepayments.

Our prepayments mainly comprised prepayments for purchase of inventories and service fees. Our prepayments as of December 31, 2021, 2022 and 2023 were RMB48.2 million, RMB34.4 million and RMB44.5 million, respectively. We are generally entitled to a refund of our prepayments, however, the timeframe and method for the refund may not be specified, and there may not be a mechanism in place to ensure that the refund will be made on a timely basis. In addition, the amount of prepayments we need to pay to the suppliers partially depends on our trading amount with suppliers and our bargaining power. We cannot assure you that we can maintain such trading amount and bargaining power in the changing market environment. If there is any delay in refunding our prepayment or if our trading amount with the suppliers or bargaining power recedes, our business, results of operations, financial conditions and business prospects may be materially and adversely affected.

We depend on cloud services and infrastructure operated by third parties and any disruption of or interference with our use of such third-party services and infrastructure would adversely affect our business, results of operations and financial conditions.

We provide our AI solutions through a number of third-party cloud services and infrastructure providers. Our third-party cloud services and infrastructure providers may experience problems, including but not limited to, software and hardware breakdowns, power shortages or natural disasters, which may expose us to the risks of interruptions, delays or outages with respect to our third-party cloud services and infrastructure. The level of cloud services and infrastructure provided by these third-party providers, or regular or prolonged interruptions in that particular cloud services or infrastructure, could affect the use of, and our customers' satisfaction with, our solutions and could harm our reputation.

Furthermore, in some circumstances, our cloud service and infrastructure providers may discontinue or restrict our access to one or more services or terminate or seek to terminate contractual relationship with us. Despite we expect that we could find alternatives in the market easily, if our contractual relationship with our current third-party providers were terminated, we could experience temporary interruptions in our ability to provide services to our customers and may incur additional costs in searching for alternative cloud services and infrastructure providers.

As a result of the above, we may experience temporary disruptions to our operation leading to the dissatisfaction of our customers, incur additional costs or be subject to actual or potential liability, any of which could have an adverse impact on our business, results of operations and financial conditions.

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

We had net liabilities of RMB2,923.0 million, RMB3,304.6 million and RMB4,130.3 million as of December 31, 2021, 2022 and 2023, respectively. Our net liabilities positions as of December 31, 2021, 2022 and 2023 were primarily attributable to the contingently redeemable preferred shares and ordinary shares of RMB3,240.6 million, RMB3,536.1 million and RMB4,353.8 million, respectively. Our redeemable preferred shares and ordinary shares issued will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares and our position of net liabilities would turn into net assets upon the **[REDACTED]**. However, we cannot assure you that we would not incur net liabilities position in the future which can expose us to the risk of shortfalls in liquidity. This in turn would require us to undertake additional equity financing, which could result in dilution of your equity interests. Any difficulty or failure to meet our liquidity needs as and when needed could materially and adversely affect our results of operations, financial conditions and business prospects.

We recorded net current liabilities during the Track Record Period.

We recorded net current liabilities of RMB3,141.7 million, RMB3,316.8 million and RMB4,121.2 million as of December 31, 2021, 2022 and 2023, respectively, primarily attributed to contingently redeemable preferred shares and ordinary shares.

Our net current liabilities position may expose us to liquidity risks and there is no assurance that our net current liabilities positions can be improved in the future. In the event that we continue to record net current liabilities, our working capital for business operations may be constrained. If we fail to generate sufficient revenue from our operations or if we fail to maintain sufficient cash and financing resources, we may not have sufficient cash flows to fund our business operations and capital expenditure, and our business and financial position may be adversely affected.

We face exposure to fair value change for financial assets at fair value through profit or loss which would affect our financial performance and valuation uncertainty due to the use of unobservable inputs.

Our financial assets measured at fair value through profit or loss include investments in certain wealth management products issued by reputable financial institutions in China and other investment in equity securities. As of December 31, 2021, 2022 and 2023, we recorded financial assets measured at fair value through profit or loss of RMB7.7 million, RMB124.1 million and RMB34.8 million, respectively. Our Group determined the fair value of other investment in equity securities in financial assets at fair value through profit or loss based on the discounted cash flow method with the significant unobservable input as the discount rate. Any change in the discount rate would lead to an increase or decrease in the fair value of the investment.

Therefore, the valuation of fair value change of financial assets at fair value through profit or loss is subject to uncertainties in estimations. Such estimated changes in fair values involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. It may lead to changes in the fair value of financial assets at fair value through profit and loss, and changes in such fair value may affect our financial performance. In addition, the valuation methodologies may involve a significant degree of management judgment and are inherently uncertain, which may result in material adjustment to the carrying amounts of certain liabilities and in turn may materially and adversely affect our results of operations. As such, the financial assets at fair value through profit or loss valuation has been, and will continue to be, subject to uncertainties in estimations, which may not reflect the actual fair value of these financial assets and result in significant fluctuations in profit or loss from year to year.

We face exposure to fair value change for financial assets at fair value through other comprehensive income which would affect our financial performance.

As at December 31, 2021, 2022 and 2023, our financial assets at fair value through other comprehensive income were nil, nil and RMB47.1 million, respectively, which mainly included certificates of deposit. For details, please refer the paragraph headed "Appendix I — Accountants' Report — Notes to the Historical Financial Information — 21. Financial assets measured at fair value through other comprehensive income" in this document. As at December 31, 2021, 2022 and 2023, the impact of expected loss of fair value through other comprehensive income was assessed to be insignificant. However, we cannot assure you that we will not incur any substantive fair value losses in the future. If we encounter substantive fair value losses, our financial performance could be adversely affected.

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

Companies operating in China are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business.

During the Track Record Period, we had engaged third party agents as part of our administrative arrangements to assist with social insurance and housing provident funds' payments. According to our PRC Legal Advisor, the administrative arrangements in engaging third party agents to assist with payments of social insurance and housing provident funds are not in strict compliance with the relevant PRC laws and regulations since the obligation to make such contributions shall rest on our Company and should not be delegated to third party agents. Therefore, we may still be considered as not having discharged our legal obligations under the relevant PRC laws and regulations as such contributions should have been made by ourselves.

Pursuant to the relevant PRC laws and regulations, employers who do not make full contributions on time to social insurance and housing provident funds may be subject to payment orders or penalties. As of the Latest Practicable Date, neither our Company nor our subsidiaries had been subject to any penalty or action for the engagement of third-party agents in relation to the payment of social insurance and housing provident funds. We cannot assure that the relevant local government authorities will not require us to pay the outstanding amount within a specified time limit or impose late fees or fines on us, which may materially and adversely affect our business, results of operations and financial conditions.

We may be liable for failure to register and file our lease agreements in accordance with applicable laws and regulations, which may subject us to administrative penalties.

As of the Latest Practicable Date, we had entered into six lease agreements for our leased properties, and out of which, three lease agreements had not been registered and filed with the local branch of the relevant property administrative authorities within the time limit prescribed as required by the Administrative Measures for Commodity House Leasing. There is no assurance that the lessors will cooperate and complete the registration in a timely manner. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not directly affect the legality, validity and enforcement of such leases, but could result in the imposition of fines up to RMB10,000 for each of the unregistered lease if we fail to rectify the breach within the time prescribed. For details, please refer to the paragraph headed "Business — Properties" in this document.

Our insurance coverage may not be sufficient to cover all of our potential losses.

We purchase and maintain insurance policies that we believe are in line with the market practice and adequate for the operation of our business. For details, please refer to the paragraph headed "Business — Insurance" in this document. There is no assurance that our insurance policies will provide adequate coverage for all the risks in connection with our business operations. Consistent with general market practice in China, we do not carry any business interruption insurance, product liability insurance, key-man life insurance and insurance policies covering damages to our IT infrastructure or information technology systems. If we were to incur substantial losses and liabilities arisen from uninsured occurrence of business disruption, litigation or natural disaster, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our business, results of operations, financial conditions and business prospects. We may be required to bear our losses to the extent that our insurance coverage is insufficient.

Our operations are subject to seasonal fluctuations.

We have experienced, and expected to continue to experience, seasonal fluctuations in our solutions. Seasonal fluctuations are attributed to various factors, such as customer preferences and demands in our solutions. During the Track Record Period, we generally recorded higher revenue for our solutions for the second half of the year. For details, please refer to the paragraph headed "Business — Seasonality" in this document. As such, any failure to plan our business developments and allocate our resources in consideration of seasonality of our business will result in negative impact on our operations and performance, which may in turn adversely affect our business, results of operations and financial conditions.

Pandemics and epidemics, natural disasters, terrorist activities, political unrest, and other force majeure events may disrupt our business operations, which could materially and adversely affect our business, results of operations, financial conditions and business prospects.

In recent years, there have been outbreaks of epidemics globally. The outbreak of COVID-19 has materially and adversely affected the global economy. In response to COVID-19 pandemic, various nations have adopted, among other measures, restrictions on mobility and travel, cancellation of public activities and temporary suspension on public transportation which led to delays or disruption in our operations, including but not limited to, business activities and research and development activities. We also experienced a moderate decline in our sales in relation to our smart devices during the pandemic, which in turn, adversely affected our results of operations and financial conditions.

In addition to the impact of COVID-19 as described above, our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of other widespread health epidemic, such as monkeypox, swine flu, avian influenza, severe acute respiratory syndrome, Ebola, or Zika or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or prolonged outbreak of an epidemic illness or other adverse public health developments in the countries and regions where we have operations could materially disrupt our business and operations. Such events could also significantly affect our industry and cause a temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material and adverse effect on our business, results of operations, financial conditions and business prospects.

Our operations could be disrupted if any of our employees were suspected of having any of the epidemic illnesses, since this could require us to quarantine some or all of such employees or disinfect the facilities we used for operations. In addition, our revenues and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the global economy in general. Our operations could also be severely disrupted if our customers, suppliers and distributors or other participants were affected by such natural disasters, health epidemics or other outbreaks.

We may be subject to social and natural catastrophic events that are beyond our control, such as natural disasters, health epidemics, riots, political and military upheavals and other outbreaks in the country and region where we have our operations or where a portion of our audiences are located. Such events could significantly disrupt our operations and negatively impact our business, results of operations, financial conditions and business prospects.

RISKS RELATING TO CONDUCTING BUSINESS IN JURISDICTIONS WHERE WE OPERATE

Fundamental changes in the economic, political, social, legal and regulatory conditions could adversely affect our business, results of operations, financial conditions and future prospects.

Most of our business operations are conducted in China. Accordingly, our business, results of operations and financial conditions are, to a material extent, subject to economic, political, social conditions and legal and regulatory development in China. The market conditions and levels of consumer spending in China are influenced by many factors beyond our control, including consumer perception of current and future economic conditions, levels of employment, inflation or deflation, household income, interest rates, taxation and currency exchange rates.

It may be difficult for us to predict all the risks and uncertainties that we may face from the current and future economic, political, social, legal and regulatory development in China. Any severe or prolonged negative impacts on the economic, political or social conditions of China may affect our business, results of operations, financial conditions and business prospects.

We are subject to laws and regulations in foreign jurisdictions, breaching of which could have a material and adverse impact on our business, results of operations, financial conditions and business prospects.

We have operations in foreign jurisdictions such as the U.S. and Singapore, and we are subject to laws and regulations in those jurisdictions. Foreign laws and regulations, particularly, in areas of consumer protection, import and export controls, data protection and privacy may have significant impacts on our operations. For instance, our operations in the U.S. are subject to regulations on data protection and user privacy, product liability, competition and various regulations in relation to our sales via e-commerce platforms operating in the U.S. For details, please refer to the paragraph headed "Regulatory Overview — United States laws and regulations relating to our business".

Compliance with foreign laws and regulations may be onerous and costly. Such laws and regulations are evolving and they may not be consistent from jurisdiction to jurisdiction, which may further increase our compliance costs. In case of any regulatory investigation or rulings against us, we may face serious reputational, operational and financial consequences. We have implemented appropriate internal control policies and measures to ensure our operations in foreign jurisdictions are in full compliance. However, we cannot guarantee that our efforts in complying with such laws and regulations are sufficient and effective, and are updated in a timely manner. In addition, we may further expand our operations into other foreign jurisdictions, which will expose us to further legal risks and incur additional compliance costs to us. If we are found to be in

breach of laws and regulations in foreign jurisdictions, we may be subject to penalties, fines and sanctions by relevant regulatory authorities, which in turn may have a material and adverse impact on our business, results of operations, financial conditions and business prospects.

Uncertainties with respect to the civil law system could have an adverse effect on our business, results of operations, financial conditions and business prospects.

Our business operations are mainly conducted through our subsidiaries in China. Our operations in China are governed by the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes.

The PRC laws and regulations have continued to evolve rapidly over the past decades and provided greater protections to various form of foreign investments in China. As the interpretation and enforcement of relevant laws and regulations applicable to our business are evolving, we may be required to implement additional internal control mechanisms and policies to ensure our compliance with these applicable PRC laws and regulations, including but not limited to adjusting our relevant business operations or transactions, engaging compliance experts and recruiting compliance talents, which may incur additional costs and adverse impact on our business. Any failure to respond to changes in the regulatory environment in the PRC could materially and adversely affect our results of operations and financial conditions, and impede our ability to continue our operations.

We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our Shareholders, and have a material adverse effect on our business, results of operations, financial conditions and business prospects.

Under the PRC Enterprise Income Tax Law that took effect on January 1, 2008 and was last amended on December 29, 2018, an enterprise established outside the PRC with "de facto management bodies" within the PRC is considered a "resident enterprise" for PRC enterprise income tax purposes and is generally subject to a uniform EIT tax rate of 25% on its worldwide income. On April 22, 2009, the STA issued the Notice on Relevant Issues Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as 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》) (the "**Circular 82**"), which sets out certain specific criteria for determining whether the "de facto management body" of a PRC-controlled offshore incorporated enterprise is located in the PRC. Further to the Circular 82, on July 27, 2011, the STA issued the Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民企業所得税管理辦法(試行)》) ("**Circular 45**"), which became effective on September 1, 2011, and was last amended on June 15, 2018, to

provide more guidance on the implementation of the Circular 82. According to the Circular 82, an offshore-incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered a PRC tax resident enterprise by virtue of having its "de facto management body" in the PRC and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions are met: (a) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (c) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and (d) not less than half of the enterprise's directors or senior management with voting rights habitually reside in the PRC. Circular 45 provides further rules on residence status determination, post-determination administration as well as competent tax authorities procedures.

We believe that none of our subsidiaries outside of the PRC is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of our subsidiaries is subject to assessment by the PRC tax authorities. If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we will be subject to the enterprise income tax on our worldwide income at the rate of 25% and we will be required to comply with PRC enterprise income tax reporting obligations.

The M&A Rules and certain other regulations establish complex procedures for certain acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth opportunities through acquisitions in China.

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) which was effective as of September 8, 2006 and amended on June 22, 2009 (the "**M&A Rules**"). The M&A Rules and other regulations and rules concerning mergers and acquisitions established procedures and requirements that could make merger and acquisition activities by foreign investors time consuming and complex. For example, the M&A Rules requires MOFCOM be notified in advance of any change-of control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned; (ii) such transaction involves factors that have or may have impact on the national economic security; or (iii) such transaction will lead to a change in control of a domestic enterprise which bolds a famous trademark or PRC time-honored brand. Moreover, the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC which became effective in 2008 and recently amended in 2022 requires that transactions which are deemed concentrations and involve parties with specified share of the market must be cleared by the SAMR before they can be completed. In addition, the Notice of the General Office of the State Council on the Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign

Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), effective in March 2011, and Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective in January 2021, require acquisitions by foreign investors of PRC companies engaged in certain industries that are crucial to national security be subject to security review before the consummation of such acquisition.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions. The MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

There might be uncertainties in effecting services of legal process, enforcing foreign judgments or arbitration awards against us or our Directors and senior management personnel in the PRC.

We are an exempted company incorporated in the Cayman Islands and most of our assets are located in China and most of our operations are conducted in China as well. In addition, a majority of our Directors and officers are nationals and residents of China and substantially all of the assets of these persons are located in China. Similar to the difficulties faced by most of the countries around the world on effecting service of process and enforcing judgment obtained from foreign countries, it may be difficult for you to effect service of process upon us or those persons in the PRC for disputes brought in courts outside the PRC.

On July 14, 2006, the PRC and Hong Kong entered into the Arrangement on Reciprocal Recognition 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 (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**"), which came into effect on August 1, 2008. Pursuant to the Arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China, and vice versa. It is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the Arrangement.

On January 18, 2019, the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"). The New Arrangement broadens the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction needs to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with certain rules without the parties' agreement. The New Arrangement came into effect on January 29, 2024 and replaced the Arrangement.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our Directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, there is no assurance that a judgment rendered by a court outside the PRC would be recognized and enforced in a PRC court.

The permit, filing or other requirements of relevant government authorities in relation to our proposed* [REDACTED] *or further capital raising activities may be required under PRC laws.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of the PRC and the General Office of the State Council jointly issued the Opinions on Strictly Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), which emphasized the need to strengthen the administration over illegal listing, and the supervision over overseas listing by domestic companies. Stringent measures aimed at establishing a robust regulatory system are expected to be taken to deal with the risks associated with overseas listed companies based in or having significant operations in China, and to tackle any related cybersecurity and data security, cross-border data transmission, and confidential information management, among other matters.

Further, on February 17, 2023, the CSRC released the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five ancillary interpretive guidelines (collectively, the "**Overseas Listing Trial Measures**"), which apply to overseas offerings and listing by domestic companies of equity shares, depository receipts, corporate bonds convertible to equity shares, and other equity securities, and came into effect on March 31, 2023. According to the Overseas Listing Trial

Measures, overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity and data security and duly fulfill their obligations to protect national security, and the domestic companies may be required to rectify, make certain commitment, divest business or assets, or take any other measures as per the competent authorities' requirements, so as to eliminate or avert any impact of national security resulting from such overseas offering and listing. No overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law, among other scenarios. The Overseas Listing Trial Measures provide that if an issuer meets both of the following conditions, the overseas securities offering and listing conducted by such issuer will be determined as an indirect overseas offering and listing subject to the filing procedure set forth under the Overseas Listing Trial Measures: (i) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements over the same period for the most recent accounting year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in Mainland China, or its main places of business are located in Mainland China, or the senior managers in charge of its business operation and management are mostly Chinese citizens or domiciled in Mainland China. For an initial public offering and listing in an overseas market, the issuer shall designate a major domestic operating entity to file with the CSRC within 3 working days after the relevant application is submitted overseas. For details, please refer to the paragraph headed "Regulatory Overview — Laws and regulations related to M&A rules and overseas listings" in this document.

Pursuant to these regulations, the **[REDACTED]** is subject to the filing requirement with the CSRC as advised by our PRC Legal Advisor. We received the filing notice issued by the CSRC dated December 21, 2023 indicating that we have completed the filing application. Nonetheless, in the event of any future events that are material to us or failure to complete overseas securities **[REDACTED]** and **[REDACTED]** within 12 months from the date of the filing notice, we are under the obligation to report such events to or update the filing application with the CSRC.

In addition, our future capital raising activities such as follow-on equity or debt offerings, listing on other stock exchanges and going private transactions, may also be subject to the filing requirement with the CSRC. Failure to complete such filing procedures as required under the Overseas Listing Trial Measures, or a rescission of any such filings completed by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in Mainland China, and other forms of sanctions that may materially and adversely affect our business, financial conditions and results of operations.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The value of the RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates and depends, to a large extent, on domestic and international economic and political developments, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. Our exchange differences on translation of financial statements which will not be reclassified to profit or loss amounted to RMB35.9 million, negative RMB195.6 million and negative RMB38.8 million for the years ended December 31, 2021, 2022 and 2023, respectively. Our exchange differences on translation of financial statements of overseas subsidiaries which will be reclassified to profit or loss amounted to RMB35.3 million, negative RMB120.1 million and negative RMB27.8 million for the years ended December 31, 2021, 2022 and 2023, respectively. For details, please refer to the paragraphs headed "Financial Information — Description of major components of our results of operations — Exchange differences on translation of financial statements" and "Financial Information — Description of major components of our results of operations — Exchange differences on translation of financial statements of overseas subsidiaries" in this document.

The **[REDACTED]** from this **[REDACTED]** will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in a decrease in the value of our **[REDACTED]** from the **[REDACTED]**. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in a foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs.

We face foreign exchange risk, and fluctuations in exchange rates could have an adverse effect on our business and investors' investments.

The majority of our revenue and our expenses are denominated in RMB. We rely entirely on dividends and other fees paid to us by our PRC subsidiaries. Any appreciation or depreciation in the value of RMB or other foreign currencies that our operations are exposed to will affect our business in different ways. Any significant change in the exchange rates of the HK$ against RMB may materially and adversely affect the value of our Shares and any dividends payable on our Shares in HK$. An appreciation of RMB against the HK$ would also result in foreign currency translation losses for financial reporting purposes when we translate our HK$-denominated financial assets into RMB, as RMB is the functional currency of our subsidiaries within China. Conversely, if we decide to convert our RMB into HK$ for the purpose of making dividend

payments on our Shares or for other business purposes, an appreciation of the HK$ against RMB would have a negative effect on the HK$ amount available to us. In such events, our business, financial conditions, results of operations and growth prospects may be materially and adversely affected.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the* [REDACTED] *of the* [REDACTED] *to make loans or additional capital contributions to our PRC subsidiaries, which could adversely affect our liquidity and our ability to fund and expand our business.

The **[REDACTED]** we receive from the **[REDACTED]** would be utilized in the manner described in the section headed "Future Plans and **[REDACTED]**" in this document. We have a number of subsidiaries in the PRC and we may (i) make additional capital contributions to our PRC subsidiaries; (ii) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries; (iii) make loans to our PRC subsidiaries; or (iv) acquire offshore entities with business operations in the PRC by offshore transactions. However, most of these uses are subject to PRC regulatory requirements and approvals. For example, capital contributions to our PRC subsidiaries, whether existing or newly-established ones, are subject to the registration with the SAMR or its local counterpart and the necessary filings in the enterprise registration system and the National Enterprise Credit Information Publicity System as well as the registration with a local bank authorized by the SAFE; loans by us to our PRC subsidiaries, to finance their operations cannot exceed statutory limits and must be registered with SAFE or its local branches; and medium or long term loans by us to our PRC operating entities, which are domestic PRC entities, must be approved by the NDRC and must also be registered with SAFE or its local branches.

On March 30, 2015, SAFE promulgated the Circular of SAFE on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the "**SAFE Circular 19**"). SAFE Circular 19 reforms the administration of the settlement of the foreign exchange capital of foreign-invested enterprises by allowing foreign-invested enterprises to settle their foreign exchange capital at their discretion, but it continues to prohibit foreign-invested enterprises from, including but not limited to, using RMB funds converted from their foreign exchange capital for expenditures beyond their business scope. On June 9, 2016, SAFE promulgated the Circular of SAFE on Reforming and Standardizing the Administrative Policy over Capital Account Foreign Exchange Settlement (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (the "**SAFE Circular 16**"). SAFE Circular 16 continues to prohibit FIEs from using the RMB funds converted from its foreign exchange capital for expenditures beyond their business scope, investment and financing (except for securities investment or non-guaranteed bank products), providing loans to non-affiliated enterprises (with the exception that such granting is expressly permitted in the business license) or constructing or purchasing real estate other than for self-use. On October 23, 2019, SAFE issued the Notice of SAFE on Further Facilitating Cross-border

Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知), which, among other things, expanded the use of foreign exchange capital to domestic equity investment area. Non-investment foreign-funded enterprises are allowed to lawfully make domestic equity investments by using their capital on the premise of no violation of prevailing special administrative measures for access of foreign investments (negative list) and the authenticity and compliance with the regulations of domestic investment projects. SAFE Circular 19 and SAFE Circular 16 and other relevant foreign exchange rules may significantly limit our ability to transfer and use the **[REDACTED]** from the **[REDACTED]** in China, which may materially and adversely affect our business, results of operations, financial conditions and business prospects.

We expect that the applicable PRC laws and regulations may continue to limit our **[REDACTED]** or from other financing sources. We cannot assure you that we will be able to obtain these regulatory registrations or approvals in a timely manner, if at all, with respect to future loans or capital contributions by us to our subsidiaries in China. If we fail to obtain such regulatory registrations or approvals from the relevant PRC authorities, our ability to use the **[REDACTED]** and to capitalize our operations in China may be negatively affected, which could materially and adversely affect our financial conditions and our ability to fund and expand our business.

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

In July 2014, SAFE promulgated the Circular of SAFE on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment 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程投資外匯管理有關問題的通知》), or Circular 37. Circular 37 requires PRC residents to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. Circular 37 further requires amendment to the SAFE registrations in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as change of the offshore special purpose vehicle's name and operation term, or any significant changes with respect to the PRC individual shareholder, such as increase or decrease of capital contribution, share transfer or exchange, or mergers or divisions. Circular 37 is applicable to our Shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future. If our shareholders who are PRC residents fail to make the required registration or to update the previously filed registration, the PRC subsidiary may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the offshore parent, and the special purpose vehicle may also be prohibited from making additional capital contributions into its PRC subsidiary. On February 13, 2015, the SAFE

promulgated a Notice of SAFE on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Notice 13, which became effective on June 1, 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

In addition, our shareholders who are PRC entities shall complete their overseas direct investment filings according to applicable laws and regulations regarding the overseas direct investment by PRC entities, including certificates, filings or registrations with the MOFCOM and NDRC or the local branch of the MOFCOM and NDRC based on the investment amount, invested industry or other factors thereof, and shall also update or apply for amendment in respect to the certificates, filings or registrations in the event of any significant changes with respect to the offshore investment.

We have notified our shareholders to comply with, or notify their beneficial owners who are PRC residents to comply with applicable PRC regulations, including the requirements of NDRC and MOFCOM and their registration obligation under Circular 37 and other SAFE rules. However, we can provide no assurance that we are or will in the future continue to be informed of identities of all PRC residents holding direct or indirect interest in our Company. Any failure or inability by such individuals or entities to comply with related regulations may subject us to fines or legal sanctions, such as restrictions on our cross-border investment activities or our PRC subsidiaries' ability to distribute dividends to, or obtain foreign currency-denominated loans from, our Company or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

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

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (《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》) ("**SAFE Circular 7**"). Under the SAFE Circular 7 and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other

procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers.

In addition, the PRC 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 PRC agent or the overseas entrusted institution. We and our PRC employees who have been granted share options will be subject to these regulations upon the completion of this **[REDACTED]**. Failure of our PRC share option holders to complete their SAFE registrations may subject these PRC residents to fines and other legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiary's ability to distribute dividends to us, or otherwise materially and adversely affect our business.

The STA has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options. Our PRC subsidiaries have obligations to file documents with respect to the granted share options with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options. 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.

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

We face uncertainties regarding the reporting requirements and consequences of private equity financing transactions, private share transfers, and share exchanges involving the transfer of shares in our Company by our Shareholders or our non-PRC holding companies. According to the Circular on Certain Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), issued by the STA on February 3, 2015 ("**Circular 7**"), an "indirect transfer" of assets of a PRC resident enterprise, including a transfer of equity interests in a non-PRC holding company of a PRC resident enterprise, by non-PRC resident enterprises ("**Indirect Transfer**"), may be re-characterized and treated as a direct transfer of PRC taxable properties, if such transaction lacks reasonable commercial purpose and was undertaken for the purpose of reducing, avoiding or deferring PRC enterprise income tax. As a result, gains derived from such Indirect Transfer may be subject to China enterprise income tax, and tax filing or withholding obligations may be triggered, depending on the nature of the PRC taxable properties being transferred. According to Circular 7, "PRC taxable properties" include assets of a PRC establishment or place of business, real properties in China, and equity investments in PRC resident enterprises, in respect of which gains

from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income tax. When determining if there is a "reasonable commercial purpose" for the transaction arrangement, features to be taken into consideration mainly include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable properties; whether the assets of the relevant offshore enterprise mainly consist of direct or indirect investment in China or if its income mainly derives from operations in the PRC; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable properties have a real commercial rationale which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable properties; and the tax situation of such Indirect Transfer outside the PRC and its applicable tax treaties or similar arrangements.

As of the Latest Practicable Date, Circular 7 had not been applied to the sale of shares by investors through a public stock exchange where such shares were acquired in a transaction on a public stock exchange. However, we face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved. The PRC tax authorities could, at their discretion, adjust any capital gains and impose tax return filing and withholding or tax payment obligations and associated penalties with respect to any internal restructuring, and our PRC subsidiary may be requested to assist in the filing or face additional tax liabilities. Any PRC tax imposed on a transfer of our Shares not through a public stock exchange, or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in our Company.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for the Shares and the liquidity and market price of Shares may be volatile.

There has not been a public market for our Shares prior to the **[REDACTED]**. There is no assurance that there will be an active trading market for our Shares on the Stock Exchange upon the **[REDACTED]**. In addition, the market price of our Shares to be traded on the Stock Exchange may differ from the **[REDACTED]** and prospective investors should not treat the **[REDACTED]** as an indicator of the market price of our Shares to be traded on the Stock Exchange.

Upon the **[REDACTED]**, the trading volume and the market price of our Shares may be affected or influenced by a number of factors from time to time, including but not limited to, our revenue, profit and cash flow, acquisitions, strategic partnerships, joint ventures or capital commitments, changes in our management and general market conditions or other developments affecting us or our industry. There is no assurance that such factors will not occur and it is difficult to quantify

their impact on the trading volume and the market price of our Shares. As a result, investors in our Shares may experience volatility in the market price of the Shares and a decrease in the value of the Shares, regardless of our operating performance or prospects.

In addition, the following factors may cause the market price of our Shares following the **[REDACTED]** to vary significantly from the **[REDACTED]**: (i) variation in our turnover, earnings and cash flow; (ii) liability claims brought against us based on, for example, defective products and solutions; (iii) our failure to execute our business strategies; (iv) any unexpected business interruptions resulting from operational breakdowns or natural disasters; (v) inadequate protection of our intellectual property or legal proceedings brought against us for infringement of third parties' intellectual property rights; (vi) any major changes in our key personnel or senior management; (vii) our inability to obtain or maintain regulatory approval for our services; and (viii) political, economic, financial and social developments. As a result, the price of our Shares may decline significantly, and you may lose a significant value on your investments.

The* [REDACTED] *of the Shares may be volatile, which could result in substantial losses to you.

The **[REDACTED]** 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 on the Stock Exchange may affect the volatilities in the price and trading volumes of our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, on the Stock Exchange. Some of these companies have experienced significant volatility, including significant price declines after their **[REDACTED]**. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the **[REDACTED]** of our Shares. These broad market and industry factors may significantly affect the **[REDACTED]** and volatility of our Shares, regardless of our actual operating performance.

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

As the **[REDACTED]** is higher than the net tangible asset value per Share of our Shares immediately prior to the **[REDACTED]**, investors of our Shares in the **[REDACTED]** will experience an immediate dilution.

In addition, we may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on

a pro-rata basis to the existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by our **[REDACTED]**.

The actual or perceived sale or availability for sale of substantial amounts of Shares, especially by our Directors, chief executives and our Controlling Shareholders, could adversely affect the market price of Shares.

The Shares beneficially owned by our Controlling Shareholders are subject to certain lockup periods, details of which are referred to in the paragraph headed "**[REDACTED]** — **[REDACTED]** arrangements and expenses — Undertakings pursuant to the **[REDACTED]** — Undertakings by our Controlling Shareholders" in this document. We cannot guarantee that our Controlling Shareholders will not dispose of our Shares following the expiration of their respective lock-up periods after the **[REDACTED]**. Our Group cannot predict the effect, if any, of any future disposal of Shares by any of our Controlling Shareholders, or that the Shares held by our Controlling Shareholders are available for purchase in the market may have on the market price of our Shares. Future sales, disposals, or other transfers of a substantial number of our Shares by our Controlling Shareholders in public market, or any prospects or possibilities of such sales, disposals or other transfers, as to or against which the holders of our Shares may or may not have a right to vote or veto, could adversely impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate.

Whether and when dividends will be declared and paid in the future cannot be assured.

Our ability to declare dividends will depend on our results of operations, operating and capital expenditures requirements, financial conditions, profitability and distributable profits, contractual restrictions and obligations, applicable PRC laws and regulations such as the PRC Company Law, our Articles of Association and other constitutional documents, macroeconomic conditions, our strategic and commercial business plans, taxation, regulatory restrictions and any other factors from time to time that our Directors consider relevant. Moreover, dividend declaration and distribution will be at the discretion of our Board and will be subject to the approval at the general meeting. As a result, we cannot assure you whether, when and in what form we will make any dividend payments on our Shares in the future. For details, please refer to the paragraph headed "Financial Information — Dividend" in this document.

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

Our Directors and management will have considerable discretion in the application of the **[REDACTED]** received by us from the **[REDACTED]**. The **[REDACTED]** may be used for corporate purposes that do not improve our efforts to achieve or maintain profitability or increase the price of Shares. The **[REDACTED]** from the **[REDACTED]** may be placed in investments that do not produce income or that lose value. You will not have the opportunity, as part of your investment decision, to assess whether **[REDACTED]** are being used appropriately.

Investors may experience difficulties in enforcing Shareholder rights.

Our Company is an exempted company incorporated in the Cayman Islands with limited liability and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. The corporate affairs of our Company are governed by our Memorandum and Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. 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. The rights of the Shareholders and the fiduciary duties of our Directors under Cayman Islands laws may not be as clearly established as they are under statutes or judicial precedents in existence in other jurisdictions. In particular, the Cayman Islands has a less developed body of securities laws than Hong Kong. As a result of all of the above, Shareholders may have more difficulty in exercising their rights and protecting their interests in the face of actions taken by the management of our Company, Directors or Controlling Shareholders than they would as shareholders of a Hong Kong company or company incorporated in other jurisdictions.

We cannot assure you of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various official government sources contained in this document.

This document, particularly the section headed "Industry Overview" in this document, contains information and statistics relating to the market of AI industry in China. Such information and statistics have been derived from various official government sources. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. However, we cannot assure you of the accuracy or completeness of certain facts, forecasts and other statistics obtained from official government sources contained in this document because any facts, forecasts and other statistics

from such sources may not be prepared on a comparable basis or may not be consistent with other sources. Neither we nor the other parties involved in the **[REDACTED]** are responsible for the accuracy, reliability or completeness of the information from such sources. Prospective investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics and should not place undue reliance on them.

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 "aim", "anticipate", "believe", "can", "continue", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "will", "would" or other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this 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.

***Prospective investors should read the entire document carefully, and we strongly caution prospective investors not to place any reliance on any information contained in press articles or other media regarding us or the* [REDACTED].**

There may be, subsequent to the date of this document but prior to the completion of the **[REDACTED]**, press and media coverage regarding us and the **[REDACTED]**, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the **[REDACTED]**. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES AND EXEMPTION FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the **[REDACTED]**, we have sought the following waivers from strict compliance with the Listing Rules.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a member of The Hong Kong Institute of Chartered Secretaries;

(ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience," the Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles they played;

(ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

Our Company appointed Mr. Sun Junbo and Ms. Lam Chi Ching Cecilia as joint company secretaries. For their biographies, please refer to the paragraph headed "Directors and Senior Management — Joint Company Secretaries" in this document.

Mr. Sun Junbo is the chief financial officer of the Group and has day-to-day knowledge of the Group's affairs. Mr. Sun Junbo has the necessary nexus to the Board and close working relationship with management of the Company in order to perform the function of a joint company secretary and to take the necessary actions in the most effective and efficient manner.

Ms. Lam Chi Ching Cecilia is a solicitor as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong), and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

As Mr. Sun Junbo may not be able to solely fulfill the requirements as a company secretary of a **[REDACTED]** stipulated under Rules 3.28 and 8.17 of the Listing Rules, we [have applied] for, and the Stock Exchange [has granted], a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules for a three-year period from the **[REDACTED]** on the conditions that (i) Mr. Sun Junbo must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the three-year period, and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the Company.

WAIVER AND EXEMPTION IN RESPECT OF THE [REDACTED] SHARE OPTION SCHEME DISCLOSURE REQUIREMENTS

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribes certain disclosure requirements in relation to the share options granted by our Company (the "**Share Option Disclosure Requirements**"):

(a) Rule 17.02(1)(b) of the Listing Rules stipulates that all the terms of a scheme must be clearly set out in this document. Our Company is also required to disclose in this document full details of all outstanding options and their potential dilution effect on the shareholdings upon **[REDACTED]** as well as the impact on the earnings per share arising from the exercise of such outstanding options;

(b) Paragraph 27 of Part A of Appendix 1 to the Listing Rules requires our Company to set out in this document particulars of any capital of any member of our Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee; and

(c) Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires our Company to set out in this document, among other things, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of the option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given.

As of the Latest Practicable Date, our Company had granted outstanding options under the **[REDACTED]** Share Option Scheme to 279 grantees, including two connected persons (two executive Directors), four consultants and 273 employees of our Company, to subscribe for an aggregate of 151,888,010 Shares, representing **[REDACTED]**% of the total number of Shares in issue immediately after completion of the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised; and (ii) each Preferred Share is converted into one Share, and all the options granted under the **[REDACTED]** Share Option Scheme are exercised in full) on the terms set out in the paragraph headed "Statutory and General Information — D. Share incentive schemes — 1. **[REDACTED]** Share Option Scheme" in Appendix IV to this document.

Our Company has applied to (i) the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules; and (ii) the SFC for a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the options granted under the **[REDACTED]** Share Option Scheme, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

(i) given that 279 grantees are involved, strict compliance with the Share Option Disclosure Requirements in setting out full details of all the grantees who held options under the **[REDACTED]** Share Option Scheme in this document would be costly and unduly burdensome for our Company in light of a significant increase in cost and timing for information compilation and document preparation;

(ii) the disclosure of the personal details of each grantee, including the number of options granted and addresses, may require obtaining consent from all the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for our Company to obtain such consents given the number of grantees;

(iii) the grant and exercise in full of the options under the **[REDACTED]** Share Option Scheme will not cause any material adverse impact on the financial position of our Group;

(iv) the lack of full compliance with the Share Option Disclosure Requirements would not prevent our Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and

(v) material information relating to the options under the **[REDACTED]** Share Option Scheme will be disclosed in this document, including the total number of Shares subject to the **[REDACTED]** Share Option Scheme, the exercise price per Share and impact on earnings per Share upon full exercise of the options granted under the **[REDACTED]** Share Option Scheme. Our Directors consider that the information that is reasonably necessary for the potential investors to make an informed assessment of our Company in their investment decision making process has been included in this document.

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application will not prejudice the interests of the investing public.

We [have applied] for, and the Stock Exchange [has granted], a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules with respect to the options granted under the **[REDACTED]** Share Option Scheme on the condition that:

(i) on an individual basis, full details of the options granted under the **[REDACTED]** Share Option Scheme to each of our Director and other connected persons of our Company are disclosed in this document as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(ii) in respect of the options granted under the **[REDACTED]** Share Option Scheme, other than for the options granted to each of the Directors and the other connected persons of our Company, disclosure will be made, on an aggregate basis, of (1) their aggregate number of grantees and number of Shares underlying the options under **[REDACTED]** Share Option Scheme; (2) the consideration paid for the grant of the options under the **[REDACTED]** Share Option Scheme; and (3) the vesting period and the exercise price of the options granted under the **[REDACTED]** Share Option Scheme;

(iii) the aggregate number of Shares underlying all outstanding options had granted under the **[REDACTED]** Share Option Scheme and the percentage to our Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date will be disclosed in this document;

(iv) the dilution effect and impact on earnings per Share upon full exercise of all outstanding options granted under the **[REDACTED]** Share Option Scheme will be disclosed in this document;

(v) a summary of the major terms of the **[REDACTED]** Share Option Scheme will be disclosed in the paragraph headed "Statutory and General Information — D. Share incentive schemes — 1. **[REDACTED]** Share Option Scheme" in Appendix IV to this document;

(vi) a full list of all grantees under the **[REDACTED]** Share Option Scheme with all the particulars required will be made available for public inspection in the section headed "Documents Delivered to the Registrar of Companies and Documents on Display — Document available for inspection" in Appendix V to this document;

(vii) the particulars of the waiver are disclosed in this document; and

(viii) the grant of certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting our Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

We [have applied] for, and the SFC [has granted], the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance with respect to the options granted under the **[REDACTED]** Share Option Scheme on the condition that:

(i) on an individual basis, full details of the options granted under the **[REDACTED]** Share Option Scheme granted to each of our Directors and other connected persons of our Company are disclosed in this document as required by paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(ii) in respect of the options granted under the **[REDACTED]** Share Option Scheme, other than for the options granted to each of the Directors and the other connected persons of our Company, disclosure will be made, on an aggregate basis, of (1) their aggregate number of grantees and number of Shares underlying the options under **[REDACTED]** Share Option Scheme; (2) the consideration paid for the grant of the options under the **[REDACTED]** Share Option Scheme; and (3) the vesting period and the exercise price of the options granted under the **[REDACTED]** Share Option Scheme;

(iii) a full list of all grantees under the **[REDACTED]** Share Option Scheme with all the particulars required will be made available for public inspection in the section headed "Documents Delivered to the Registrar of Companies and Documents on Display — Document available for inspection" in Appendix V to this document;

(iv) the particulars of the exemption are disclosed in this document; and

(v) the document is issued on or before **[REDACTED]**.

For further details of our **[REDACTED]** Share Option Scheme, please refer to the paragraph headed "Statutory and General Information — D. Share incentive schemes — 1. **[REDACTED]** Share Option Scheme" in Appendix IV to this document.

WAIVER IN RELATION TO BUSINESS ACQUIRED AFTER THE TRACK RECORD PERIOD

Rules 4.04(2) and 4.04(4) of the Listing Rules require that the new applicant include in its accountants' report the results and statement of financial position of any business or subsidiary acquired, agreed or proposed to be acquired, since the date to which its latest audited accounts have been made up, in respect of each of the three financial years immediately preceding the issue of the listing document.

Pursuant to note (4) of Rule 4.04(4) of the Listing Rules, the Stock Exchange may consider an application for a waiver of Rules 4.04(2) and 4.04(4) of the Listing Rules taking into account the following factors:

(a) that all the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) are less than 5% by reference to the most recent audited financial year of the new applicant's trading record period;

(b) if the acquisition will be financed by the **[REDACTED]** raised from a **[REDACTED]**, the new applicant has obtained a certificate of exemption from the SFC in respect of the relevant requirements under paragraphs 32 and 33 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(c) (i) where a new applicant's principal activities involve the acquisition of equity securities (the Stock Exchange may require further information where securities acquired are **[REDACTED]**), the new applicant is not able to exercise any control, and does not have any significant influence over the underlying company or business to which Rule 4.04(2) and 4.04(4) of the Listing Rules relate, and has disclosed in its **[REDACTED]** the reasons for the acquisition and a confirmation that the counterparties and their respective ultimate beneficial owners are independent of the new applicant and its connected persons. In this regard, "control" means the ability to exercise or control the exercise of 30% (or any amount specified in the Hong Kong Code on Takeovers and Mergers as the level for triggering a mandatory general offer) or more of the voting power at general meeting, or being in a position to control the composition of a majority of the board of directors of the underlying company or business; or

(ii) with respect to an acquisition of a business (including acquisition of an associated company and any equity interest in a company other than in the circumstances covered under sub-paragraph (a) above) or a subsidiary by a new applicant, the historical financial information of such business or subsidiary is unavailable, and it would be unduly burdensome for the new applicant to obtain or prepare such financial information; and the new applicant has disclosed in its **[REDACTED]** information required for the announcement for a discloseable transaction under Rules 14.58 and 14.60 of the Listing Rules on each acquisition. In this regard, "unduly burdensome" will be assessed based on each new applicant's specific facts and circumstances (e.g. why the financial information of the acquisition target is not available and whether the new applicant or its controlling shareholder has sufficient control or influence over the seller to gain access to the acquisition target's books and records for the purpose of complying with the disclosure requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules).

WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES AND EXEMPTION FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Background and reasons for and benefits of the acquisition

On December 19, 2023, we entered into a subscription agreement with a Target Company, of which its principal place of business is in the PRC and its place of incorporation is in Hong Kong. Pursuant to the subscription agreement, we agreed to subscribe for the increased share capital in the Target Company at a consideration of US$1.5 million, representing less than 1% of shareholding in the Target Company immediately after the subscription (the "**Acquisition**"). The consideration was fully settled in cash by our own internal resources and the Acquisition was completed in January 2024. For the avoidance of doubt, the Acquisition will not be financed by the **[REDACTED]** from the **[REDACTED]**.

To the best knowledge, information and belief of our Directors, the Target Company and its ultimate beneficial owners are Independent Third Parties. The total consideration payable by us in the Acquisition was determined through arm's length negotiation and with reference to the preliminary series of **[REDACTED]** financing valuation of comparable companies which engage in research and development of vehicle-related technologies as well as the Target Company's funding needs.

Our Directors consider that the terms of the Acquisition are on normal commercial terms, fair and reasonable and in the interest of our Company and the Shareholders as a whole.

The Target Company is principally engaged in the manufacture of electric vehicles and the research and development of vehicle-related technologies, with a specific focus on high-end smart electric vehicles empowered by the application of large language models to achieve smart and empathetic interactive experiences. Considering the core competitiveness, strategic value and growth potential of the Target Company, our Directors believe that there is potential business prospect of the Target Company, which according to CIC, the Target Company is a good match to our long-term strategic business plan in terms of development of AI in-vehicle technologies.

According to the unaudited financial statements of the Target Company, (i) its total assets amounted to approximately RMB784.8 million as of December 31, 2023, and (ii) its net loss (both before and after tax) was approximately RMB 953.3 million and RMB261.2 million for the years ended December 31, 2022 and 2023, respectively.

Conditions to the waiver granted by the Stock Exchange

We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in respect of the Acquisition on the following grounds:

(a) Immateriality

Under Rule 14.04(9) of the Listing Rules, all the applicable percentage ratios in relation to the Acquisition are below 5% by reference to the most recent audited financial year of the Track Record Period. We consider the Acquisition to be immaterial in the context of our Company's operations as a whole and therefore a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules will not affect potential investors' assessment of our business and future prospects when considering an investment in our Company.

(b) Acquisition of minority interests only and absence of control

As mentioned above, as we only acquired less than 1% of shareholding in the Target Company pursuant to the Acquisition, the Target Company did not become our subsidiary upon the completion of the Acquisition, and its financial information will not be consolidated to our Group's financial information. Similar to typical minority investments, we will not be able to control a majority of its board of directors of the Target Company, and will not be involved in the daily management of the Target Company. In addition, the Target Company has own its independent management and operations team, in which our Group has no participation.

***(c) The Acquisition will not be financed by the* [REDACTED] *raised from the* [REDACTED]**

We have used our own internal resources to fully satisfy the cash consideration payable by us in relation to the Acquisition. For the avoidance of doubt, the Acquisition will not be financed by the **[REDACTED]** from the **[REDACTED]**.

(d) Impracticality and undue burden

As (i) we only acquired minority interest in the Target Company pursuant to the Acquisition, and do not control the Target Company, and (ii) the Target Company will not be consolidated into our financial information, we are unable to provide our Reporting Accountants with full access to the financial record of the Target Company in order to fully familiarize with the accounting policies of the Target Company and to gather and compile the necessary financial information and

supporting documents to prepare the financial information of the Target Company in strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules. As such, it would be impracticable and unduly burdensome for us to disclose the financial information of the Target Company in this document in strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules.

(e) Alternative disclosure

With a view of allowing the potential investors to understand the Acquisition in greater detail, we have included in this document the following information in relation to the Acquisition, which is comparable to the information that is required to be included in the announcement of a discloseable transaction under Rules 14.58 and 14.60 of the Listing Rules, including, among other things, (i) general description of the principal business activities of the Target Company; (ii) the consideration for the Acquisition and the basis on which the consideration was determined, and how the consideration was satisfied; (iii) reasons for and benefits of the Acquisition; and (iv) financial information of the Target Company.

For the avoidance of doubt, the identity of the Target Company is not disclosed in this document because (i) the subscription agreement contains certain confidentiality clauses and we do not have consent for such disclosure; and (ii) given the competitive nature of the industry in which the Company operates, it is commercially sensitive to disclose the identity of the Target Company to avoid our competitors anticipating our plans of business growth. Since the relevant percentage ratios of the Acquisition are less than 5% by reference to the most recent fiscal year in the Track Record Period, we believe the current disclosure is adequate for potential investors to form an informed assessment.

WAIVER IN RESPECT OF PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTION

We have entered into a transaction which will constitute continuing connected transaction for our Company under the Listing Rules after **[REDACTED]**. We [have applied] to the Stock Exchange pursuant to Rule 14A.105 of the Listing Rules for, and the Stock Exchange [has granted] us a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in the paragraph headed "Connected Transaction — Partially exempt continuing connected transaction" of this document. For details, please refer to the section headed "Connected Transaction" in this document.

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. LI Zhifei (李志飛)	Flat H, 24/F, Tien Sing Mansion Sing Fai Terrace No.1 Tai Wing Avenue Taikoo Shing, Hong Kong	Chinese
Ms. LI Yuanyuan (李媛媛)	Room 36A, Block 2 Victoria Center 15 Watson Road Tin Hau, Hong Kong	Chinese
Independent non-executive Directors		
Mr. CHEN Yilyu (陳億律)	Room 1065 Area B, Youshanmeidi Shunyi District, Beijing China	Chinese
Prof. LU Yuanzhu (盧遠矚)	Flat 1201, Unit 2 Block 7, Court Yard No. 5 Shahe Evergrande City Changping District, Beijing China	Chinese
Mr. YANG Zhe (楊喆)	Unit 1 Block 11, Hongju Street Xicheng District, Beijing China	Chinese

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors, [REDACTED]

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1 Harbour View Street
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CMB International Capital Limited
45th Floor, Champion Tower
3 Garden Road
Central, Hong Kong

[REDACTED]

Legal Advisors to the Company

as to Hong Kong laws:

Zhong Lun Law Firm LLP
4/F, Jardine House
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as to PRC laws:

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Beijing
China

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as to Cayman Islands laws:

Campbells
3002-04, 30/F,
Gloucester Tower, The Landmark
15 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal Advisors to the Joint Sponsors and the [REDACTED]	*as to Hong Kong laws:* **Clifford Chance** 27th Floor, Jardine House 1 Connaught Place Hong Kong *as to PRC laws:* **Haiwen & Partners** 20/F, Fortune Financial Center 5 Dong San Huan Central Road Chaoyang District Beijing China
Reporting Accountants and Independent Auditor	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road, Central Hong Kong
Industry Consultant	**China Insights Industry Consultancy Limited** 10F, Block B, Jing'an International Center 88 Puji Road Jing'an District Shanghai China

[REDACTED]

CORPORATE INFORMATION

Registered Office in the Cayman Islands	Floor 4 Willow House Cricket Square, Grand Cayman KY1-9010, Cayman Islands
Registered Office in China	Room 2–406, 4th Floor Building 1 No. 42, Gaoliangqiao Xie Street Haidian District Beijing China
Headquarters and Principal Places of Business in China	10/F, Block D11 Hongfeng Science and Technology Park Economic and Technology Development Zone Nanjing China Level 3A, West Area Ronghui International Building No. 42, Gaoliangqiao Xie Street Haidian District Beijing China
Principal Place of Business in Hong Kong	4/F, Jardine House No. 1, Connaught Place Central Hong Kong
Company's Website	**www.chumenwenwen.com** *(Information contained on this website does not form part of this document)*
Joint Company Secretaries	Mr. SUN Junbo Flat 2, Block 55 Oriental University City Xuhui 19th City Langfang, Hebei China

Ms. Lam Chi Ching Cecilia
Solicitor of the High Court of Hong Kong
4/F, Jardine House
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Hong Kong

Authorized Representatives

Ms. LI Yuanyuan
Room 36A, Block 2
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Tin Hau
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Ms. Lam Chi Ching Cecilia
Solicitor of the High Court of Hong Kong
4/F, Jardine House
No. 1, Connaught Place
Central
Hong Kong

Board Committees

Audit Committee

Mr. CHEN Yilyu (陳億律) *(Chairman)*
Prof. LU Yuanzhu (盧遠矚)
Mr. YANG Zhe (楊喆)

Remuneration Committee

Prof. LU Yuanzhu (盧遠矚) *(Chairman)*
Ms. LI Yuanyuan (李媛媛)
Mr. CHEN Yilyu (陳億律)

Nomination Committee

Dr. LI Zhifei (李志飛) *(Chairman)*
Mr. CHEN Yilyu (陳億律)
Mr. YANG Zhe (楊喆)

[REDACTED]

Compliance Advisor	**Altus Capital Limited** 21 Wing Wo Street Central Hong Kong
Principal Banks	**Minsheng Bank Wanliu Branch** Room 101, Building 2 No. 6 Wanliu Middle Road Haidian District, Beijing China
	China Merchants Bank Beijing Dayuncun Branch No. 27 Zhichun Road Haidian District, Beijing China
	Citibank (Hong Kong) Limited 83 Hoi Bun Road Kowloon, Hong Kong
	HSBC Bank USA, N.A. 1800 Tysons Blvd Tysons, VA 22102

The information and statistics set out in this section and other sections of this document were extracted from the report prepared by CIC, which was commissioned by us, and from various official governmental publications and other publicly available publications. We engaged CIC to prepare the CIC report, an independent industry report, in connection with the **[REDACTED]**. *The information from official government sources has not been independently verified by us or any other parties involved in the* **[REDACTED]**, *or any of our or their respective directors, senior management representatives, advisers or any other persons involved in the* **[REDACTED]** *and no representation is given as to its accuracy.*

SOURCE OF INFORMATION

We commissioned CIC, a market research and consulting company founded in Hong Kong and engaged in the provision of professional consulting services across multiple industries, to conduct an analysis and report of the global and China's AI market. We have agreed to pay a fee of RMB500,000 to CIC in connection with the preparation of the CIC Report. We have extracted certain information from the CIC Report in this section, as well as in "Summary", "Risk Factors", "Business", "Financial Information" and elsewhere in this document to provide our potential investors with a more comprehensive presentation of the industries where we operate. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report.

The information and data collected by CIC have been analyzed, assessed, and validated using CIC's in-house analysis models and techniques. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the National Bureau of Statistics of PRC, and various industry associations. The information and data collected by CIC has been analyzed, assessed, and validated using CIC's in-house analysis models and techniques.

The market projections in the CIC Report are based on the following key assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (ii) related key industry drivers are likely to continue driving growth in the AI market during the forecast period, such as advancement of technology and infrastructure, supportive policies, and increasing downstream demands, etc.; and (iii) there will be no extreme force majeure or unforeseen industry regulations in which the market may be affected in either a dramatic or fundamental way during the forecast period.

OVERVIEW OF GLOBAL AND CHINA'S AI MARKETS

Definition and development of AI

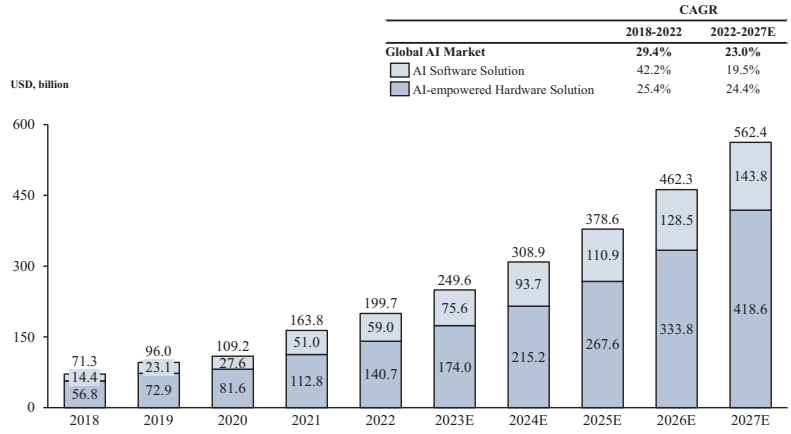
AI is a key application of computer science that enables the machine or system to perform tasks by simulating human intelligence, where the profound integration of software and hardware constitutes the key element of AI technology.

The term AI was first coined in 1956 and it has been continuously advancing with remarkable breakthroughs. In 2006, Geoffrey Hinton proposed Deep Neural Networks as an accelerator of the development of Deep Learning. In 2012, the Association for Computing Machinery further emphasized the significance of Human-Computer Interaction (HCI). In 2017, Transformer architecture was introduced as a fundamental building block for large language models. In 2020, OpenAI proposed the GPT-3 model as one of the most key large language models. In the same year, we leveraged our self-developed AI technology to launch our first AIGC voiceover platform, "Moyin Workshop", which was the first commercial application of AIGC technologies in China. In 2022, the hype explosion of AIGC was highlighted by the advent of ChatGPT and Midjourney. In 2023, Microsoft 365 CoPilot was released to improve productivity and efficiency in the workplace, revealing an inclusive AI-empowered ecosystem.

Market size of the global and China's AI markets

AI has profoundly impacted the global economy and social advancement and has become a global strategic priority. AI solutions can be categorized into AI software solutions and AI-empowered hardware solutions. The market size of the global AI market in terms of revenue has grown from USD71.3 billion in 2018 to USD199.7 billion in 2022, representing a CAGR of 29.4% between 2018 and 2022. The market size is expected to reach USD562.4 billion in 2027, representing a CAGR of 23.0% between 2022 and 2027.

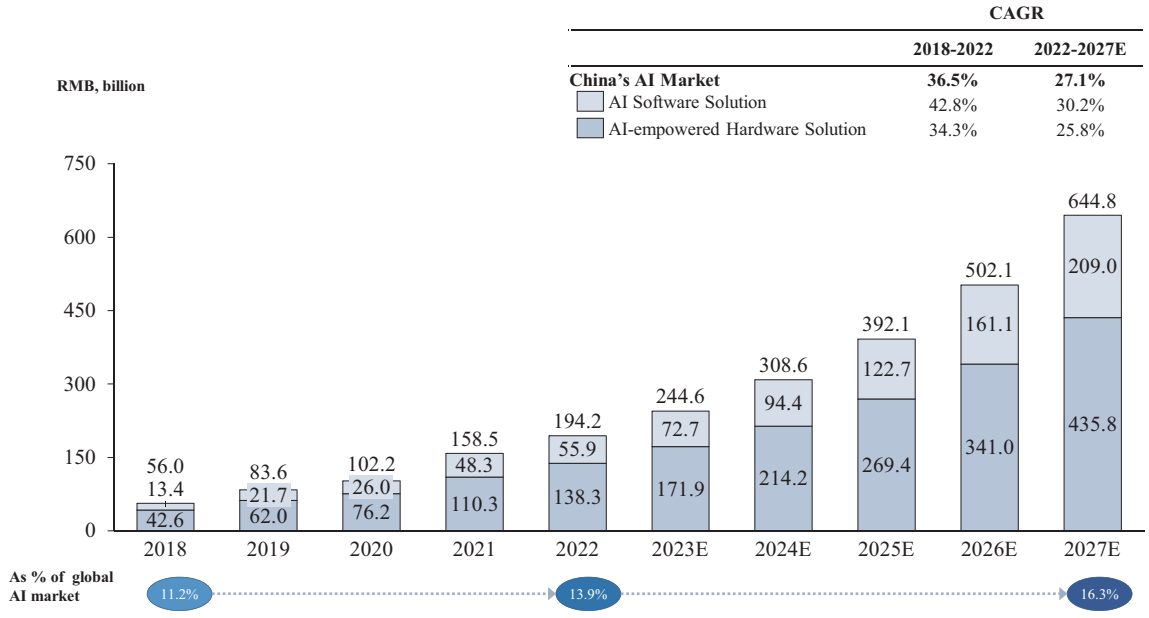
Market Size of Global AI Market, in Terms of Revenue, 2018-2027E



Source: CIC

China is emerging as one of the leaders in the global AI market with its strategic priority of developing AI technologies. According to CIC, the size of the AI market in China in terms of revenue has grown from RMB56.0 billion in 2018 to RMB194.2 billion in 2022, representing a CAGR of 36.5% between 2018 and 2022, and is expected to reach RMB644.8 billion in 2027, representing a CAGR of 27.1% between 2022 and 2027. China's AI market size as a percentage of the global AI market size increased from 11.2% in 2018 to 13.9% in 2022, and is expected to reach 16.3% in 2027.

Market Size of China's AI Market, in Terms of Revenue, 2018-2027E



Note: the market size refers to the revenue of AI companies based in China, from AI software and AI-empowered hardware solutions.

Source: *CIC*

Competitive landscape of AI market

According to CIC, AI solutions contain a diverse category of products and services. The overall AI market in China is fragmented and highly competitive with various players focusing on different sub-sectors. Our Group's revenue in AI reached RMB500.2 million in 2022 and accounted for approximately 0.3% of market share in terms of revenue.

Ranking of the Market Players of AI Market in China, in Terms of Revenue in 2022

Ranking	Company	Description	Revenue[(1)], 2022 (RMB million)	Market Share, 2022
1	Company L.	A listed Internet technology company offering various smart hardware products and Internet services.	17,758.5	9.1%
2	Company M	A listed AI software company with a focus on AI voice and language technologies. It offers smart voice devices and AI voice software solutions.	13,229.4	6.8%
3	Company J	A listed Chinese multinational technology company specializing in Internet-related services and AI.	5,322.2	2.7%
4	SenseTime Group Inc.	A listed AI company with a focus on computer vision technologies. It offers software platforms and hardware products for various downstream sections.	3,808.5	2.0%
5	Company O.	An unlisted AI company specializing in AI for IoT applications. It offers integrated hardware and software solutions.	~2,000.0	1.0%

Notes:

(1) The revenue is related to AI solutions and is estimated based on CIC's internal database and market research.

Source: CIC

Market drivers of AI market

- ***Advancement of AI technology based on generative algorithms***

Generative algorithms such as generative adversarial networks (GANs), transformers, and diffusion models provide a deep learning framework for data training. The advancement of generative algorithms empower AI to become AI CoPilot for professional content creators, enterprises and general users to generate various content and improve productivity.

- ***Increased demand for AI products and services***

Accelerated economic growth and increased per capita income have generated substantial demand for consumption. Personal consumers tend to prioritize user experience and personalization in selecting AI-empowered products and services. Enterprise consumers seek for AI solutions to improve operating efficiency and increase profitability. Meanwhile, digital content as a driving force for economic development will continue to promote the commercialization of AIGC. According to CIC, the number of global and China's content creators reached 305 million and 65 million, respectively, by 2022, and these content creators have strong demands to improve their content productivity. As a result, AI products and services such as AIGC platforms and AI-empowered hardware solutions are continuously gaining popularity in the market.

- ***Advanced infrastructure fuels sufficient computing power***

The development of digital infrastructure including 5G and cloud computing guarantees efficient real-time data processing and lower computing costs. It provides sufficient computing power and economic feasibility for large language model training and generative algorithm optimization.

- ***Supportive policies promote the development of AI***

Recently, China's digital content creation sector has flourished benefiting from the supportive policies for the content creator economy and gradually become a new economic growth catalyst. The national "14th Five-Year Plan" emphasizes the importance of developing the emerging digital industries, including the AI industry, to improve national competitiveness. It proposes a strategic vision for building strength in science and technology with a focus on the promotion of AI through carrying out pioneering and strategic national projects in AI. It highlights the pole position of developing software and hardware and making breakthroughs in key AI algorithms. Furthermore, it clarifies the aim of developing new types of infrastructure to support intelligent upgrades and promote the all-round development of the Internet of Things (IoT). In addition, in July 2022, Ministry of Science and Technology issued the "Guidance on Accelerating Scene Innovation and Promoting High Quality Development of the Economy through High Level Application of Artificial Intelligence" <關於加快場景創新以人工智能高水平應用促進經濟高質量發展的指導意見>, which have promoted the application of AI in various industries, such as manufacturing, agriculture, logistics, finance, and business, so as to enhance industrial intelligent level and national technological competitiveness. This policy encouraged technology companies or relevant authorities to organize creative activities, strengthened business cooperation and technology integration, and created a sustainable ecology for the development of AI industry. Furthermore, in

August 2022, Ministry of Science and Technology further launched the "Notice on Supporting the Construction of New Artificial Intelligence Demonstration Scenarios" <關於支持建設新一代人工智能示範應用場景的通知>, to propel the construction of 10 emerging AI application areas, including smart farms, smart factories, smart homes, smart education, autonomous driving, etc., in order to strengthen the collaboration between technology providers and downstream business segments, and thereby build an innovative AI application ecology.

Future trends of AI markets — Artificial General Intelligence (AGI)

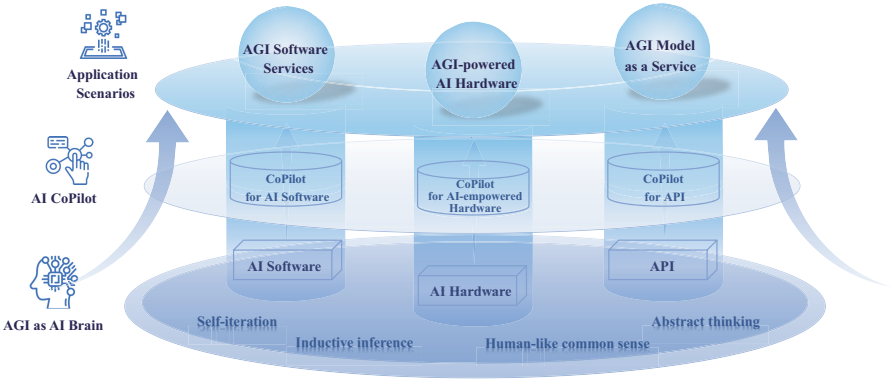
With the breakthrough of cutting-edge AI technologies, AI is undergoing fundamental change. AGI has become the development focus and frontier area of the AI revolution, with versatile processing capabilities in various contexts.

- ***Definition and characteristics of AGI***

AGI is defined as a system that possesses generalized human cognitive abilities to perceive, learn, and carry out intellectual tasks in a variety of different contexts. Features of AGI includes (i) self-iteration, the ability to optimize and iterate itself during the process of solving complex tasks; (ii) inductive inference, the ability to generalize the knowledge and skills gained through previous experience and transform the knowledge from one problem or context to another; (iii) human-like common sense, the ability to perform decision-making process with human-like common sense; (iv) abstract thinking, the ability to achieve abstract thinking through understanding and breaking down abstract concepts.

- ***Application of AGI***

The rapid evolution of AI and digital technologies has propelled AGI to become a main driver in industrial revolution. AGI is able to be commercialized through user-oriented AI CoPilot. The commercial application scenarios of AGI include (i) AGI software service empowering enterprises, professional content creators, and general users; (ii) AGI-powered hardware with strengthened end-to-end connectivity ability which significantly improves user experience; and (iii) AGI model as a service providing Application Programming Interfaces (APIs) which enables different applications to create new revenue streams.



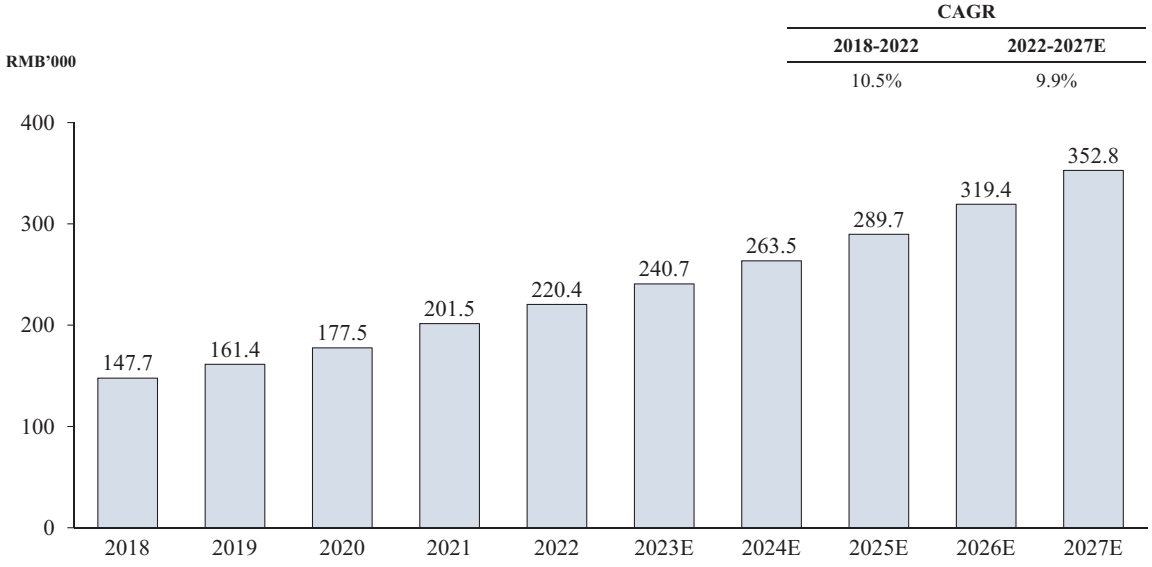
Source: CIC

Historical and forecast trend of major cost in AI solution market

The major raw materials of AI solutions include (i) AI labor force, (ii) AI chips for delivering computational power, and (iii) controller chips as the key components of AI-empowered hardware solutions.

The labor cost of technical staff in China's AI solution industry has been increasing with the enhancement in AI applications and the growing demand for AI talents. According to CIC, the labor cost of technical staff in China's AI market has grown from RMB147,700 in 2018 to RMB220,400 in 2022, representing a CAGR of 10.5% between 2018 and 2022, and is expected to reach RMB352,800 in 2027, representing a CAGR of 9.9% between 2022 and 2027.

Average Annual Cost of Technical Staff in China's AI Market, 2018-2027E

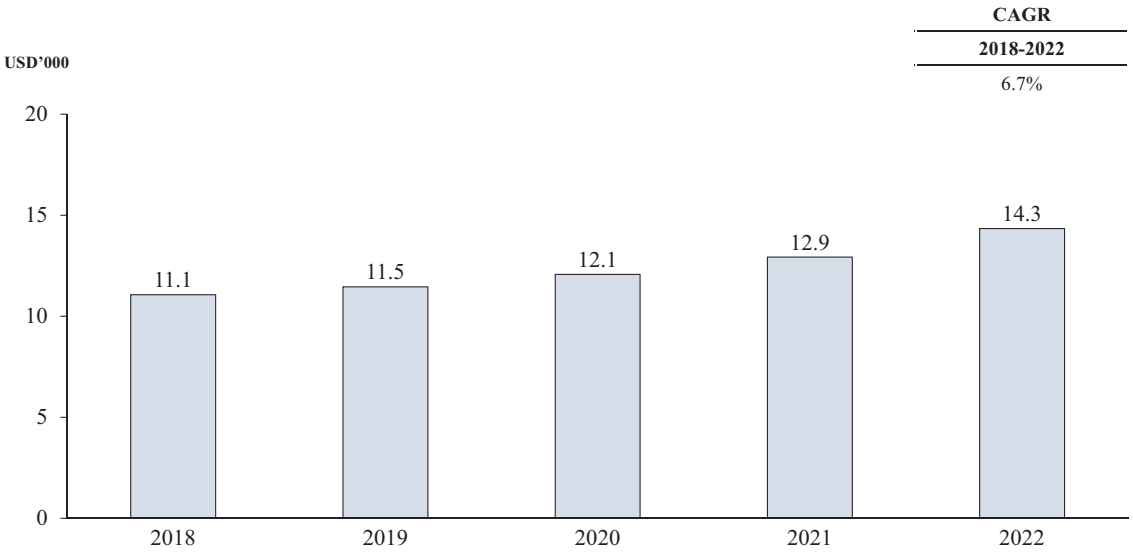


Note: The average annual cost of technical staff in China's AI market is derived based on the average annual salary of China's IT staff.

Source: *CIC*

The average unit cost of AI chips for computational power in global AI market has been increasing due to the growing demand for training and iterating AI models. The average unit cost of AI chips for computational power in global AI market has grown from USD11,100 in 2018 to USD14,300 in 2022, representing a CAGR of 6.7% between 2018 and 2022.

Average Unit Cost of AI Chips for Computational Power in Global AI Market, 2018-2022

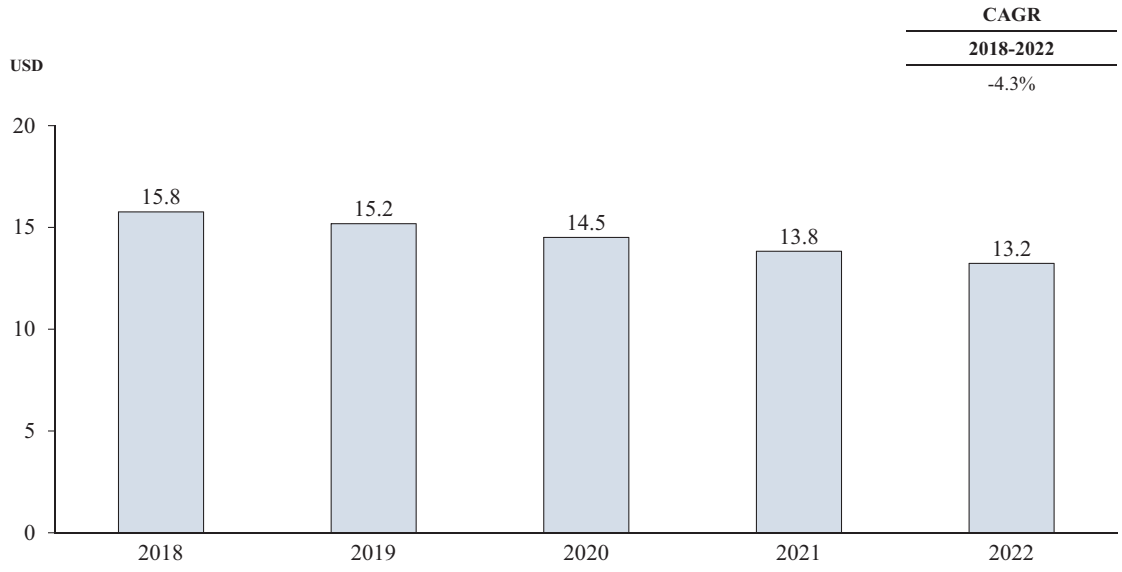


Note: The average unit cost of AI chips for computational power is derived based on the average unit cost of Graphic Processing Unit (GPU).

Source: *CIC*

The average unit cost of controller chips for AI-empowered hardware solutions in global AI market has been gradually declining due to the price competition among various global controller chip market players. The average unit cost of controller chips for AI-empowered hardware solutions in global AI market has decreased from USD15.8 in 2018 to USD13.2 in 2022, representing a CAGR of -4.3% between 2018 and 2022.

Average Unit Cost of Controller Chips for AI-empowered Hardware Solution in Global AI Market, 2018-2022



Note: The average unit cost of controller chips for AI-empowered hardware solution is derived based on the average unit cost of the controller chips of major AI-empowered hardware.

Source: *CIC*

OVERVIEW OF THE AI SOFTWARE SOLUTION MARKET

Definition and classification of AI software solution service

AI software solution uses AI technology to provide AI software and AI software-empowered hardware solutions in numerous industries.

- ***Classification of AI software solution service by technical application***

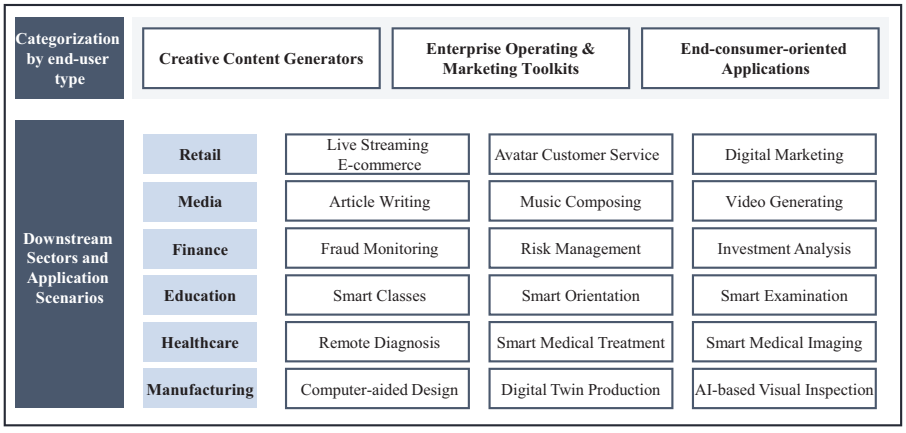
From the perspective of technical applications, AI software can be categorized into computer vision, AI voice and NLP, and data science. AI computer vision software refers to the field of AI that enables software to interpret visual inputs such as images and videos and derive meaningful information for further actions. AI voice and NLP software refers to the field of AI that enables

software to have the ability to process human language in the form of text or voice data and respond to spoken commands. AI data science software refers to the field of AI that enables software to process data, perform data analytics and present insightful information.

- ***Classification of AI software solution service by downstream application scenarios***

AI software solutions can be categorized into (i) creative content generators, (ii) enterprise operating and marketing toolkits, and (iii) end-consumer-oriented applications, based on different end-user types. The major downstream application scenarios of AI software solutions include retail, media, finance, education, healthcare and manufacturing.

Categorization and Downstream Application Scenarios of AI Software Solution



Note:

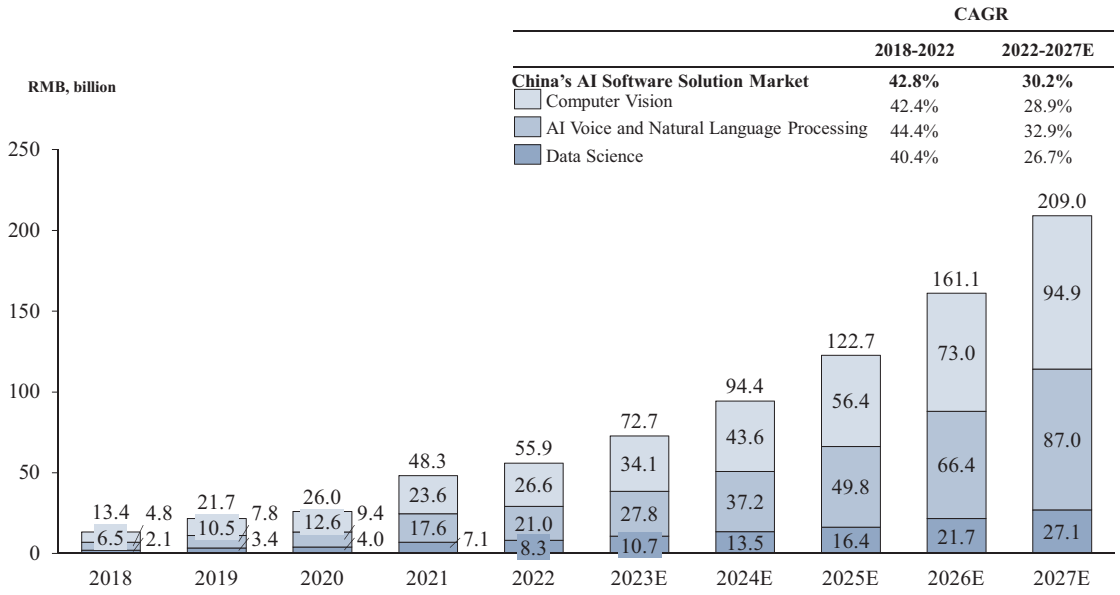
(1) The categories, downstream sectors and application scenarios are selectively listed.

Source: CIC

Market size of the AI software solution industry in China

With the development of computing infrastructure and AI algorithms, the AI software solution market is projected to grow rapidly in the following years. According to CIC, the market size of China's AI software solution market in terms of revenue has grown from RMB13.4 billion in 2018 to RMB55.9 billion in 2022, representing a CAGR of 42.8% between 2018 and 2022. The market size is expected to reach RMB209.0 billion in 2027, representing a CAGR of 30.2% between 2022 and 2027. The following diagram sets forth the historical and forecast size of China's AI software solution market from 2018 to 2027.

Market Size of AI Software Solution Market in China, in Terms of Revenue, 2018-2027E



Note:

(1) The market size refers to the revenue of AI companies based in China, from AI software solution.

Source: CIC

Competitive landscape of AI voice and NLP software solution market

According to CIC, the AI voice and NLP software solution market in China is relatively fragmented. Among the AI companies in China, we ranked 3rd in terms of the revenue derived from AI voice and NLP software solutions in 2022. Our Group's revenue in AI voice and NLP software solutions reached RMB302.9 million in 2022 and accounted for approximately 1.4% of market share in terms of revenue.

Ranking of the Market Players of AI Voice and NLP Software Solution Market in China, in Terms of Revenue in 2022

Ranking	Company	Description	Revenue[(1)], 2022 (RMB million)	Market Share, 2022
1	Company M	A listed AI software company with a focus on AI voice and language technologies. It offers smart voice devices and AI voice software solutions.	4,945.3	23.6%
2	Company P	An AI company with a focus on AI-empowered hardware solutions and AI voice technologies. It offers speech interaction solutions.	429.8	2.0%
3	Our Group	Please refer to "Business — Who we are" in this document.	302.9	1.4%
4	Company Q.	An AI voice technology platform company. It offers speech interaction solutions for enterprises and developers.	298.2	1.4%
5	Company R.	An interactive AI solution company. It offers AI software solutions for enterprises.	270.4	1.3%

Notes:

(1) The revenue is related to AI voice and NLP software solutions. Our revenue is derived from AI software solution and based on accountant's report while other competitors' revenue is estimated based on CIC's internal database and market research.

Source: CIC

OVERVIEW OF THE AIGC MARKET

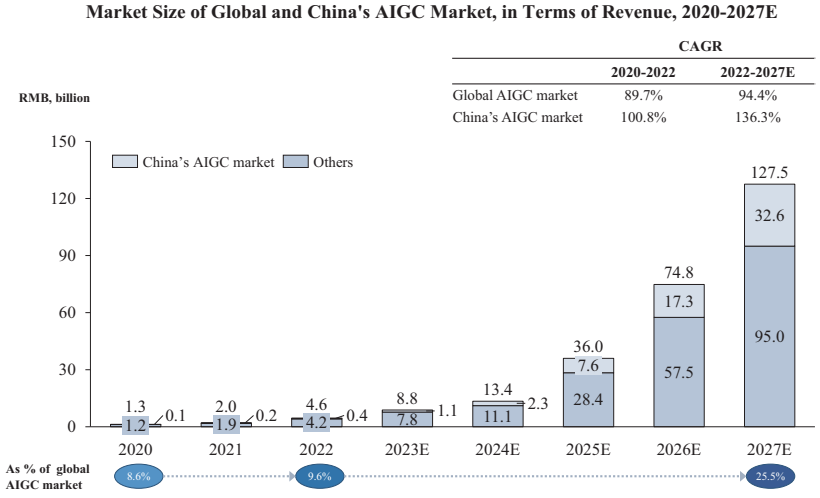
Definition and commercialization of AIGC

Generative AI technology emerged as an innovative booster in the course of the development of AI software. AIGC is an initiative approach to generate content by generative algorithm models trained on a vast quantity of data to identify underlying characteristics for a variety of tasks. Underpinned by the large language models and substantive user demand, AIGC is expected to become the first breakthrough towards achieving true AGI. AIGC can produce content in diverse modalities, including audio, text, image, video, 3D model, and avatar, which can fulfill various demands from content creators, enterprises and individual users. Currently, AIGC has been commercialized in the field of content creation market for both enterprises' and content creators, and the modalities of audio and text have more application scenarios. With the advancement of large language models and generative AI technology, AIGC has been empowering each sub-sector of AI software and increasingly penetrating the entire AI software solution market.

Market size of global and China's AIGC market

The AIGC market has a large application potential, and it first achieved commercialization in the field of content creation. Along with the increasing number of content creators such as KOLs in various social media channels like short video platforms, the demand for high-quality content creation has been growing rapidly. This growing demand strengthens the importance of content creation platforms to improve the efficiency and quality of content production. According to CIC, the market size of the Global AIGC market in terms of revenue has grown from RMB1.3 billion in 2020 to RMB4.6 billion in 2022, representing a CAGR of 89.7% between 2020 and 2022. The market size is expected to reach RMB127.5 billion by 2027, representing a CAGR of 94.4% between 2022 and 2027.

China's AIGC market is driven by strong market demand and enhanced AI technology. According to CIC, the market size of China's AIGC market in terms of revenue has grown from RMB0.1 billion in 2020 to RMB0.4 billion in 2022, representing a CAGR of 100.8% between 2020 and 2022. The market size is expected to reach RMB32.6 billion by 2027, representing a CAGR of 136.3% between 2022 and 2027. China's AIGC market is a key component of the global AIGC market. China's AIGC market size as a percentage of the global AIGC market size increased from approximately 8.6% in 2020 to 9.6% in 2022, and is expected to reach 25.5% in 2027. Furthermore, with massive factual data for training and the declining cost of computing power, AIGC will be commercialized in other application scenarios for enterprise and consumer usage. According to CIC, the total addressable market of China's AIGC market is projected to surpass approximately RMB100 billion by 2027.



Source: CIC

Entry barriers and key success factors in the AIGC market

- ***Robust commercialization capability and clear path to profitability***

The ability to identify customer actual needs and realize commercialization is instrumental for AIGC companies to acquire paying users in a sustainable manner. Currently, China's AIGC industry is in the exploration period of its commercialization. The ability to accurately identify the scenarios with broad commercialization potential, and the ability to obtain and accumulate paying users is the key to successful commercialization.

- ***Training of high-quality data***

Abundant high-quality data obtained from vertical markets and paying users can facilitate the efficiency of training algorithms and significantly optimize models. This ability could continuously enhance the flexibility of content and diversification of models, and enrich the application scenarios. Furthermore, with the further improvement of the user experiences following the continuous technology enhancement, more users will be attracted and ultimately create a data flywheel effect.

- ***Self-developed large language models***

With the increasing application of AIGC technology, the underlying models require continuous innovation and iteration to maintain versatility and be adaptive to various demand of different vertical markets and application scenarios. The ability to self-develop the multimodal large language models to cover diverse user groups is essential for AIGC service providers to maintain core competitiveness in this market. As self-developed capabilities of large language models require sufficient technology, dataset and capital investment, it establishes a high barrier for new market players to enter.

Competitive landscape of global and China's AIGC markets

- ***Competitive landscape of the global AIGC market***

According to CIC, the global AIGC market consists of various AI companies offering different AIGC solutions. Among the major global AI companies that have achieved commercialization in AIGC, we ranked 8th in the global market and 1st in Asia in terms of revenue derived from AIGC products and services in 2022. Our Group's revenue in AIGC solutions reached USD5.7 million in 2022 and accounted for approximately 0.9% of global AIGC market share in terms of revenue.

Top 10 Players of the Global AIGC Market[(1)], in Terms of Revenue in 2022

Ranking	Company	Country	Description	Revenue[(2)] (USD million, 2022)	Market Share[(3)]	Self-developed large language models[(4)]
1	Company A	U.S.	An unlisted AI research and deployment company founded in 2015 and headquartered in San Francisco, California. Its research focuses on reinforcement learning and offers self-developed large language models. It offers generative AI products and services for global users and enterprises.	65-95	12.2%	✓
2	Company B	U.S.	An unlisted AI-based content creation company founded in 2021 and headquartered in Austin, Texas. It offers AI text generative platforms and services for freelancers, marketing teams and enterprises.	55-80	10.3%	✗
3	Company C	U.S.	An unlisted AI-based content creation company founded in 2021 and headquartered in San Francisco, California. It offers AI arts generators for creating images with self-developed large language models.	40-70	8.4%	✓
4	Company D	U.S.	An unlisted AI-based software development company founded in 2017 and headquartered in San Francisco, California. It focuses on both audio and video content creation and editing. It offers all-in-one audio and video editor platforms for media creators.	20-50	5.3%	✗

Ranking	Company	Country	Description	Revenue[2] (USD million, 2022)	Market Share[3]	Self-developed large language models[4]
5	Company E	U.K.	An unlisted AI-based content creation provider founded in 2017 and headquartered in London. It focus on scalable video generation. It offers AI video avatar platforms that create professional videos.	20-30	3.8%	✘
6	Company F	U.K.	An unlisted open-source generative AI company founded in 2020 and headquartered in London. It offers self-developed large language models and focuses on image generation.	15-30	3.4%	✓
7	Company G	U.S.	An unlisted AI-based content creation company founded in 2020 and headquartered in Memphis, Tennessee. It focuses on text generation and offers AI-powered copywriting platforms for business customers.	5-15	1.5%	✘
8	Our Group	China	Please refer to "Business — Who we are" in this document.	5.7	0.9%	✓
9	Company H	U.S.	An unlisted AI-based content creation company founded in 2020 and headquartered in San Francisco, California. It offers AI-powered copywriting platforms for marketing and e-commerce businesses. It specializes in scalable content generation.	3-5	0.6%	✘
10	Company I	U.S.	An unlisted AI-based content creation company founded in 2018 and headquartered in New York. It offers creative platforms to generate and edit image and video content through text descriptions.	2-3	0.4%	✓

Notes:

(1) The AIGC market is mainly applied in the content creation sector.

(2) The revenue is related to AIGC products and services. Our revenue is based on accountant's report while other players' revenue is estimated based on CIC's internal database and market research.

(3) The market share of each competitor is calculated by dividing the arithmetic average of their estimated maximum and minimum revenue by the market size of global AIGC market in terms of revenue.

(4) The information about self-developed large language models is as of the Latest Practicable Date.

Source: CIC

- ***Competitive landscape of the AIGC market in China***

As of the Latest Practicable Date, there were over 300 large language models in training or testing phases that had been launched in China. According to CIC, the AIGC market in China is relatively fragmented with the leading five market participants accounting for a share of approximately 13.8% in terms of revenue. Our Group's revenue in AIGC solutions reached RMB39.9 million in 2022 and accounted for approximately 9.0% of China's AIGC market share in terms of revenue.

With the development of AI technology, the AIGC market may encounter potential price competition in the following years. Leading market players in the AIGC market are able to enjoy the advantage of economic scale, as the cost of training large language models is expected to decrease along with the improvement of computing efficiency, which will lead to the decline of offering price, while for enterprises lacking competitiveness and commercialization capability, they would face intensified price competition and business development challenges.

Ranking of the Market Players of China's AIGC Market[(1)], in Terms of Revenue in 2022

Ranking	Company	Description	The number of commercialized AIGC applications[(2)]	The category of commercialized modalities of AIGC[(2)]	Self-developed voice style transfer technology[(3)]	Self-developed large language models	Revenue[(4)] (RMB million, 2022)	Market Share
1	Our Group	Please refer to "Business — Who we are" in this document.	3	Audio, Text, Video, Avatar	✓	✓	39.9	9.0%
2	Company J	A listed Chinese multinational technology company founded in 2000 and headquartered in Beijing. It specializes in Internet related services and AI. It offers self-developed large language model and generative AI products.	2	Text, Image	✓	✓	12.3	2.8%
3	Company K	A listed software solution provider founded in 2003 and headquartered in Shenzhen, Guangdong. It offers multimedia software, products, and services and AIGC solutions.	5	Image, Video	✗	✗	5.1	1.2%

Ranking	Company	Description	The number of commercialized AIGC applications[2]	The category of commercialized modalities of AIGC[2]	Self-developed voice style transfer technology[3]	Self-developed large language models	Revenue[4] (RMB million, 2022)	Market Share
4	Company S	An unlisted smart solution provider founded in 2009 and headquartered in Shanghai. It offers application software products based on AI technology.	2	Text, Image	✘	✓	2.0	0.5%
5	Company T	An unlisted AI-based content creation company founded in 2021 and headquartered in Shanghai. It offers AI-powered text generative platform.	1	Text	✘	✓	1.5	0.3%

Notes:

(1) The AIGC market is mainly applied in the content creation sector.

(2) The information about self-developed large language models, the number of commercialized AIGC applications, and the category of commercialized modalities of AIGC are as of the Latest Practicable Date.

(3) Voice style transfer technology refers to the generation of a variety of expressive speech while preserving the timbre of the target speaker by migrating the speech style of other speakers to the target speaker who does not possess that style.

(4) The revenue is related to AIGC products and services. Our revenue is based on accountant's report while other competitors' revenue is estimated based on CIC's internal database and market research.

Source: CIC

Future trends of the AIGC industry

- ***Continuous enhancement of AGI capabilities***

With the rapid iteration of the large language model, AIGC is expected to act as an AI CoPilot, that can penetrate various application scenarios and expand to all industry verticals by completing particular skills to all-around problem-solving abilities, indicating strong universal AGI technology capability.

- ***Improvement of cost efficiency of content creation***

AI technology advancements can fundamentally reshape the content creation industry. The AIGC solution will significantly facilitate content creators to improve content quality and cost efficiency in content generating, enlarge content diversity, and maximize creativity value, bringing significant value to the development of the content creation industry.

- ***Building-up forerunning advantages***

Generative AI algorithms require enormous data to solve tasks and optimize models, which is completed through training on large amounts of high-quality datasets. Therefore, early entrants in the market can continuously upgrade their models to stay ahead of competitors and build up forerunning advantages.

- ***Extension of AI market boundary***

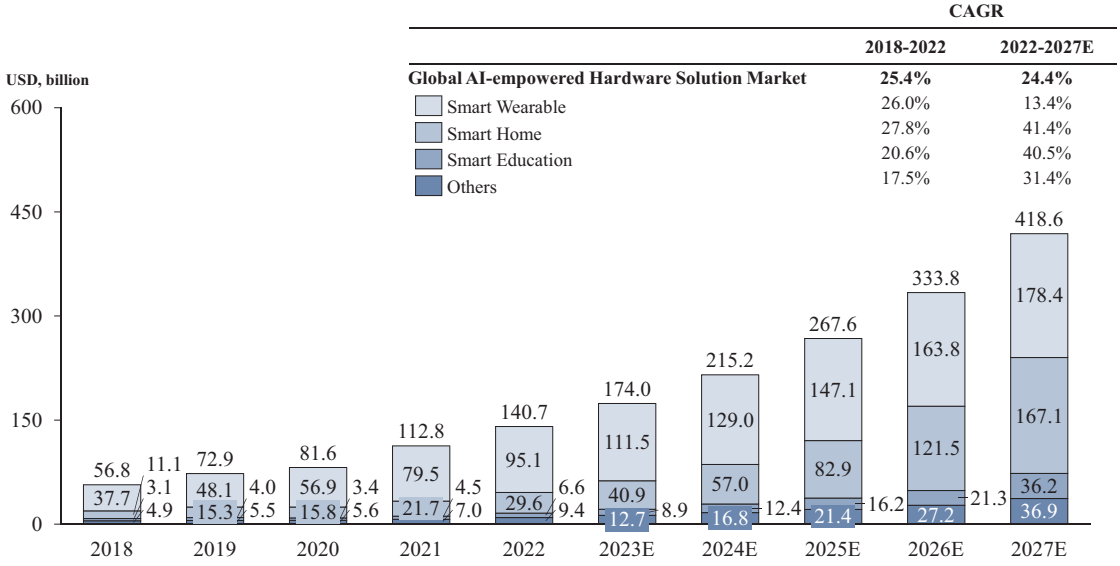
AIGC will significantly drive the AI technology industry to develop rapidly and expand the AI market boundary, by generating new application scenarios and business models.

OVERVIEW OF AI-EMPOWERED HARDWARE SOLUTION MARKET

AI-empowered hardware refers to a diverse category of smart devices that leverage AI technology to have intelligent features. AI-empowered hardware solutions can be categorized into smart wearable solutions, smart home solutions, smart education solutions and others.

According to CIC, the market size of the global AI-empowered hardware solution market in terms of revenue has grown from USD56.8 billion in 2018 to USD140.7 billion in 2022, representing a CAGR of 25.4% between 2018 and 2022, and is expected to reach USD418.6 billion in 2027, representing a CAGR of 24.4% between 2022 and 2027.

Market Size of Global AI-empowered Hardware Solution Market, in Terms of Revenue, 2018-2027E

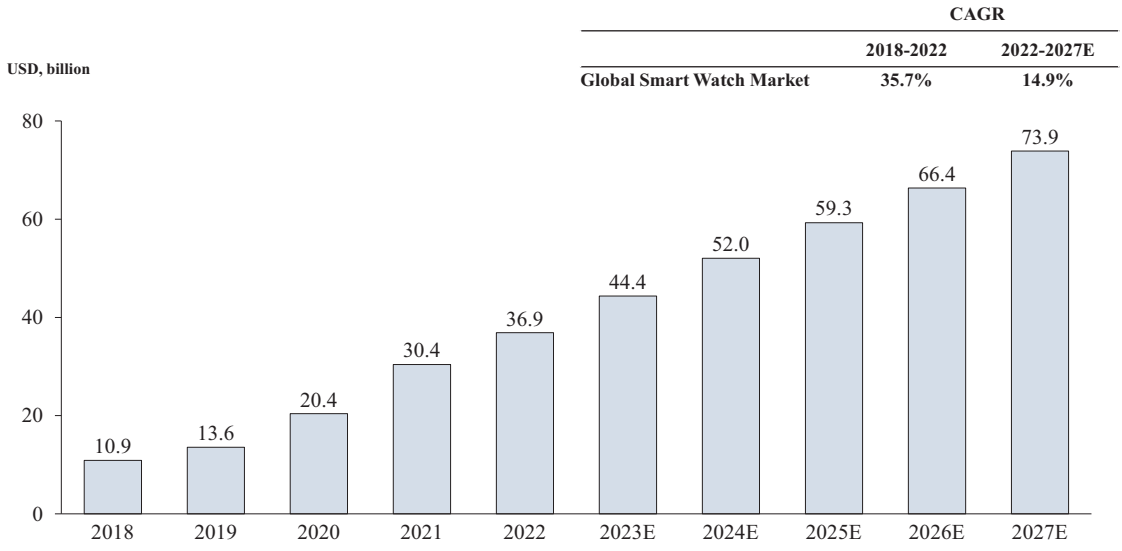


Source: CIC

Market size of the global smart watch industry

The smart watch market is one of the major markets in the global smart wearable market. According to CIC, the market size of the global smart watch market in terms of revenue has grown from USD10.9 billion in 2018 to USD36.9 billion in 2022, representing a CAGR of 35.7% between 2018 and 2022, and is expected to reach USD73.9 billion in 2027, representing a CAGR of 14.9% between 2022 and 2027. The following diagram sets forth the historical and forecast size of the global smart watch market from 2018 to 2027.

Market Size of Global Smart Watch Market, in Terms of Revenue, 2018-2027E



Source: CIC

Global market participants of the AI-empowered hardware solution market

According to CIC, AI-empowered hardware solutions contain a diverse category of products and applications. The global AI-empowered hardware solution market consists of a variety of market players with different business focuses and solution offerings. Part of the global AI-empowered hardware solution market is dominated by several large-sized multinational enterprises and the remaining market is highly fragmented by numerous number of players. Our Group's revenue in AI-empowered hardware solution reached USD28.1 million in 2022 and accounted for approximately 0.02% of global AI-empowered hardware solution market share in terms of revenue.

According to CIC, the global smart watch market is relatively concentrated, with the leading five market participants accounting for approximately 72.7% of the total market in terms of revenue. Our Group's revenue from the smart watch segment accounted for a small portion of the global market.

Top 5 Players of the Global Smart Watch Market, in Terms of Revenue in 2022

Ranking	Company	Country	Description	Revenue[1] (USD million, 2022)	Market Share
1	Company U	U.S.	A listed information technology company with a focus on personal computers, smartphones, and smart watches.	18,546.2	50.3%
2	Company V	Korea	A listed company specializing in electronic devices. It offers smartphones, smart watches and other smart devices.	4,036.7	10.9%
3	Company W. . . .	China	An unlisted telecommunications company specializing in information and communications technology. It offers various smart devices.	3,603.0	9.8%
4	Company L	China	A listed internet technology company offering various smart hardware products and internet services.	437.0	1.2%
5	Company X	China	An unlisted company with a focus on consumer electronics. It offers various smart devices.	203.8	0.6%

Notes:

(1) The revenue refers to the revenue generated from the sale of smartwatches.

Source: CIC

Future trends of the AI-empowered hardware solution market

- ***Enhanced software-hardware synergy***

The hardware will become more adaptive to algorithms designated for different application scenarios, which facilities a synergistic software-hardware integration and thus ensuring a streamlined and seamless user experience across different AI-empowered hardware.

- ***Improved interaction based on AGI models***

By leveraging cutting-edge AI technologies, AI-empowered hardware solutions will be propelled towards the era of AGI with more generalized ability to realize deeper human-machine interaction. The AI-empowered hardware solutions will become more sensible in perceiving different environments and tasks, and interact with the device owner in brand new way. AI-empowered hardware solution products with high-frequency usage like smart watches will become the main industry growth driver.

Entry barriers and key success factors in the AI-empowered hardware solution market

- ***Well-established brand recognition***

Major players with years of operation in the industry have established good brand recognition. With many players in the AI-empowered hardware solution market, well-established brand recognition is vital for players to accumulate abundant client resources and maintain a competitive position.

- ***Stabilized supply chain***

A stabilized supply chain ensures the stability of the manufacturing process and business operations. At the same time, upstream supplier resources determine the quality and pricing of AI-empowered hardware products, which are the key elements to attract consumers.

- ***Established distribution channel***

The distribution channels of AI-empowered hardware largely determine the sales volume and consumer experience, among which the sales of smart wearables such as smart watches are particularly dependent on the construction of distribution channels. It is difficult for new entrants to establish global distribution channels that can compete with leading companies in the short term.

GOVERNMENT POLICIES RELATED TO AI INDUSTRY

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

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

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

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

On November 8, 2018, the MIIT issued the Plan for Key Tasks in a New Generation of AI Innovation (《新一代人工智能產業創新重點任務揭榜工作方案》) and asked to select a batch of innovative companies that own key technologies based on AI, and have them collectively focus on enhancing products, platforms, and services with advanced technologies and excellent performance.

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

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

On April 11, 2023, the CAC issued the Draft Administrative Measures for AIGC Services ("**AIGC Administrative Measures**") (《生成式人工智能服務管理辦法(徵求意見稿)》), which imposes compliance requirements for providers of generative AI services. The AIGC Administrative Measures contains 21 provisions and applies to generative AI products that provide services to the general public within China. It emphasizes supervision of intellectual property, information security, and fair competition. The AIGC Administrative Measures clearly states that the entity using generative AI to provide services should bear the responsibility of a content producer, and if personal information is involved, it should also assume the statutory responsibility of a personal information processor. Before providing services, the AIGC Administrative Measures requires a security assessment to be filed with the competent cyberspace administration and compliance with algorithm filing, modification, or deregistration procedures. The AIGC Administrative Measures also prohibits the illegal retention of user input information that can infer user identity, prohibits user profiling and sharing of user input information, and prohibits the generation of any discriminatory content based on race, nationality, gender, etc. Article 2 of the AIGC Administrative Measures stipulates that "these measures apply to the research, development and utilization of generative AI products, when they become services to the general public within the territory of the PRC", which refers to regardless of whether the service provider and servers are located within China, as long as services are provided to the general public in China, the AIGC Administrative Measures has jurisdiction over it.

The definition of "generative AI" is also broadly defined in Article 2 of the AIGC Administrative Measures, which states "for these measures, the term 'generative AI' refers to the technology for generating text, pictures, sounds, videos, codes and other content based on algorithms, models or rules."

Article 4 of the AIGC Administrative Measures stipulates that providers of generative AI products or services must comply with legal requirements, respect social morality and public order, and specifically includes the following provisions:

1. The content generated by generative AI shall reflect the core socialist values, and shall not contain any content that subverts the state regime, overthrows the socialist system, incites separatism, undermines national unity, promotes terrorism, extremism, ethnic hatred, ethnic discrimination, violence, obscenity, false information, or any content that may disrupt economic and social order.

2. Measures shall be taken during algorithm design, training data selection, model generation and optimization, and service provision processes to prevent discrimination based on the race, ethnicity, religion, nationality, region, gender, age, occupation, and other factors.

3. Respect for intellectual property rights and business ethics, and the use of algorithms, data, platforms, and other advantages to engage in unfair competition is prohibited.

4. The content generated by generative AI shall be true and accurate, and measures shall be taken to prevent the generation of false information.

5. Respect the legitimate interests of others, prevent harm to others' physical and mental health, damage to their portrait rights, reputation rights, personal privacy, and infringement of intellectual property rights. Illegal acquisition, disclosure, and use of personal information, privacy, and trade secrets are prohibited.

The AIGC Administrative Measures stipulates in Article 5 that "organizations and individuals (hereinafter referred to as 'providers') that provide services such as chat, text, image, and sound generation using generative AI products, including support others to generate text, image, sound, etc. on their own by providing APIs or other means, shall assume the responsibility as producers of the content generated by the product." The AIGC Administrative Measures further specifies in Articles 7 to 20 the regulatory obligations, responsibility attribution, and penalties for "providers".

Article 7 of the AIGC Administrative Measures specifies that providers must be responsible for the legality of the pre-training data and source of the optimized training data used in generative AI products. The pre-training and optimized training data used in generative AI products must comply with the requirements of laws and regulations such as the Cybersecurity Law of the People's Republic of China, and may not contain any content that infringes upon intellectual property rights. Providers must also ensure the authenticity, accuracy, objectivity, and diversity of the data.

Regarding the protection of user privacy and personal information, the AIGC Administrative Measures stipulate that providers must assume the statutory responsibilities of personal information processors and fulfill the obligations of personal information protection if personal information is involved. Consent of the personal information subject must be obtained if the training data contains personal information. Providers must protect the input information and usage records of users during the provision of services. Providers may not (i) illegally retain input information that can infer the user's identity, (ii) create user profiles based on user input information and usage (i.e. infer and label user characteristics based on behavioral data analysis such as user input information and usage, so as to achieve the purpose of precise marketing, user research, and personalized services, etc.), or (iii) provide user input information to others.

On July 10, 2023, the CAC together with the National Development and Reform Commission, the Ministry of Education, the Ministry of Science and Technology, the Ministry of Industry and Information Technology, the Ministry of Public Security and the National Radio and Television Administration published the Interim Measures for the Administration of AIGC Services（《生成式人工智能服務管理暫行辦法》）("**Interim Measures for the Administration of AIGC Services**"), which came into effect on August 15, 2023.

The definition of "generative AI technology" in the Interim Measures for the Administration of AIGC Services is models and related technologies with the ability to generate text, pictures, audio, video, and other content.

Compared with the AIGC Administrative Measures, Article 4 of the Interim Measures for the Administration of AIGC Services further stipulates the following requirements for the providers of generative AI products or services: effective measures shall be taken based on the characteristics of service types to make generative AI services more transparent and generated content more accurate and reliable. It removes the obligation of AIGC service providers to ensure authenticity and accuracy of generated content. Article 7 further specifies that the providers shall carry out training-data processing activities such as pre-training and optimized training according to the applicable laws, and shall take effective measures to improve the quality, authenticity, accuracy, objectivity and diversity of training data. Article 8 further stipulates that the quality of data annotation shall be evaluated, and the annotation personnel shall be supervised and guided in conducting annotation work in a well-regulated manner. In addition, the Interim Measures for the Administration of AIGC Services removes the requirement stipulated in Article 15 in the AIGC Administrative Measures that non-compliant generated content shall be trained through model optimization within three months to prevent its re-generation.

The Interim Measures for the Administration of AIGC Services cover the requirements set out in the AIGC Administrative Measures that generative AI service providers to assume responsibility as a producer of online information content and a processor of personal information pursuant to applicable laws.

As to the obligation to perform security assessment and algorithm filing, the Interim Measures for the Administration of AIGC Services apply these rules to AIGC service providers with the attribute of public opinions or capability of social mobilization and removed the legislative requirement for security assessment pursuant to Security Assessment for Internet-Based Information Services Capable of Creating Public Opinions or Social Mobilization (《具有輿論屬性或社會動員能力的互聯網信息服務安全評估規定》).

Our Directors and our PRC Legal Advisor are of the view that we have complied with the Interim Measures for the Administration of AIGC Services by fully implementing the relevant requirements set forth under the Interim Measures for the Administration of AIGC Services, including but not limited to: (i) having established standards "Illegal and Undesirable Information Database and Filtrating Standard" (《違法和不良信息特徵庫及入庫標準》) and "Manual Evaluation and Marking Rules for Large Model" (《大模型人工評測標註規範》) to identify and filter out undesirable information and prevent generating false and harmful information and contexts involving discrimination; (ii) disclosing our algorithm's main operation mechanisms on the website and signed agreements with training data providers to obtain the consent from personal information subject in a direct or indirect form, to ensure the legality of the data sources; (iii) prominently marking the generated context to remind the public of the utilization of deep synthesis technology, etc. We have included explicit identifiers in the generated content to remind users that they are using applications of deep synthesis technology, and added implicit identifiers to ensure traceability and origin; (iv) restricting our services to adults, informing users about our privacy policies, and establishing channels for exercising the rights of personal information subjects and the rights of consumer supervision and complaints; and (v) having submitted security assessment report (which constitutes part of algorithm filing materials) and algorithm filing to the CAC on rolling basis. As of the Latest Practicable Date, five of the eight algorithm filings made by us had been successfully completed. The applicable laws regarding algorithm filings do not contain prohibitive provisions on business operations for cases where enterprises have submitted algorithm filing materials but are in the review stage, nor do they prescribe penalties for enterprises that fail to complete the algorithm filing within a predetermined timeframe.

Additionally, in the case where the CAC turns down a proposed filing, the applicant would be given unlimited opportunities to fine-tune and optimize the filing materials for an improved submission to ensure compliance and alignment with the requirements. The resubmission of algorithm filings is not subject to any time or material limitations imposed by the CAC. In the

event that any of our initial filings is turned down by the CAC, we will promptly correct the filing materials and address any concerns raised during the filing process in our resubmission. Therefore, we do not anticipate any significant obstacles in completing the remaining algorithm filing process.

According to a public search conducted by our PRC Legal Advisor, no enterprise has received warnings, public criticism, or other penalties for violating or failing to comply with algorithm filing regulations. Therefore, our Directors and our PRC Legal Advisor do not foresee that the ongoing filing process or potential rejection of algorithm filing would have any material adverse impact on our related business operations, financial positions and the proposed **[REDACTED]** in Hong Kong.

LAWS RELATED TO PRODUCT QUALITY

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

According to the Law of the PRC on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) (the "**Consumer Protection Law**") which was promulgated on October 31, 1993, amended on August 27, 2009 and October 25, 2013 and became effective on March 15, 2014, unless otherwise provided by this law, a business operator that provides products or services shall, in any of the following circumstances, bear civil liability in accordance with the Product Quality Law and other relevant laws and regulations: (i) where a defect exists in a product; (ii) where a commodity does not possess functions it is supposed to possess, and it is not declared when the product is sold; (iii) where the product standards indicated on a product or on

the package of such product are not met; (iv) where the quality condition indicated by way of product description or physical sample, etc. is not met; (v) where products pronounced obsolete by formal national decrees are produced or have expired or deteriorated commodities are sold; (vi) where a sold product is not adequate in quantity; (vii) where the service items and fees are in violation of an agreement; (viii) where demands by a consumer for repair, redoing, replacement, return, making up the quantity of a product, refund of a product purchase price or service fee or claims for compensation have been delayed deliberately or rejected without reason; or (ix) in other circumstances whereby the rights and interests of consumers, as provided by the PRC laws and regulations, are harmed.

Pursuant to the Civil Code of the People's Republic of China (《中華人民共和國民法典》), promulgated by the National People's Congress (the "**NPC**") on May 28, 2020 and became effective on January 1, 2021, in the event of damages caused to the other party due to product defect, the infringed party may seek compensation from the manufacturer of the products or from the seller of the products and shall have the right to request the manufacturer and the seller to bear tortious liability such as cessation of infringement, removal of obstruction, elimination of danger, etc.

Pursuant to the user agreements with content producers, the content producers would indemnify us and our affiliates in full (including, but not limited to, reasonable attorneys' fees) against any claims or demands made against us and our affiliates by any third party arising out of or resulting from their uploading, transmitting or sharing of information through our services, their use of any other features of our services, their violation of the user agreements, or their infringement of the rights of any other person or their incurring of any damages as a result thereof. If we discover or receive reports from others that the content producers have violated the agreement, we have the right to delete or block the relevant content at any time without notice, and take measures including but not limited to restricting, suspending, or terminating their use of the account and our services, and pursuing legal responsibility.

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

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

national security and social stability, hinder the order of the socialist market economy and social administration, or infringe personal, property and other legitimate rights and interests of individuals, legal persons and other organizations.

In addition, on December 16, 1997, the Ministry of Public Security issued the Administrative Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), which took effect on December 30, 1997 and were amended by the State Council on January 8, 2011. According to the aforementioned measures, no entity or individual shall make use of international connections to harm national security, leak state secrets, infringe on the national, social or collective interests or the legal rights and interests of citizens, or engage in other illegal or criminal activities. If relevant entities violate any provisions of the measures, such entities may be subject to an order of rectification within a specified period, warning, confiscation of illegal income, cancellation of business permit or network connection qualifications. The Administrative Measures for the Hierarchical Protection of Information Security (《信息安全等級保護管理辦法》) that was issued and took effect on June 22, 2007 requires the entities that operate and use information systems to fulfill the obligation of the hierarchical protection of information security. The operator or the user of the information systems at Grade II or above shall, within thirty days since the date when its security protection grade is determined, complete the record filing procedures at the local public security authority at the level of city divided into districts or above.

On July 1, 2015, the SCNPC issued the National Security Law (《國家安全法》), which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cybersecurity development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of the PRC.

On March 13, 2019, the Office of the Central Cyberspace Affairs Commission and the State Administration for Market Regulation (the "**SAMR**") jointly issued the Notice on App Security Certification (《關於開展App安全認證工作的公告》) and the Implementation Rules on Security Certification of Mobile Internet Application (《移動互聯網應用程序(App)安全認證實施規則》), which encourage mobile internet application operators to voluntarily obtain app security certification, and search engines and app stores are encouraged to recommend certified applications to users.

On July 22, 2020, the Ministry of Public Security published the Guiding Opinions on the Implementation of Cybersecurity Hierarchical Protection System and Critical Information Infrastructure Security Protection System (《貫徹落實網絡安全等級保護制度和關鍵信息基礎設施安全保護制度的指導意見》), which requires, among others, to determine the cybersecurity

protection level in a scientific manner based on the importance of network (including network facilities, information systems, and data resources) in national security, economic construction, and social life, as well as factors such as the degree of harm after its destruction, to implement hierarchical protection and supervision, with emphasis on ensuring the security of critical information infrastructure and networks at or above the third level.

The Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》) (the "**Cyber Security Law**"), which was promulgated on November 7, 2016 and came into effect on June 1, 2017, requires that when constructing and operating a network, or providing services through a network, technical measures and other necessary measures shall be taken in accordance with laws, administrative regulations and the compulsory requirements set forth in national standards to ensure the secure and stable operation of the network, to effectively cope with cyber security events, to prevent criminal activities committed on the network, and to protect the integrity, confidentiality and availability of network data. The Cyber Security Law emphasizes that any individuals and organizations that use networks must not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. The Cyber Security Law has also reaffirmed certain basic principles and requirements on personal information protection previously specified in other existing laws and regulations. Any violation of the provisions and requirements under the Cyber Security Law may subject an internet service provider to rectifications, warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of qualifications, closedown of websites or even criminal liabilities. The Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) (the "**Data Security Law**") was passed by the Standing Committee of the 13th NPC at the 29th Session on June 10, 2021 and came into effect on September 1, 2021. The Data Security Law requires the data processor to establish and improve a whole-process data security management system, organize data security education and training, and take corresponding technical measures and other necessary measures to safeguard data security. In conducting data processing activities by using the Internet or any other information network, the data processor shall perform the above data security protection obligations on the basis of the hierarchical cybersecurity protection system. Any violation of the provisions and requirements under the Data Security Law may subject a data processor to rectifications, warnings, fines, suspension of the related business, revocation of licenses or even criminal liabilities.

The Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**") was passed by the Standing Committee of the 13th NPC at the 30th Session on August 20, 2021 and has come into effect on November 1, 2021. The Personal Information Protection Law reiterates the circumstances under which a personal information processor could process personal information and the requirements for such circumstances, such as when (1) the individual's consent has been obtained; (2) the

processing is necessary for the conclusion or performance of a contract to which the individual is a party; (3) the processing is necessary to fulfill statutory duties and statutory obligations; (4) the processing is necessary to respond to public health emergencies or protect natural persons' life, health and property safety under emergency circumstances; (5) the personal information that has been made public is processed within a reasonable scope in accordance with this Law; (6) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision, and other activities in the public interest; or (7) under any other circumstance as provided by any law or regulation. It also stipulates the obligations of a personal information processor. Any violation of the provisions and requirements under the Personal Information Protection Law may subject a personal information processor to rectifications, warnings, fines, suspension of the related business, revocation of licenses, being entered into the relevant credit record or even criminal liabilities.

On December 13, 2005, the Ministry of Public Security issued the Regulations on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》) (the "**Internet Protection Measures**") which came into effect on March 1, 2006. The Internet Protection Measures require internet service providers and online entity users to take proper measures including anti-virus, data back-up and other related measures, and to keep records of certain information of users (including user registration information, log-in and log-out time, advocate calls, accounts, internet web addresses or domain names and log files of system maintenance) for at least sixty days, discover and detect illegal information, stop transmission of such information, and keep relevant records. Internet service providers and online entity users shall establish corresponding administration systems. Any user registration information shall not be publicized or divulged without users' approval, unless it is otherwise stipulated by any law or regulation. Under the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》) that was issued by MIIT on December 29, 2011 and came into effect on March 15, 2012, internet information services providers are prohibited from collecting any information that is relevant to the users and can be, solely or together with other information, used to identify the users to third parties without users' consent unless otherwise required by laws and administrative regulations. Internet information services providers must expressly inform their users of the methods, contents and usages of collecting and processing of users' personal information and may only collect information necessary for providing services. Internet information services providers are also required to properly store the users' personal information, and in case of any leak or possible leak of information, internet information services providers must take remedial measures immediately and report any leak of information that may result in serious consequences to the telecommunications regulatory authorities.

In addition, the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》), promulgated by the SCNPC on December 28, 2012 with immediate effect, emphasizes the need to protect electronic information that contains individual identification

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

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

Pursuant to the Announcement of Launching Special Crackdown against Illegal Collection and Use of Personal Information by Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》) that was issued and took effect on January 23, 2019, and the Guideline to the Self-Assessment of Illegal Collection and Use of Personal Information by Apps (《App違法違規收

集使用個人信息自評估指南》) that was issued and took effect on March 3, 2019, the App operators shall check whether their privacy policies include the elements that are required to be disclosed to the users.

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

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

critical information infrastructure, cyber security and data security. It may take approximately 70 business days in maximum for the general cybersecurity review upon the delivery of their applications, which may be subject to extensions for a special review.

In addition, on November 14, 2021, the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "Draft Regulation") was proposed by the CAC for public comments. The Draft Regulation reiterate that data processors which process the personal information of at least one million users must apply for a cybersecurity review if they plan listing of companies in foreign countries, and the Draft Regulation further require the data processors that carry out the following activities to apply for cybersecurity review in accordance with the relevant laws and regulations: (i) the merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests affects or may affect national security; (ii) the listing of the data processor in Hong Kong affects or may affect the national security; and (iii) other data processing activities that affect or may affect national security. Any failure to comply with such requirements may subject us to, among others, suspension of services, fines, revoking relevant business permits or business licenses and penalties. The public consultation of the Draft Regulation has ended on December 13, 2021, and its anticipated adoption or effective date are subject to substantial uncertainty.

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

- to establish and improve the data security management system and technical protection mechanism in accordance with the provisions of relevant laws and regulations;

- to conduct data processing activities in a manner that respects social morality and ethics and does not contravene prohibitions stipulated in the Draft Regulation or other laws and regulations;

- to comply with the requirements of the cybersecurity classified protection system;

- to establish emergency response mechanisms for cyber security and data security, data security complaint and reporting channels and other relevant measures;

- to acquire personal information with authorization and to preserve relevant evidence for data collection, especially user consent; and

- to establish protocols to process personal information with clear and reasonable purposes and follow the principles of legality, rightfulness and necessity.

We have adopted the Data Security Management System and relevant measures required by the Draft Regulation and other relevant laws and regulations.

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

Our PRC Legal Advisor conducted consultation via the hotline published by the CAC on a named basis on behalf of us on March 16, 2023 with the officer of the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the "**CCRC**"). The CCRC is a competent authority on this consultation, as it is entrusted with acceptance and review of application materials by the Cybersecurity Review Office under the CAC and to set up a hotline for consultation regarding the cybersecurity review, according to the official announcement by the CAC. Based on such consultation, the Measures for Cyber Security Review do not require enterprises seeking to be listed in Hong Kong to take the initiative to apply for a cybersecurity review, as listing in Hong Kong will not be deemed as listing abroad under the Measures for Cyber Security Review. The Draft Regulation was released for public comment only and has not come into effect, and therefore we are not required to apply for cybersecurity review pursuant to the Draft Regulation as of the Latest Practicable Date.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Data Cross-border Transfer (《數據出境安全評估辦法》), which took effect on September 1, 2022. The Measures for the Security Assessment of Data Cross-border Transfer requires the data processor providing data overseas and falling under any of the following circumstances apply for the security assessment of cross-border data transfer by the national cybersecurity authority through its local counterpart: (i) where the data processor intends to provide important data overseas; (ii) where the critical information infrastructure operator and any data processor who has processed personal information of more than 1,000,000 people intend to provide personal information overseas; (iii) where any data processor who has provided personal information of 100,000 people or sensitive personal information of 10,000 people to overseas recipients accumulatively since January 1 of the last year intends to provide personal information overseas, and (iv) other circumstances where the security assessment of data cross-border transfer is required as prescribed by the CAC.

We have implemented a series of measures to ensure that the collection, use, storage, transmission and dissemination of data are in compliance with applicable laws and prevalent industry practice. Besides, we engaged external experts to evaluate our internal policies and measures to ensure our compliance with the relevant laws and regulations including the updates to the PRC laws and regulations. Our Directors and our PRC Legal Advisor are of the view that we would be able to comply with the Measures for Cyber Security Review, the Draft Regulation and the Measures for the Security Assessment of Cross-Border Data Transfer (collectively, the "**Cybersecurity Regulations**") in all material respects and the Cybersecurity Regulations would not have a material adverse impact on our business operations nor the proposed **[REDACTED]** in Hong Kong based on the measures regarding data handling activities taken by us and owing to the fact that (i) the Measures for the Security Assessment of Cross-Border Data Transfer were not applicable to us because we hired cloud service providers in the PRC and the U.S. separately for the storage of the data collected from the PRC and the U.S., and thus we had not been engaged in any cross-border data transfer as of the Latest Practicable Date; (ii) we have not received any notification from any competent authority regarding the identification of us as an operator of critical information infrastructure; and (iii) pursuant to the Cybersecurity Regulations and the consultation with the officer of the CCRC conducted by our PRC Legal Advisor, whether the network products and services and data processing activities or the proposed **[REDACTED]** in Hong Kong would affect or may affect national security stipulated in the Measures for Cyber Security Review and the Draft Regulation as a factor to determine whether the Group would initiate a cybersecurity review shall be determined by the members of the cybersecurity review mechanism as stipulated in Article 16 of the Measures for Cyber Security Review. As of the Latest Practicable Date, we have not received any notification from any competent authority initiating a cybersecurity review against us.

On the basis of the PRC Legal Advisor's view above and the independent due diligence work conducted by the **[REDACTED]**, including but not limited to, (i) discussing with the Company to understand its internal control measures to protect user privacy and data security; (ii) discussing with the PRC Legal Advisor and data security counsel to understand the potential impact on the Cybersecurity Regulations on the Group; (iii) participated in the consultation with the officer of CCRC together with the PRC Legal Advisors of the Company and the **[REDACTED]**; (iv) reviewing the report issued by the Company's data security counsel; and (v) conducting background searches and litigation searches to the Group, nothing has come to the attention of the **[REDACTED]** that would cause the **[REDACTED]** to disagree with the PRC Legal Advisor's views.

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

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

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

On November 25, 2022, the CAC, MIIT and the Ministry of Public Security promulgated the Administrative Provisions for Deep Synthesis as an Internet Information Service (互聯網信息服務深度合成管理規定), which took effect on January 10, 2023. The "deep synthesis technology" provided in such provisions refers to the technology to generate text, graphics, radio, video, virtual scenes, among others, with the use of deep learning and virtual reality. The measures emphasize that the deep synthesis services shall not be utilized for illegal activities prohibited by laws and regulations, and specifically, the related providers of such deep synthesis services shall (i) establish and improve control systems in regard to user registration, algorithm review, technological ethic review, information public review, statistics security, personal information protection, anti-telecom and online fraud, emergency disposal, etc. and hold safe and controlled technical protection measures; and (ii) formulate and publicize related management rules and platform pacts, improve service agreements, perform management responsibilities in accordance with laws and agreements, and inform with explicit methods the technical supporters and users of the deep synthesis services of their respective information safety obligations.

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

LAWS AND REGULATIONS RELATED TO ANTI-UNFAIR COMPETITION

Anti-Monopoly Law

According to the Anti-Monopoly Law of the People's Republic of China (《中華人民共和國反壟斷法》) (the "**Anti-Monopoly Law**") which was amended by the SCNPC on June 24, 2022 and implemented on August 1, 2022, the Anti-Monopoly Law applies to the monopolistic practices in domestic economic activities in China as well as the monopolistic practices outside China which have exclusion or restriction effects on domestic market competition. The monopolistic practices under the Anti-Monopoly Law include any monopoly agreement reached by any operators, abuse of market dominating position by any operators and any concentration of operators which has an effect of eliminating or restricting competition. The anti-monopoly enforcement agencies of the State Council is responsible for unified antitrust enforcement. The anti-monopoly enforcement agencies of the State Council may, according to work requirements, delegate relevant anti-monopoly enforcement tasks to the corresponding agencies of the people's governments of provinces, autonomous regions and centrally-administered municipalities pursuant to the provisions of Anti-Monopoly Law. Operators who violate the provisions of the Anti-Monopoly Law will be ordered by the enforcement agencies to stop the illegal act, be imposed a fine or be subject to other restrictive measures.

Anti-Unfair Competition Law

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

LAWS AND REGULATIONS RELATED TO INTELLECTUAL PROPERTY

Trademarks

The Trademark Law of the People's Republic of China (《中華人民共和國商標法》)(the "**Trademark Law**") became effective on March 1, 1983 and was last amended on April 23, 2019, and the Implementation Rules of the Trademark Law of the People's Republic of China (《中華人

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

Patents

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

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

Copyright and Software Copyright

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

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

Domain Names

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

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

General Labor Contract Rules

Labor contracts must be concluded in writing if labor relationships are to be or have been established between enterprises, individual economic organizations, private non-enterprise entities, etc. and the employees under the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), promulgated on June 29, 2007 and last amended on December 28, 2012. Employers are forbidden to force employees to work overtime or to do so in a disguised manner and employers must pay employees overtime wages in accordance with national regulations. In addition, wages may not be lower than local standards on minimum wages and must be paid to the employees timely. According to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), promulgated on July 5, 1994 and last amended on December 29, 2018, employers shall establish and improve a system of labor safety and sanitation and shall strictly abide by national rules and standards on labor safety and sanitation and educate employees on labor safety

and sanitation so as to prevent accidents during work and reduce occupational hazards. Labor safety and sanitation facilities shall comply with national standards. The employers must also provide employees with labor safety and sanitation conditions that are in compliance with national standards and necessary articles for labor protection.

Laws and Regulations relating to Labour Dispatch in the PRC

The Ministry of Human Resources and Social Security promulgated the Interim Provisions on Labor Dispatch (《劳務派遣暫行規定》) on January 24, 2014. The Interim Provisions on Labor Dispatch, which became effective on March 1, 2014, states that labor dispatch should only be applicable to temporary, auxiliary or replaceable positions. And the employer shall strictly control the number of dispatched laborers which shall not exceed 10% of the total number of its workers. For purposes of these provisions, temporary positions mean positions subsisting for no more than six months, auxiliary positions mean positions of non-major business that serve the major businesses, and replaceable positions mean positions that can be held by substitute employees for a certain period of time during which the employees who originally hold such positions are unable to work as a result of full-time study, being on leave or other reasons. A labor dispatch service provider shall pay the dispatched workers the labor remuneration and pay social insurance for the dispatched workers in accordance with the statutory requirements and the labor dispatch agreement. Where an employer violates the above provisions, the labor administrative department shall order rectification within a specified period of time; if the situation is not rectified within the specified period, a fine from RMB5,000 to RMB10,000 for each person shall be imposed.

Social Insurance and Housing Provident Fund

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

According to the Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》) passed by the State Council on April 3, 1999 and last amended on March 24, 2019, each employer and individual in the PRC shall make housing provident fund contributions. Where, in violation of the provisions of the regulations, an employer is overdue in the contribution of, or underpays, the housing provident fund, the housing provident fund management center shall order

it to make the contribution within a prescribed time limit; where the contribution has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

LAWS AND REGULATIONS RELATED TO TAXATION

PRC Enterprise Income Tax Law

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》), as promulgated on March 16, 2007 and last amended on December 29, 2018, and the Implementing Rules of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法實施條例》), as promulgated on December 6, 2007 and amended on April 23, 2019 (collectively the "**Enterprise Income Tax Law**"), enterprise income taxpayers shall include resident and non-resident enterprises. Resident enterprise refers to an enterprise that is established within China, or is established under the law of a foreign country (region) but whose actual institution of management is within China. Non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not within China but has offices or establishments within China; or which does not have any offices or establishments within China but has incomes sourced from China. The rate of enterprise income tax shall be 25%. Qualified small low-profit enterprises are given the reduced enterprise income tax rate of 20%.

Value-Added Tax

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

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

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

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

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

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

LAWS AND REGULATIONS RELATED TO COMPANIES

The establishment, operation and management of corporate entities in China are governed by the PRC Company Law (《中華人民共和國公司法》), which was promulgated on December 29, 1993, last amended with immediate effect on October 26, 2018. Under the PRC Company Law, companies are generally classified into two categories: limited liability companies and limited companies by shares. The PRC Company Law also applies to foreign-invested limited liability companies but where other relevant laws regarding foreign investment have provided otherwise, such other laws shall prevail.

The latest major amendment to the PRC Company Law took effect on March 1, 2014, pursuant to which there is no longer a prescribed timeframe for shareholders of a company to make a full capital contribution to a company, except as otherwise provided in other relevant laws, administrative regulations and State Council decisions. Instead, shareholders are only required to state the capital amount that they commit to subscribing to in the articles of association of the company. Furthermore, the initial payment of a company's registered capital is no longer subject to a minimum capital requirement, and the business license of a company will not show its paid-up capital. In addition, shareholders' contribution to the registered capital is no longer required to be verified by capital verification agencies.

LAWS AND REGULATIONS RELATED TO FOREIGN INVESTMENT

Investment activities in the PRC by foreign investors are principally governed by the Catalog of Industries for Encouraging Foreign Investment, or the Encouraging Catalog, and the Special Administrative Measures (Negative List) for Foreign Investment Access, or the Negative List, which were promulgated and are amended from time to time by the Ministry of Commerce and the NDRC, together with the Foreign Investment Law, and their respective implementation rules and ancillary regulations. The Encouraging Catalog and the Negative List lay out the basic framework for foreign investment in China, classifying businesses into three categories with regard to foreign investment: "encouraged", "restricted" and "prohibited". Industries not listed in the three categories are generally deemed as falling into a fourth category "permitted" unless specifically restricted by other PRC laws.

On October 26, 2022, the Ministry of Commerce and the NDRC released the Catalog of Industries for Encouraging Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄》(2022年版), which became effective on January 1, 2023, to replace the previous Encouraging Catalog. On December 27, 2021, the Ministry of Commerce and the NDRC released the 2021 Negative List, which became effective on January 1, 2022, to replace the previous Negative List.

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law (《中華人民共和國外商投資法》), or the FIL, which became effective on January 1, 2020, and replaced the major laws and regulations governing foreign investment in China. Pursuant to the FIL, "foreign investments" refer to investment activities conducted by foreign investors directly or indirectly in China, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in China solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within China, (iii) foreign investors investing in new projects in China solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council.

According to the FIL, foreign investment shall enjoy pre-entry national treatment, except for foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the Negative List. The FIL provides that foreign invested entities operating in foreign "restricted" or "prohibited" industries will require entry clearance and other approvals. The FIL does not comment on the concept of "de facto control" or contractual arrangements with variable interest entities, however, it has a catch-all provision under the definition of "foreign investment" to include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to provide for contractual arrangements as a form of foreign investment.

The FIL also provides several protective rules and principles for foreign investors and their investments in China, including, among others, that local governments shall abide by their commitments to foreign investors; foreign-invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriate or requisition the investment of foreign investors is prohibited; mandatory technology transfer is prohibited, allows foreign investors' funds to be freely transferred out and into the PRC territory, which run through the entire lifecycle from the entry to the exit of foreign investment, and provide an all-around and multi-angle system to guarantee fair competition of foreign-invested enterprises in the market economy. In addition, foreign investors or foreign investment enterprises should be imposed legal liabilities for failing to report investment information in accordance with the requirements. Furthermore, the FIL provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementation of the FIL, which means that foreign invested enterprises may be required to adjust the structure and corporate governance in accordance with the current PRC Company Law and other laws and regulations governing the corporate governance.

Along with the FIL, the Implementing Rules of Foreign Investment Law (《中華人民共和國外商投資法實施條例》) promulgated by the State Council and the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of the Foreign Investment Law (《最高人民法院關於適用〈中華人民共和國外商投資法〉若干問題的解釋》) promulgated by the Supreme People's Court became effective on January 1, 2020. The Implementing Rules of Foreign Investment Law further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize the foreign investment environment, and advances a higher-level opening.

On December 30, 2019, the Ministry of Commerce and the SAMR, jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

LAWS AND REGULATIONS RELATED TO EMPLOYEE STOCK INCENTIVE PLAN

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company (《國家外匯管理局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》), or SAFE Circular 7, which was issued by the SAFE on February 15, 2012, employees, directors, supervisors, and other senior management who participate in any stock incentive plan of publicly-listed overseas company and who are PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year, subject to a few exceptions, are required to register with SAFE through a qualified domestic agent, which may be a PRC subsidiary of such overseas listed company, and complete certain other procedures.

In addition, the State Administration of Taxation, or the SAT, has issued certain circulars concerning employee stock options and restricted shares. Under these circulars, employees working in the PRC who exercise stock options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company are required to file documents related to employee stock options and restricted shares with relevant tax authorities and to withhold individual income taxes of employees who exercise their stock options or purchase restricted shares. If the employees fail to pay or the PRC subsidiaries fail to withhold income tax in accordance with relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC governmental authorities.

LAWS AND REGULATIONS RELATED TO DIVIDEND DISTRIBUTION

The principal laws and regulations regulating the dividend distribution of dividends by foreign-invested enterprises in China include the PRC Company Law and the FIL. Under the current regulatory regime in the PRC, foreign-invested enterprises in China may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside as general reserves at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset.

LAWS AND REGULATIONS RELATED TO FOREIGN EXCHANGE

Under the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, and last amended on August 5, 2008 and various regulations issued by the SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for capital account items, such as direct equity investments, loans and repatriation of investment, require prior approval from the SAFE or its local branches. Payments for transactions that take place within China must be made in Renminbi. Unless otherwise provided by laws and regulations, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant PRC rules and regulations. For foreign exchange proceeds under the capital accounts, approval from the SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the relevant PRC rules and regulations.

LAWS AND REGULATIONS RELATED TO M&A RULES AND OVERSEAS LISTING

On August 8, 2006, six PRC governmental and regulatory agencies, including the Ministry of Commerce and the CSRC, promulgated the M&A Rules, which became effective on September 8, 2006, and was revised on June 22, 2009, governing the mergers and acquisitions of domestic enterprises by foreign investors. The M&A Rules, among other things, requires that a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals through acquisitions of shares of or equity interests in PRC domestic companies, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

In addition, in 2011, the General Office of the State Council promulgated the Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), or the Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, the Ministry of Commerce promulgated the Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》), or the Security Review Rules, effective in September 2011, to implement Circular 6. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having "national defense and security" concerns and mergers and acquisitions

by which foreign investors may acquire the "de facto control" of domestic enterprises with "national security" concerns. Under the foregoing the Ministry of Commerce regulations, the Ministry of Commerce will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If the Ministry of Commerce decides that a specific merger or acquisition is subject to a security review, it will submit it to the Inter-Ministerial Panel, an authority established under Circular 6 led by the NDRC, and the Ministry of Commerce under the leadership of the State Council, to carry out security review. The Rules prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that the merging or acquisition of a company engaged in the internet content business requires security review, and there is no requirement that acquisitions completed prior to the promulgation of the Security Review Circular are subject to the Ministry of Commerce's review. On December 19, 2020, the NDRC and the Ministry of Commerce jointly promulgated the Measures for the Security Review for Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室), who will lead the task together with the Ministry of Commerce. Foreign investor or relevant parties in China must declare the security review to the aforesaid office prior to the investments in, among other industries, important cultural products and services, important information technology and internet products and services, important financial services, key technologies, and other important fields relating to national security and obtain control in the target enterprise.

On February 17, 2023, the CSRC also issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and relevant five guidelines which became effective on March 31, 2023, and, among others, set forth the standards in the determination of an indirect overseas listing by a domestic company, the responsible filing persons, and the procedures for the filing. According to the Overseas Listing Trial Measures, the PRC domestic enterprises that seek to offer and list securities in overseas markets, either by direct or indirect means ("**Overseas Offering and Listing**"), are required to fulfill the filing procedure with the CSRC and submit filing reports, legal opinions and other relevant documents. Specifically, following the principle of substance over form, if an issuer both meets the following criteria, its overseas offering and listing will be deemed as indirect Overseas Offering and Listing by a PRC domestic enterprises: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in Mainland China, or its main place(s) of business are located in Mainland China, or

the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in Mainland China. In the case of indirect Overseas Offering and Listing by a PRC domestic enterprise, the issuer shall designate a major domestic operating entity as the responsible domestic party for filing with CSRC. The Overseas Listing Trial Measures also set forth the issuer's reporting obligations in the event of occurrence of material events after the Overseas Offering and Listing. In the event of the occurrence of any of the following material events, the issuer shall make a detailed report to the CSRC within 3 working days after the occurrence and public announcement of the relevant event: (i) change in controlling rights; (ii) being subject to investigation, punishment or other measures by overseas securities regulatory authorities or the relevant authorities; (iii) changing listing status or changing the listing board; (iv) voluntary or compulsory termination of listing. Besides, if any material change in the principal business and operation of the issuer after its Overseas Offering and Listing makes the issuer no longer within the scope of record-filing, the issuer shall submit a special report and a legal opinion issued by a PRC domestic law firm to the CSRC within 3 working days after the occurrence of the relevant change to provide an explanation of the relevant situation.

According to the Overseas Listing Trial Measures, the PRC domestic enterprises engaging in Overseas Offering and Listing activities shall strictly comply with the laws, administrative regulations and relevant provisions of the PRC government on foreign investment, State-owned assets, industry regulation, overseas investment, etc., shall not disrupt domestic market order, and shall not harm national interests, public interest and the legitimate rights and interests of domestic investors. The PRC domestic enterprise that conducts Overseas Offering and Listing shall (i) formulate its articles of association, improve its internal control system and standardize its corporate governance, financial affairs and accounting activities in accordance with the PRC Company Law, the PRC Accounting Law and other PRC laws, administrative regulations and applicable provisions; (ii) abide by the legal system of the PRC on confidentiality and take necessary measures to implement the confidentiality responsibility, shall not divulge any state secret or the work secrets of state authorities, and shall also comply with laws, administrative regulations and the relevant provisions of the PRC where involved in the overseas provision of personal information and important data. In addition, the Overseas Listing Trial Measures also provides the circumstances where the Overseas Offering and Listing is explicitly prohibited, including: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the Overseas Offering and Listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the PRC domestic enterprise, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the last three years; (iv) the PRC domestic enterprise is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and

no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "Provision on Confidentiality"), which became effective on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the State. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and those that need to leave the PRC shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

HONG KONG LAWS AND REGULATIONS RELATING TO OUR BUSINESS

Sale of Goods Ordinance

Contracts for the sale of goods are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (the "**SGO**"). The SGO provides that there are implied obligations owed by the seller towards the buyer, including: (i) where the goods are sold in the course of business and the buyer, expressly or by implication, makes known to the seller any particular purpose for which the goods are being bought, the goods supplied shall be reasonably fit for the purposes made known; (ii) goods must correspond to any description provided; and (iii) the goods meet the standard that a reasonable person would regard as satisfactory.

Consumer Goods Safety Ordinance

The Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) ("**CGSO**") imposes a duty on manufacturers, importers and suppliers of consumer goods to ensure that the consumer goods they supplied are safe.

Under section 6 of CGSO, a person shall not supply, manufacture or import into Hong Kong consumer goods, unless the consumer goods comply with the general safety requirement as provided under the ordinance or with the applicable safety standard(s) or safety specification(s) as approved by the Secretary for Commerce and Economic Development. A person who contravenes such section commits and offence and is liable (i) on first conviction, to a fine of HK$100,000 and imprisonment for 1 year; (ii) on subsequent convictions, to a fine of HK$500,000 and to imprisonment for 2 years; and (iii) where the offence is a continuing offence, in addition to the fine specified in (i) and (ii), the person shall be liable to a fine of HK$1,000 for each day the offence continued.

Where the Commissioner of Customs and Excise reasonably believes that the consumer goods is non-compliant with the approved standard or safety standard or safety specification, the Commissioner may (i) serve a prohibition notice prohibiting a person from supplying those consumer goods for a specified period not exceeding 6 months; and (ii) serve a recall notice requiring the immediate withdrawal of any consumer goods if there is a significant risk that the consumer goods will cause a serious injury and do not comply with the approved standard or a safety standard or safety specification established by regulation.

Trade Marks Ordinance

Under the Trade Marks Ordinance (Chapter 559 of the laws of Hong Kong) (the "**Trade Marks Ordinance**"), words, designs, figurative elements and other distinctive signs may be registered as trademarks to distinguish the goods or services of one business from another. Once registered, use of an identical or confusingly similar mark by a third party in respect of the same or similar goods or services will constitute trademark infringement. In infringement proceedings, the trademark owner or exclusive licensee (subject to terms of the licence) may in its own name, seek for an injunction, an order for delivery up or disposal of the infringing goods and materials, discovery of the infringing transactions and damages or an account of the infringer's profits.

A trademark registration will be valid for a period of 10 years from the date of registration and can be renewed indefinitely for further periods of 10 years. Renewal only involves the filing of the appropriate form and payment of the prescribed fee within 6 months before expiry or within a grace period of not more than 6 months, otherwise the registration will be removed. Within 6 months of removal (which is not extendible), it is possible to request for restoration and renewal of the mark with payment of a fee.

If after taking into account all factors such as use, recognition, history of operation, value, registrations, enforcement and goodwill of a trademark as described in Schedule 2 of the Trade Marks Ordinance about determination of well-known trade marks, the trademark is determined to

be well-known, it will enjoy protection as a well-known mark under the Paris Convention. As a well-known mark, the mark can enjoy protection against conflicting marks, business identifiers and domain names even in the absence of a trademark registration in Hong Kong.

A trademark which is not used for a continuous period of 3 years or more after the grant of registration without any valid reason (such as import restrictions or government requirements) may become vulnerable to an application by a third party to cancel.

Trade Descriptions Ordinance

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (the "**TDO**") regulates trade descriptions and statements made in respect of goods offered in the course of trade. The TDO provides that no person shall, in the course of trade or business, apply a false trade description or trade mark to any goods. Further, importing or exporting any goods with a false trade description or trade mark is prohibited. When dealing with a consumer, a trader must not engage in conduct that: (i) is a misleading omission; (ii) constitutes aggressive commercial practices; (iii) constitutes bait advertising; (iv) constitutes a bait and switch; or (v) constitutes wrongly accepting payment. A person who commits an offence under the TDO faces a potential fine of up to HK$500,000 and imprisonment for five years.

Import and Export (Registration) Regulations

Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) provide that every person who imports or exports any article other than an exempted article shall lodge an accurate and complete import or export declaration relating to such article with the Commissioner of Customs and Excise within 14 days after the importation or exportation of the article.

Any person who fails or neglects to declare within 14 days after importation or exportation without reasonable excuse is liable to a fine of HK$1,000 upon summary conviction and commencing on the day following the date of conviction, a fine of HK$100 in respect of every day during which his failure or neglect to lodge such declaration continues. Furthermore, any person who knowingly or recklessly lodges and declaration with the Commission of Customs and Excise that is inaccurate in any material particular shall be guilty of an offence and shall be liable to a fine of HK$10,000 on summary conviction.

Further, a penalty is payable for any person who does not lodge the declaration within 14 days after the importation or exportation. If the total value of articles specified in a declaration does not exceed HK$20,000, the penalty payable will be: (i) HK$20 for lodgment of declaration after 14 days but within 1 month and 14 days after the importation or exportation; (ii) HK$40 for

lodgment of declaration after 1 month and 14 days but within 2 months and 14 days after importation or exportation; and (iii) HK$100 for lodgment of declaration after 2 months and 14 days after the importation or exportation. If the total value of articles specified in a declaration exceeds HK$20,000, the aforesaid penalty charges will be doubled to HK$40, HK$80 and HK$200 respectively.

Business Registration Ordinance

The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every entity that carries on a business in Hong Kong to apply for business registration within one month from the date of commencement of the business, and to display a valid business registration certificate at the place of business.

The Inland Revenue Ordinance

As our Group carries out business in Hong Kong, our Group is subject to the profits tax regime under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**IRO**").

The IRO is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. Section 14 of the IRO provides, among others, that persons, which include corporations, partnerships, trustees and bodies of person, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits from the date of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As of the Latest Practicable Date, profits tax is chargeable at the rate of 8.25% on assessable profits up to HK$2,000,000 and at the rate of 16.5% on any part of assessable profits over HK$2,000,000. The IRO also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation.

UNITED STATES LAWS AND REGULATIONS RELATING TO OUR BUSINESS

Regulations on Data Protection and User Privacy

Data protection and user privacy in the United States are regulated by a combination of federal laws and state laws, and like many other aspects, also a combination of statutes and common law precedents. On federal level, the key legislations related to data protection and user privacy on consumer electronics or SaaS industries include the Health Insurance Portability and Accountability Act (HIPAA), the Children's Online Privacy Protection Act (COPPA), and the Gramm-Leach-Bliley Act (GLBA). Additionally, the Federal Trade Commission (FTC) plays a

significant role in enforcing privacy regulations. Several states have enacted their own laws to enhance data protection, with the California Consumer Privacy Act (CCPA) being the most prominent and well-known one.

Health Insurance Portability and Accountability Act (HIPAA): HIPAA establishes privacy and security standards for protected health information (PHI) held by healthcare providers, health plans, and healthcare clearinghouses. In addition, business associates that handle PHI received from these covered entities, as well as their subcontractors, are also subject to particular HIPAA security and privacy mandates. HIPPA mandates the protection of PHI, sets limits on its use and disclosure, and gives patients rights over their health information. If the products sold by a company collect, store, process, and share PHI in the United States or of US residents, or the services provided by a company involve any of such activities, then the company must comply with requirements of HIPAA. HIPPA outlines key governance requisites. Covered entities are obligated to designate a privacy official, draft clear policies and procedures, train all personnel handling PHI, maintain thorough documentation, and carry out periodic internal risk assessments. Under HIPAA, individuals have the rights to privacy notices, access to PHI in their chosen format, request record amendments, lodge complaints regarding HIPAA violations, and seek restrictions on the use or disclosure of their PHI data.

Children's Online Privacy Protection Act (COPPA): COPPA imposes requirements on operators of websites and online services directed at children under 13 years of age, as well as on operators who have actual knowledge that they are collecting personal information from children under this age threshold. It requires obtaining parental consent before collecting personal information from children and includes provisions for privacy policies, data security, and parental rights. Furthermore, COPPA also establishes third-party liability. In instances where websites or online services sell advertising spaces and such advertisers consequently collect personal information from children, the operators may be held legally accountable for the third parties' actions.

Federal Trade Commission Act (FTC Act): FTC Act empowers the FTC to take action against unfair or deceptive trade practices. With respect to deceptive practices, such practices are typified by material representation, omission, or actions that may mislead a reasonably prudent consumer to their potential detriment. When focusing on data and privacy, the FTC conducts thorough evaluations of organizational privacy policies, any representations beyond these policies, and the current consumer expectations regarding privacy, which are shaped by prevailing architectural standards, widely accepted societal norms, and cultural assumptions. Situations that could prompt FTC intervention encompass breaches of privacy pledges, deceptive strategies manifested in advertising or website content, inadequacies in notice provision, lax data security measures, and deceptive data collection methods. On the other hand, unfair practices are delineated as actions that either cause or have the potential to cause substantial harm to consumers, which they cannot

reasonably avoid and are not offset by any advantages to the consumer or to overall market competition. In terms of data and privacy, the FTC may be spurred to act due to issues such as unannounced changes to privacy policies, deceitful data collection techniques, improper data usage, malicious design choices or default settings, and inadequate data security provisions. The FTC can enforce privacy policies and agreements, bring actions against companies for data breaches or inadequate data protection practices, and promote best practices for privacy and data security. Moreover, the FTC has the authority to seek injunctive remedies and enter into consent decrees with corporate bodies. It is paramount to underscore that the jurisdiction of FTC's enforcement extends beyond the FTC Act, encompassing other regulatory instruments such as COPPA.

On state level, taking California and Washington as examples:

California Consumer Privacy Act (CCPA): CCPA grants California residents rights over their personal information and imposes obligations on businesses handling such data. The scope of the CCPA encompasses information that identifies, relates to, describes, is amenable to being associated with, or could feasibly be connected, either directly or indirectly, to a particular consumer or household. It provides rights such as the right to know, delete, port data, and opt-out of the sale of personal information to third parties. Businesses are prohibited from engaging in discriminatory practices against consumers who elect to exercise their privacy rights as per CCPA, such as by refusing goods or services, or by imposing differential pricing structures. Businesses must disclose data practices. This involves disclosing the categories of personal information they gather, elucidating the sources of such collection, specifying the purposes behind the acquisition of this data, enumerating the categories of third parties with whom this personal information is shared, and detailing the explicit pieces of personal information amassed about the consumer. Business must also implement reasonable security measures.

California Privacy Rights Act (CPRA): CPRA, which amends and adds on to the CCPA, enhances privacy protections by expanding consumer rights and imposing additional obligations on businesses. It establishes the California Privacy Protection Agency to enforce privacy laws, ensure businesses comply with regulations, and shield consumers from potential data infringement. CPRA also introduces new requirements for sensitive personal information, including but not limited to, social security, driver's license, state ID or passport number, account log-in credentials like password, security or access code, and precise geographic location. It provides consumers with the right to limit the use and disclosure of their sensitive information. CPRA also mandates businesses to conduct privacy risk assessment, addresses concerns related to automated decision-making and bestows consumers with a right to rectification, empowering consumers to compel businesses to amend erroneous or inaccurate information.

Washington Privacy Act (WPA): Washington Privacy Act was recently passed by the state's legislature but not yet in effect, which if becomes law, would establish privacy rights for Washington residents and imposes obligations on businesses. The WPA pertains to any information associated with an identified or potentially identifiable natural person, whether acting individually or for a household. It gives consumers the right to access, correct, delete, portable data, object to automated decisions, and restrict or opt-out of the processing of their personal data. The act also requires transparency in data processing, detailing data acquisition and processing rationales, and sets guidelines for data security measures.

My Health My Data Act (MHMDA): Washington's legislature recently just passed a house bill in April 2023, namely the My Health My Data Act, which is signed into law by Governor on April 27, 2023. The provisions of MHMDA are set to come into effect on a section-by-section basis. The earliest of these provisions, specifically section 10, took effect on July 23, 2023. MHMDA pertains to consumer health data which is linked or reasonably linkable to a consumer and that identifies the consumer's past, present or future physical or mental health status. It grants consumers the right to access, delete and withdraw consent from the collection, sharing or sale of their health data and includes express consent requirements for collecting, sharing and selling consumer health information. It requires companies to implement a detailed health data policy that clearly and conspicuously discloses the categories of health data collected and shared, the categories of sources from which it is collected, the purpose and intended use for the collected data, the categories of third parties and affiliates that receive the data, and how consumers can exercise their rights in accordance with the act. It also requires restricted internal access to consumer health data, forbids both the sale or offer of sale of consumer health data without signed authorization from a consumer, and prohibits implementing a geofence around a facility providing in-person health care services.

Other states, such as Massachusetts and New York, also have proposed or enacted their own privacy laws, demonstrating an increasing trend towards state-level privacy regulations.

Regulations on Product Liability

Product liability in the United States are regulated by both federal regulations and state laws, but mostly state laws because in general, product liability issue is a part of tort law, which is traditionally a highly common-law regulated aspect. Most common law principles on tort claims govern product liability issues, which are typically established by case laws. To elaborate, there are two main tort law principles underpinning product liability claims in the United States: (1) Strict liability, where a defendant can be held responsible if an injury arises due to a defect that renders the product unreasonably dangerous and that causes injury, irrespective of their intent or level of care; (2) Negligence, where the liability hinges on a defendant's failure to exercise adequate care that the defendant owed to the plaintiff, resulting in personal injury or property

damage. In addition, there are indeed legislations specifically addressing product liability issues, especially on strict liabilities. These laws govern the responsibilities and liabilities of manufacturers, distributors, and sellers regarding the safety and quality of products. Due to the fact that a lot of such tort law principles are implemented by case laws only, it is not possible to provide an exhaustive list of all applicable laws and regulations. The following is a summary of major federal and state rules (taking California and Washington as examples), including common law principles not enacted as or into statutes.

Consumer Product Safety Act (CPSA): CPSA is a federal statute that establishes the Consumer Product Safety Commission (CPSC) and grants it authority to regulate the safety of consumer products. The CPSC sets safety standards, issues recalls, and enforces regulations to protect consumers from unreasonable risks associated with various products, including consumer electronics.

Magnuson-Moss Warranty Act (MMWA): MMWA is another federal statute that governs warranties for consumer products and applies to consumer electronics, SaaS products, and small AI-empowered hardware products. It requires companies to disclose warranty terms, prohibits deceptive warranty practices, and provides legal remedies for consumers in case of warranty violations.

California Strict Product Liability: California follows the doctrine of strict product liability, which holds manufacturers, distributors, and sellers responsible for injuries or damages caused by defective products. It does not require proving negligence but focuses on establishing that a defect existed in the product.

Washington Product Liability Act (WPLA): WPLA governs product liability in Washington state. It allows individuals injured by defective products to seek compensation from manufacturers, distributors, and sellers. It incorporates principles of strict liability, negligence, and breach of warranty.

Regulations on Competition

Competition laws in the United States encompass both federal and state regulations that aim to promote fair business practices, protect consumers, and maintain market integrity. On federal level, the main statue is the Lanham Act and the FTC Act.

Lanham Act: Lanham Act, also known as the Trademark Act of 1946, addresses unfair competition related to trademarks, false advertising, and trade dress infringement. It provides remedies for trademark owners and regulates deceptive or misleading practices in commerce.

Federal Trade Commission Act: FTC Act grants the Federal Trade Commission (FTC) authority to regulate and address unfair or deceptive trade practices that affect commerce. It prohibits unfair methods of competition and deceptive acts or practices, providing enforcement powers to the FTC.

Section 337 Investigation: On international trade specifically, the International Trade Commission (ITC), an independent federal agency in the United States, handles investigations related to unfair trade practices, including Section 337 investigations. Section 337 of the Tariff Act of 1930 prohibits unfair practices in import trade, such as the infringement of intellectual property rights or unfair competition. ITC's Section 337 investigations primarily focus on unfair acts in the importation of goods that cause or threaten to cause injury to a domestic industry. These investigations often involve allegations of intellectual property infringement, including patents, trademarks, and copyrights. ITC has the authority to issue exclusion orders, which can prevent the importation of infringing goods into the United States.

California Unfair Competition Law (UCL): California's UCL is a broad and powerful law that prohibits unlawful, unfair, or fraudulent business practices in California. It covers a wide range of activities, including false advertising, unfair pricing, and deceptive practices. It allows both public prosecutors and private individuals to bring actions against violators and seek various remedies.

California Business and Professions Code: California's Business and Professions Code Section 17500 prohibits false or misleading advertising in California. It covers statements, claims, or representations made in connection with the sale or advertisement of goods or services. Violations can lead to civil penalties, injunctive relief, and other remedies.

Washington Consumer Protection Act (CPA): Washington's CPA prohibits unfair or deceptive trade practices, including false advertising and misrepresentations in the sale or supply of goods or services. It allows consumers, the state's attorney general, and certain other authorities to take legal action against violators.

State Trademark Laws: May states, including California and Washington, have their own trademark laws as an addition and supplement to the federal Lanham Act, which provide protections for registered trademarks and prohibits false or misleading use of trademarks. It offers remedies to trademark owners and addresses unfair competition related to trademark infringement on state level, especially common law trademarks and unfair competition issue arising thereof.

Regulations on Antitrust

Antitrust laws in the United States primarily operate at the federal level, although there may be implications at the state level as well, but usually state laws on antitrust parallel with and function as supplement to the federal antitrust laws.

Sherman Antitrust Act: Enacted in 1890, the Sherman Act is the cornerstone of U.S. antitrust law. It prohibits agreements, contracts, or conspiracies that unreasonably restrain trade, as well as monopolization and attempts to monopolize. Violations can lead to both civil and criminal penalties. Sherman Act is strengthened by Clayton Antitrust Act, passed in 1914, by prohibiting certain anti-competitive practices such as price discrimination, tying arrangements, and exclusive dealing. It also regulates mergers and acquisitions that may substantially lessen competition.

Federal Trade Commission Act (FTC Act): FTC Act created the Federal Trade Commission (FTC) and empowers it to enforce antitrust laws. FTC investigates and takes action against unfair methods of competition and unfair or deceptive acts or practices that harm consumers or competition.

Hart-Scott-Rodino Antitrust Improvements Act of 1976 (HSR Act): HSR Act established the requirement for pre-merger notification and review by the Federal Trade Commission (FTC) and the Antitrust Division of the Department of Justice (DOJ) for certain large mergers and acquisitions. HSR Act requires parties involved in a proposed merger or acquisition to file a notification with FTC and DOJ if certain financial thresholds are met. The thresholds are adjusted annually and are based on the size of the transaction and the size of the parties involved. FTC and DOJ will conduct a review to evaluate the potential competitive effects of the transaction, which may involve analyzing market shares, competitive dynamics, potential efficiencies, and other relevant factors. If no antitrust concerns are identified, they can grant early termination or allow the waiting period to expire, clearing the transaction. If concerns arise, they may negotiate remedies with the parties to address competitive issues, or they may file a legal challenge seeking to block the transaction.

Regulations on Export Controls

Export controls are governed by federal laws in the United States, primarily the Export Administration Regulations (EAR) and the International Traffic in Arms Regulations (ITAR). The Export Administration Regulations (EAR) are implemented by the Bureau of Industry and Security (BIS) within the Department of Commerce. The EAR applies to technology, technical data, technical assistance, and items or materials. The International Traffic in Arms Regulations (ITAR) are implemented by the Department of State's Directorate of Defense Trade Controls (DDTC). These regulations apply to articles, services, and related technical data that are inherently military

in nature, as determined by the State Department. Both EAR and ITAR govern how the controlled goods, services, or information are physically or electronically exported, shipped, transmitted, transferred, or shared from a U.S. person to a non-U.S. person. U.S. persons are defined as U.S. citizens and lawful permanent residents along with companies incorporated in one or more U.S. states. Non-U.S. persons are any individual, company, government, or other entity that does not meet the definition of a U.S. person.

In addition to the EAR and ITAR, the Treasury Department's Office of Foreign Assets Control (OFAC) implements the economic and trade sanctions and, based on U.S. foreign policy and national security goals, targets foreign countries, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction.

If an item to be exported, including a good, service, technology, software, code, service, data, or any other item that falls into the EAR or ITAR, or is subject to control of the OFAC, the exporter must apply for a license from applicable authorities. Failure to comply or violation of the regulations may result in civil penalties including severe fines, as well as criminal liabilities.

Regulations on AI Technologies

Although there are several private and public initiatives and organizations calling for regulations on AI technologies, including but not limited to the development of AI functionalities and the implementation of AI technology into another object or technology, there is no law or regulation in the United States yet that specifically governs AI technologies. At the moment, regulations on AI-targeted, AI-based, or AI-related businesses and issues still resort to the laws and regulations on other aspects. Where AI system development and solution vending businesses involve software coding, they may be associated with concerns of copyright, privacy protection, and export control; where AI-empowered hardware product business involves manufacturing and selling, they may be associated with concerns of product liability, selling permit and tax, and electronic product recycling.

Specific legal doctrines may have direct or indirect implications on AI operations. Common law doctrines in tort claims, for instance, raises questions about, including but not limited to, negligence, duty of care, and product liability. AI-related businesses might be held liable under tort law doctrines if they fail to exercise a reasonable standard of care in the design, manufacturing, or warning instructions for the product. Furthermore, AI-related businesses may also find themselves under common law doctrines in contract claims, particularly when statements or promises are made, with legal doctrines such as promissory estoppel serving as a potential safety net.

Additionally, while not AI-focused, state privacy laws, such as California Privacy Rights Act (CPRA) and the Colorado Privacy Act (CPA), are integrating AI-related provisions. These statutes grant consumers the right to opt out of AI-driven profiling, casting a discerning eye on automated decision-making processes. Businesses may also be required to undertake data privacy impact assessments for AI practices, especially when they carry significant risks for consumers' data privacy. Notably, not every state privacy law dives deeply into AI intricacies, signifying a varied and evolving regulatory landscape.

It is worth noting that the governments are moving towards making AI a subject of regulations as it rapidly expands into almost every industry. On federal level, AI-focused bills have been introduced in Congress but have not gained significant support or interest. AI regulation does, however, appear to be potentially emerging from the Federal Trade Commission (FTC). In recent years, the FTC issued two publications foreshadowing increased focus on AI regulation, which began to set forth ground rules for AI development and use, such as setting forth AI training standard and testing before deployment, and creating accountability and governance mechanisms to document fair and responsible development, deployment, and use of AI. Simultaneously, the FTC has amplified its AI enforcement efforts under existing statutes, including the Fair Credit Reporting Act, Children's Online Privacy Protection Act, and the FTC Act.

As of the Latest Practicable Date, none of these measures, initiatives, discussions, proposals, and even legislative bills and administrative publications has become, or appears to highly likely become, any exact effective and binding laws or rules.

Other Regulations on E-Commerce

In addition to some of the regulations covered by above sections, such as the FTC Act, CCPA, CSPA, and COPPA, E-commerce operating, including selling consumer electronics online (e.g., through Amazon.com or eBay) in the United States are subject to a range of other federal and state laws and regulations. Operating E-commerce business, including selling consumer electronics online, itself does not require any specific license, permit or governmental approval, except if the product being sold requires certain permit or governmental approval, for examples, food hazardous and drugs, medical device, live animal, live plant and seeds, weapons and ammunitions, hazardous or toxic substances. While it's not possible to cover every rule or regulation that could potentially apply to the products sold in the business course of E-commerce, below is a summary of additional rules and regulations that draw attention or concern more frequently.

Federal Communications Commission (FCC) Regulations: The FCC regulates certain consumer electronics products, particularly those related to communication and broadcasting. Sellers must ensure compliance with FCC rules, such as equipment authorization requirements and restrictions on interference.

California Electronic Waste Recycling Act: California requires sellers of covered electronic devices to participate in an approved e-waste recycling program and properly manage the collection and recycling of electronic waste.

California Proposition 65: Proposition 65 mandates that businesses inform California residents about significant exposures to chemicals that are known to cause cancer, birth defects, or other reproductive harm. Sellers must provide appropriate warnings if their products contain listed chemicals.

Washington Electronic Products Recycling Act: Washington state has its own electronic waste recycling program. Sellers of electronic products must comply with the Act's requirements, including participating in an approved recycling program and properly managing electronic waste.

State Sales Tax: Some (such as California does) but not all (such as Oregon does not) states require seller of merchandises to consumers levy sales taxes from consumers and pay the same to the states' sales tax authorities.

As of the Latest Practicable Data, our Group had complied with the applicable laws and regulations in relation to our business in the United States in all material respects and had not been involved in any non-compliance incidents which our Directors believe would, individually or in aggregate, have a material adverse effect on our business as a whole.

INTRODUCTION

Overview

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on August 31, 2012, and is the holding company of our Group. We offer a broad array of AI Software Solutions and Smart Devices and Other Accessories.

Business Milestones

The following table illustrates the key milestones of our business and corporate developments:

Year	Milestone
2012	Our Company was incorporated in the Cayman Islands and we established our first operating entity in China.
2013	We started to develop an end-to-end voice AI system based on our deep learning framework, which comprised signal processing, speech recognition, natural language processing and search recommendation, and launched our voice assistant "Xiaowen" on various terminals, which was the early prototype of AI CoPilot.
2015	We released TicWatch, an smart device with voice assistant and software-hardware integration capability.
2016	We released the overseas version of TicWatch, which paved our way to globalize our sales.
2017	We were one of the first in the PRC to introduce a personal virtual assistant covering multiple scenarios. It was installed in smart watches, smart speakers, smart headphones and smart vehicles with the ability to achieve a closed-loop interactive experience by connecting people, vehicles and homes.
2020	We developed "UCLAI," universal Chinese Language AI, a large language model. We introduced "Moyin Workshop", an AI voiceover assistant within our AIGC solution matrix.

Year	Milestone
2022	We introduced "Mozhuan Writing", an AI writing assistant within our AIGC solution matrix.
	We released "Weta365", an AI avatar within our AIGC solution matrix.
	We released "DupDub".
2023	We upgraded our large language model, "UCLAI", to "Sequence Monkey."
	Our sales of TicWatch and other Smart Devices and Other Accessories covered over 100 countries and regions across the world.
	We had pre-installed our automotive voice interaction solutions to over two million vehicles.
	We introduced "Qi Miao Wen", an AI writing assistant within our AIGC solution matrix.
	We introduced "AI Ask365", a solution for creating AI-empowered digital personnel.
	We owned in aggregate 749 domestic and overseas patents and patent applications.

For details, please refer to the paragraph headed "Business — Awards and recognition" in this document and paragraph headed "Statutory and General Information - B. Further Information about our Business — 2. Intellectual property rights — (b) Patents" in Appendix IV to this document.

OUR PRINCIPAL SUBSIDIARIES

As of the Latest Practicable Date, we had 7 principal operating subsidiaries which had made material contributions to our financial results during the Track Record Period and/or are material to our operation. The corporate details of these principal operating entities are set forth below:

No.	Name	Place of incorporation	Date of incorporation	Equity interests attributable to the Group	Principal business activities
1.	Shanghai Mobvoi	China	March 19, 2013	100%	Provision of AI Software Solutions, software development and procurement of raw materials

No.	Name	Place of incorporation	Date of incorporation	Equity interests attributable to the Group	Principal business activities
2.	Beijing Yushanzhi . . .	China	March 26, 2014	100%	Provision of Smart Devices and Other Accessories
3.	Mobvoi IT	China	March 13, 2017	100%	Provision of AI Software Solutions and software development
4.	WWZN IT	China	January 4, 2018	100%	Provision of Smart Devices and Other Accessories
5.	Shenzhen WWZN . . .	China	June 5, 2018	100%	Provision of Smart Devices and Other Accessories
6.	Wuhan WWZN	China	August 6, 2018	100%	Provision of Smart Devices and Other Accessories
7.	Mobvoi Innovation . . .	China	November 17, 2020	100%	Provision of AI Software Solutions and Smart Devices and Other Accessories

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated on August 31, 2012 in the Cayman Islands as an exempted company with limited liability with an authorized share capital of US$50,000 divided into 50,000,000 share with a par value of US$0.001. On the same day, our Company allotted and issued 1 ordinary Share to N. D. Nominees Ltd, and this 1 ordinary Share was subsequently transferred to Mobvoi Limited.

2. Share allotment in 2013

On February 8, 2013, our Company allotted and issued 19,999,999 ordinary shares with par value of US$0.001 each to Mobvoi Limited.

3. Share split of our Company in 2013

On December 6, 2013, our Company conducted a share split, pursuant to which every share of par value US$0.001 each in our then issued and unissued share capital was split into 1.0419074 shares of par value US$0.000959778 each.

4. Share split of our Company in 2015

On January 30, 2015, our Company conducted a share split, pursuant to which every share of par value US$0.000959778 each in our then issued and unissued share capital was split into 20 Shares of par value US$0.0000479889 each.

5. Share allotment and repurchase of Shares in 2015

On July 27, 2015, our Company allotted and issued 45,484,664 ordinary Shares and 45,484,664 ordinary Shares to CMWW Limited and Amberlei Limited, respectively. On the same day, our Company repurchased 21,157,954 ordinary Shares then held by Mobvoi Limited at a consideration of US$1.00. The consideration was determined based on negotiations between the parties. The aforesaid repurchase was fully settled on the same date.

6. Repurchase of Shares in 2017

On June 7, 2017, our Company repurchased 2,979,469 ordinary Shares, 2,979,469 ordinary Shares and 3,208,659 ordinary Shares from Mobvoi Limited, CMWW Limited and Amberlei Limited at a consideration of US$1.3 million, US$1.3 million and US$1.4 million, respectively. The considerations were determined based on arm's length negotiations between the parties. The aforesaid repurchases were fully settled on June 20, 2017.

7. Share allotment in 2020

On September 30, 2020, pursuant to the transaction arrangements set out under the share purchase agreement entered into by and among the Group and the shareholders of Geekstar (the "**Geekstar SPA**"), our Company allotted and issued 40,479,724 ordinary Shares to Geekstar Technology Development (BVI) Co., Ltd., 39,026,535 ordinary Shares to SIG I, 19,580,518 ordinary Shares to Perfect Nova Development Limited, 34,697,725 ordinary Shares to Elite Concept Holdings Limited, 2,369,964 ordinary Shares to Stanislas Ltd and 9,487,093 ordinary Shares to Huacheng International Holdings Limited. For details of the Geekstar SPA, please see the paragraph headed "— Major Acquisitions, Disposals and Mergers — 1. Acquisition of Geekstar and subsequent disposal of shares in Geekstar" in this section.

On September 30, 2020, pursuant to the transaction arrangements set out under the share purchase agreement entered into by and among the Group and the shareholders of Zhixue (the "**Zhixue SPA**"), our Company allotted and issued 57,902,978 ordinary Shares to ZXV Educational Co., Ltd., 56,871,833 ordinary Shares to SIG I and 15,637,946 ordinary Shares to Mighty Dream

Limited. For details of the Zhixue SPA, please see the paragraph headed "— Major Acquisitions, Disposals and Mergers — 2. Acquisition of Zhixue and subsequent disposal of shares in Zhixue" in this section.

8. Surrender and repurchase of Shares in 2022

On February 24, 2022, Geekstar Technology Development (BVI) Co., Ltd., Huacheng International Holdings Limited and Stanislas Ltd surrendered 40,479,724 ordinary Shares, 9,487,093 ordinary Shares and 2,369,964 ordinary Shares, respectively, to our Company. For details, please refer to the paragraph headed "— Major Acquisitions, Disposals and Mergers — 1. Acquisition of Geekstar and subsequent disposal of shares in Geekstar" in this section.

On March 25, 2022, our Company repurchased 57,902,978 ordinary Shares from ZXV Educational Co., Ltd. For details, please see the paragraph headed "— Major Acquisitions, Disposals and Mergers — 2. Acquisition of Zhixue and subsequent disposal of shares in Zhixue" in this section.

9. [REDACTED] investments

From February 2013 to September 2019, we conducted seven rounds of **[REDACTED]** investments. During the relevant period, our Company allotted and issued in aggregate 194,010,340 Series A Preferred Shares with par value of US$0.0000479889 each, 208,383,500 Series A-1 Preferred Shares with par value of US$0.0000479889 each, 50,426,440 Series A-2 Preferred Shares with par value of US$0.0000479889 each, 141,053,024 Series B Preferred Shares with par value of US$0.0000479889 each, 182,740,760 Series C Preferred Shares with par value of US$0.0000479889 each, 288,779,294 Series D-1 Preferred Shares and 34,793,742 Series D-2 Preferred Shares with par value of US$0.0000479889 each as a result of **[REDACTED]** financing, further details of which are set out in the paragraph headed "— **[REDACTED]** Investments" in this section.

10. Repurchase of Shares in 2022

Since our inception, our Group has been dedicated to developing AI technologies with a particular focus on voice interaction algorithms, including NLP, voice recognition and search recommendation systems. On the other hand, the Automotive Corporation Group, as a leading player of the automotive industry, had been laying out comprehensive plans for vehicle connectivity for years, with intelligence and voice interaction being key components of its strategy. In recognition of the alignment of strategic interests, on March 30, 2017, Volkswagen Finance Luxemburg S.A. purchased 288,779,294 Series D-1 Preferred Shares at a consideration of US$140 million. On September 22, 2019, Volkswagen Finance Luxemburg S.A. purchased 30,940,658

Series D-2 Preferred Shares at a consideration of US$15.0 million. On September 30, 2020, Mobvoi Limited voluntarily transferred 69,677,483 ordinary Shares to Volkswagen Finance Luxemburg S.A. at nil consideration to prevent the shareholding of Volkswagen Finance Luxemburg S.A. from being diluted as a result of the allotment and issuance of ordinary Shares to the sellers in the acquisition of Geekstar and Zhixue which took place in September 2020. For details of the said acquisitions, please see the paragraphs headed "— Major Acquisitions, Disposals and Mergers — 1. Acquisition of Geekstar and subsequent disposal of shares in Geekstar" and "— 2. Acquisition of Zhixue and subsequent disposal of shares in Zhixue" in this section.

Pursuant to a framework agreement dated October 29, 2021, our Company entered into a share repurchase agreement with Volkswagen Finance Luxemburg S.A. on December 20, 2021, pursuant to which our Company repurchased 69,677,483 ordinary Shares, 288,779,294 Series D-1 Preferred Shares and 30,940,658 Series D-2 Preferred Shares from Volkswagen Finance Luxemburg S.A. at a consideration of US$17.0 million. Despite there being no independent valuation on the Shares repurchased, the said consideration was determined based on arm's length negotiations between the parties taking into account the strategic value of Mobvoi JV which was disposed by our Group earlier in the same year. For details, please see the paragraph headed "— Major Acquisitions, Disposals and Mergers — 3. Disposal of equity interests in Mobvoi JV" in this section. The said repurchase was completed on September 28, 2022.

11. Share allotment in 2022

On September 28, 2022, our Company allotted and issued 69,677,483 ordinary Shares to Mobvoi Limited.

12. Cancellation of Treasury Shares in 2023

Prior to the respective cancellation, our Company held 110,239,759 ordinary Shares as treasury shares (the "**Treasury Shares**"). On May 17, 2023, our Company cancelled the Treasury Shares and the amount of our Company's issued share capital was diminished by the par value of the Treasury Shares accordingly from US$72,807.09 to US$67,516.81.

As of the Latest Practicable Date, the shareholding structure of the Company was as follows:

Shareholder	Number of Shares	Shareholding Percentage
Mobvoi AGI Limited	375,862,577	26.72%
CMWW AGI Limited	42,505,195	3.02%
Amberlei Limited	42,276,005	3.00%
SIG Entities	239,613,768	17.03%
Google Ireland Holdings Unlimited Company	186,593,844	13.26%
HSG CV IV Holdco, Ltd.	153,683,583	10.92%
Goertek (HongKong) Co., Limited	141,053,024	10.03%
Zhen Partners Fund I, L.P.	43,113,580	3.07%
GWC Robotics Investment Limited	41,254,185	2.93%
Elite Concept Holdings Limited	34,697,725	2.47%
Skyteam Resources Limited	25,213,220	1.79%
Everon Resources Limited	25,213,220	1.79%
SO Artemis Limited	20,627,092	1.47%
Perfect Nova Development Limited	19,580,518	1.39%
Mighty Dream Limited	15,637,946	1.11%
Total	**1,406,925,482**	**100%**

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

1. Acquisition of Geekstar and subsequent disposal of shares in Geekstar

Geekstar is a limited liability company established in the Cayman Islands and is principally engaged in the provision of coding training services for children. On September 30, 2020, with a view to empower the training industry with AI technologies, we entered into a share purchase agreement with the shareholders of Geekstar (the "**Geekstar Sellers**") to acquire 100% equity interest in Geekstar. To the best knowledge of the Directors, save for SIG I (one of the SIG Entities, our substantial Shareholders), the Geekstar Sellers were Independent Third Parties as of the Latest Practicable Date. In consideration of the acquisition, our Company issued in aggregate 145,641,559 ordinary Shares to the Geekstar Sellers, representing a shareholding of approximately 7.93% in our Company. The consideration of the acquisition was determined after arms' length negotiations between the parties. The completion of the acquisition took place on September 30, 2020 upon which Geekstar became our wholly-owned subsidiary. Geekstar was principally engaged in the provision of coding training services for children. The goodwill of RMB100.8 million arising from the acquisition was attributable mainly to the potential synergy from empowering training services with AI technologies. Such acquisition was considered as an acquisition of business in accordance with IFRS 3.

Subsequently in 2022, considering the potential impact on our development plan in the training industry resulting from the changing environment in this industry, we decided to dispose of certain shares we held in Geekstar. Pursuant to the share transfer agreement dated February 24, 2022, and to reflect the agreed arrangements on transfer and repurchase of our Shares, (1) our Company transferred (i) 19,997,005 ordinary shares of Geekstar and (ii) in aggregate 5,830,249 preferred shares of Geekstar to designated Geekstar Sellers and Geekstar; (2) Geekstar repurchased 2,162,066 preferred shares of Geekstar from our Company; and (3) the designated Geekstar Sellers surrendered in aggregate 52,336,781 ordinary Shares to our Company, representing a shareholding of approximately 2.93% in our Company. Subsequent to the aforesaid disposal and as of the Latest Practicable Date, our Company held 21,611,012 shares in Geekstar, representing approximately 40.0% of its total shares, and as a result, Geekstar was deconsolidated from our Group. Our Directors considered that the aforesaid disposal was in the best interests of our Company and the Shareholders as a whole.

The following table sets forth the financial information of Geekstar for the periods indicated:

	For the year ended December 31, 2021	**From January 1, 2022 to February 24, 2022**
	RMB'000	*RMB'000*
Revenue	28,474	449
Net loss	(43,546)	16,336

To the best of the knowledge of our Directors, our Directors confirm that Geekstar and its principal operating subsidiaries in the PRC did not have any material non-compliance during the Track Record Period prior to the aforesaid disposal.

2. Acquisition of Zhixue and subsequent disposal of shares in Zhixue

Zhixue is a limited liability company established in the Cayman Islands and is principally engaged in the provision of technology-enabled English language training. On September 30, 2020, with a view to empower the training industry with AI technologies, we entered into a share purchase agreement with the shareholders of Zhixue (the "**Zhixue Sellers**") for the acquisition of 100% equity interest in Zhixue. To the best knowledge of the Directors, save for SIG I (one of the SIG Entities, our substantial Shareholders), the Zhixue Sellers were Independent Third Parties as of the Latest Practicable Date. In consideration of the acquisition, our Company issued in aggregate 130,412,757 ordinary Shares to the Zhixue Sellers or entities designated by Zhixue Sellers, representing a shareholding of approximately 7.10% in our Company. The consideration of the acquisition was determined after arms' length negotiations between the parties. The completion

of the acquisition took place on September 30, 2020 upon which Zhixue has become our wholly owned subsidiary. Zhixue was principally engaged in the provision of technology-enabled English language training. The goodwill of RMB63.7 million arising from the acquisition was attributable mainly to the potential synergy from empowering training services with AI technologies. Such acquisition was considered as an acquisition of business in accordance with IFRS 3.

Subsequently in 2022, considering the potential impact on our development plan in the training industry resulting from the changing environment in this industry, we decided to dispose of all of the shares we held in Zhixue. Pursuant to the share repurchase agreement dated March 25, 2022, and to reflect the agreed arrangements on the share transfer and repurchase of our Shares, (1) our Company transferred (i) 6,705,883 ordinary shares and (ii) in aggregate 2,720,375 preferred shares of Zhixue to the designated Zhixue Sellers; (2) our Company repurchased 57,902,978 ordinary Shares from the Zhixue Sellers, representing a shareholding of approximately 3.35% in our Company; and (3) our Company made a capital contribution of RMB1,500,000 to Zhixue for Zhixue to repay its debt. The consideration of the aforesaid disposal was determined after arms' length negotiations between the parties. Subsequent to the aforesaid disposal and as of the Latest Practicable Date, our Company did not hold any shares in Zhixue. Our Directors considered that the aforesaid disposal was in the best interests of our Company and the Shareholders as a whole.

The following table sets forth the financial information of Zhixue for the periods indicated:

	For the year ended December 31, 2021	**From January 1, 2022 to March 25, 2022**
	RMB'000	*RMB'000*
Revenue	32,983	82
Net loss	(50,770)	(1,162)

To the best of the knowledge of our Directors, our Directors confirm that Zhixue and its principal operating subsidiaries in the PRC did not have any material non-compliance during the Track Record Period prior to the aforesaid disposal.

3. Disposal of equity interests in Mobvoi JV

On March 30, 2017, Mobvoi HK and Volkswagen (China) Investment Company Limited (大眾汽車(中國)投資有限公司) ("**Volkswagen China**") entered into a joint venture contract for the establishment of Mobvoi JV, a joint venture which primarily engages in the provision of in-vehicle AI technologies.

Pursuant to a framework agreement dated October 29, 2021, Mobvoi HK entered into an equity transfer agreement with Volkswagen China on December 20, 2021, pursuant to which Mobvoi HK disposed of all of the equity interests it then held in Mobvoi JV to Volkswagen China at a consideration of US$15.0 million. Despite there being no independent valuation on the equity interest in Mobvoi JV disposed, the consideration of the aforesaid disposal was determined after arms' length negotiations between the parties with reference to (i) the research and development expenses incurred by Mobvoi JV since its establishment; (ii) the historical financial performance and business prospect of Mobvoi JV; (iii) the number and nature of the IP rights and technologies developed or owned by Mobvoi JV immediately prior to the disposal; and (iv) the strategic value of Mobvoi JV to Volkswagen China.

The following table sets forth the research and development expenses incurred by Mobvoi JV since its establishment up to the year prior to the aforesaid disposal:

	From establishment to December 31, 2017	**For the year ended December 31,**			
		2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Research and development expenses	18,163	70,806	53,094	53,344	58,070

The following table sets forth the financial information of Mobvoi JV for the periods indicated:

	For the year ended December 31,	From January 1, 2022 to March 31,
	2021	2022
	RMB'000	*RMB'000*
Revenue	63,198	4,133
Net loss	(37,134)	(18,724)

Immediately prior to the aforesaid disposal, Mobvoi JV was in possession of or in the course of application for a total of over 250 patents which were mainly components of the automotive voice interaction solutions to be utilized in the relevant vehicles of Automotive Corporation Group. In addition, according to CIC, the overall vehicle sales of Automotive Corporation Group is expected to reach 10 million units in the coming five years, and the software solutions developed by Mobvoi JV by applying our Group's AI technologies can potentially be installed in all these vehicles. Therefore, Mobvoi JV had a significant strategic value to the Automotive Corporation Group. The disposal of Mobvoi JV does not affect our Group's ability to sell automotive voice interaction solutions to other customers.

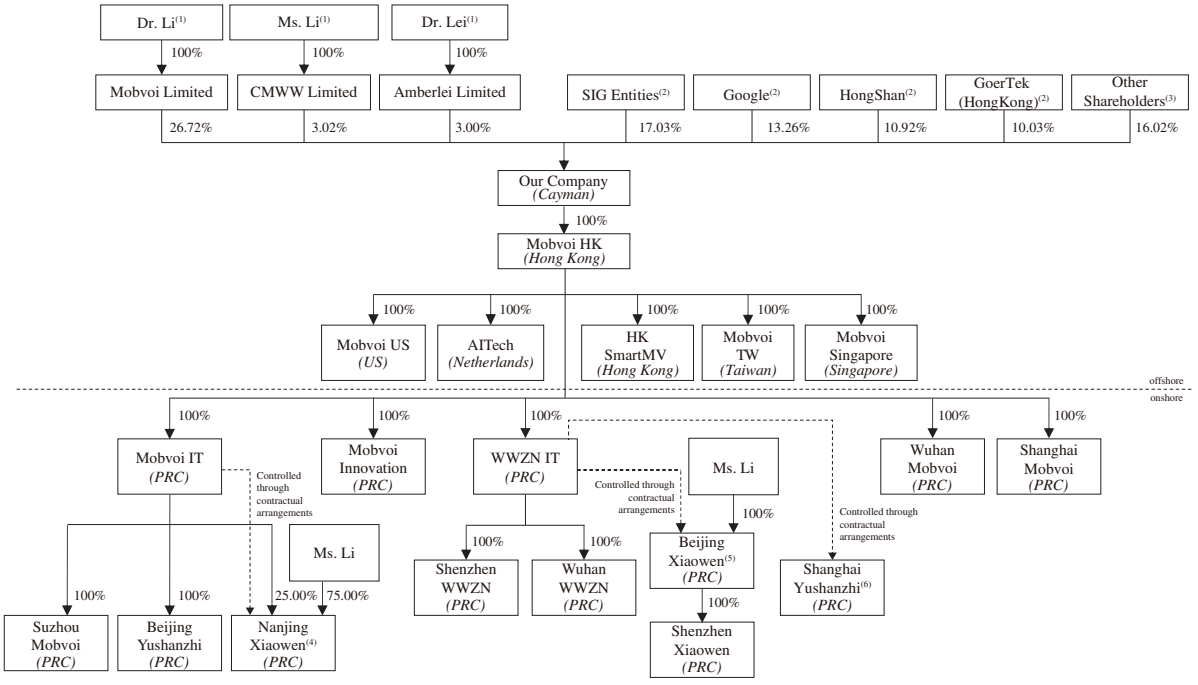
To the best of the knowledge of our Directors, our Directors confirm that Mobvoi JV did not have any material non-compliance during the Track Record Period prior to the aforesaid disposal.

Our Directors considered that the aforesaid disposal was in the best interests of our Company and the Shareholders as a whole. Subsequent to the disposal and as of the Latest Practicable Date, Mobvoi HK did not hold any equity interest in Mobvoi JV.

Save as disclosed above, we had no other major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

CORPORATE REORGANIZATION

In preparation for the **[REDACTED]**, we underwent the Reorganization and the following chart sets out the shareholding structure of our Group immediately before the Reorganization:



Notes:

(1) Dr. Li, Ms. Li and Dr. Lei have been acting in concert with each other since December 1, 2019.

(2) For further information, please refer to the paragraph headed "— **[REDACTED]** Investments — Background information of the **[REDACTED]** investors" in this section. Regarding the SIG Entities, each of SIG I and SIG III is a Delaware limited liability limited partnership. SIG I was established on January 10, 2018. SIG III was incorporated on January 10, 2012. As of the Latest Practicable Date, SIG Pacific Holdings, LLLP was the limited partner holding 80% of the partnership interest in each of SIG I and SIG III. SIG China Investments GP, LLC was the general partner holding 20% of the partnership interest in each of SIG I and SIG III. SIG Asia Investment, LLLP, a Delaware limited liability limited partnership, is the investment manager of both SIG I and SIG III. Heights Capital Management, Inc., a Delaware Corporation, is the investment manager of SIG Asia Investment, LLLP. Each of SIG I, SIG III, SIG Pacific Holdings, LLLP and SIG China Investments GP, LLC is ultimately beneficially owned by Mr. Jeffrey Yass, an Independent Third Party who is a US citizen.

(3) Other Shareholders comprise the following:

a. 3.07% by Zhen Partners, which is a limited partnership established in the Cayman Islands on December 14, 2011. For further information, please refer to the paragraph headed "— **[REDACTED]** Investments — Background information of the **[REDACTED]** investors" in this section;

b. 2.93% by GWC Robotic Investment Limited, which is a limited liability company incorporated in the BVI on December 22, 2017. For further information, please refer to the paragraph headed "— **[REDACTED]** Investments — Background information of the **[REDACTED]** investors" in this section;

c. 2.47% by Elite Concept Holdings Limited, a British Virgin Islands company, which is wholly owned by New Oriental Education & Technology Group Inc., a NYSE-listed company. Elite Concept Holdings Limited became a Shareholder in September 2020. To the best knowledge of our Directors, as of the Latest Practicable Date, Elite Concept Holdings Limited was an Independent Third Party and its ultimate beneficial owner was Mr. Yu Minhong;

d. 1.79% by Skyteam Resources Limited, which is a limited liability company incorporated in the BVI on January 2, 2015. For further information, please refer to the paragraph headed "— **[REDACTED]** Investments — Background information of the **[REDACTED]** investors" in this section;

e. 1.79% by Everon Resources Limited, which is a limited liability company incorporated in the BVI on January 2, 2015. For further information, please refer to the paragraph headed "— **[REDACTED]** Investments — Background information of the **[REDACTED]** investors" in this section;

f. 1.47% by SO Artemis Limited, which is a limited liability company incorporated in the BVI on April 25, 2018. For further information, please refer to the paragraph headed "— **[REDACTED]** Investments — Background information of the **[REDACTED]** investors" in this section;

g. 1.39% by Perfect Nova Development Limited, a company limited by shares incorporated in the BVI on April 6, 2018 and an investment holding company solely for the purpose of holding our Shares. Perfect Nova Development Limited became a Shareholder in September 2020. To the best knowledge of our Directors, as of the Latest Practicable Date, Perfect Nova Development Limited was an Independent Third Party and its ultimate beneficial owner was Ms. Hui Yin Ching; and

h. 1.11% by Mighty Dream Limited, a company limited by shares incorporated in the BVI on September 8, 2020 and an investment holding company solely for the purpose of holding our Shares. Mighty Dream Limited became a Shareholder in September 2020. To the best knowledge of our Directors, as of the Latest Practicable Date, Mighty Dream Limited was an Independent Third Party and its sole shareholder was Mr. Xu Xiao Ping.

(4) Through entering into a series of contractual arrangements, our Group had effective control over the financial and operational matters of Nanjing Xiaowen and are entitled to all the economic benefits derived from Nanjing Xiaowen.

(5) Through entering into a series of contractual arrangements, our Group had effective control over the financial and operational matters of Beijing Xiaowen and are entitled to all the economic benefits derived from Beijing Xiaowen.

(6) Through entering into a series of contractual arrangements, our Group had effective control over the financial and operational matters of Shanghai Yushanzhi and are entitled to all the economic benefits derived from Shanghai Yushanzhi. Shanghai Yushanzhi was owned as to 85.71%, 4.76%, 4.76% and 4.76% by Dr. Li, Ms. Li, Dr. Lei and Mr. Cong Zhiwei (叢志偉), respectively.

1. Termination of historical contractual arrangements with Beijing Xiaowen

Our Group initially intended to produce some online tutorial videos for promoting our AIGC solutions. This may fall within the scope of the production and operation of radio and television programs, and may require the Radio and Television Program Production License (廣播電視節目製作許可證) and foreign investment on this is prohibited according to the Negative List. The Group also initially intended to hold some online services to assist users in generating AI content, in which the Value-added Telecommunication License for Internet Information Service (增值電信業務經營許可證) ("**ICP License**") may be required. According to the Negative List and the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》), the provision of value-added telecommunications services falls within the restricted industries and the percentage of foreign ownership cannot exceed 50% (except for e-commerce, domestic multi-party communications, store-and-forward and call centers). In order to comply with the PRC laws and regulations and maintain an effective control over the operation of such business, our Group entered into a series of contractual arrangements with Beijing Xiaowen in 2021. Pursuant to the contractual arrangements, our Group had effective control over the financial and operational matters of Beijing Xiaowen and was entitled to all the economic benefits derived from Beijing Xiaowen, and accordingly, Beijing Xiaowen, together with its subsidiaries, were consolidated into our Group as variable interest entities. Beijing Xiaowen was principally engaged in (i) the provision of operation and promotion agency services on applications and online platforms ("**Operation and Promotion Business**") and (ii) AIGC-related business, which was in relation to Moyin Workshop, such as the sales of Moyin Workshop's products. To streamline our Group's business coverage into the provision of AI Software Solutions and Smart Devices and Other Accessories, our Group terminated the aforesaid contractual arrangements with Beijing Xiaowen in May 2023. As a result of the foregoing, (i) Beijing Xiaowen and its subsidiaries were deconsolidated from our Group and (ii) the Operation and Promotion Business was detached from our Group, whereas the AIGC-related business segment of Beijing Xiaowen was retained in our Group after the termination. Beijing Xiaowen had transferred the IP rights to our Group, of which the consideration was nil, as those were originally belonged to our Group. Beijing Xiaowen had also transferred certain assets and equipment and personnel to our Group, while some of which were retained by Beijing Xiaowen so as to fulfil its daily business operations and functions. Nevertheless, Beijing Xiaowen shall provide the relevant services operated by the aforementioned detached business to our Group by way of a continuing connected transaction entered into between our Group and Beijing Xiaowen. For details, please refer to the section headed "Connected Transaction" in this document. The financial compensation received by our Group for derecognising all the economic benefits derived from Beijing Xiaowen after the termination of the aforesaid contractual arrangements was RMB100,000, which was determined after arm's length negotiations between the parties on normal commercial terms and after taking into account a

number of factors, including the financial performance and business outlook of Beijing Xiaowen. Subsequently in May 2023, our Group entered into a service agreement with Beijing Xiaowen, the details of which are set out in the section headed "Connected Transaction" in this document.

The Operation and Promotion Business which had been detached from our Group supported our Group's sales of AIGC solutions and was not a separate major line of business or geographical area of operations. The deconsolidation of Beijing Xiaowen in May 2023 was not be presented as a discontinued operation in our Group's consolidated financial statements for the year ended December 31, 2023.

The table below sets forth the financial information recorded by Beijing Xiaowen (including both the Operation and Promotion Business and the AIGC-related business) for the periods indicated:

	For the year ended December 31,		For the period from January 1, 2023 to May 17, 2023 (the "Disposal Date")
	2021	2022	
	RMB'000	*RMB'000*	*RMB'000*
Revenue	6	25,534	26,453
Gross (loss)/profit	6	10,449	26,210
Net (loss)/profit	(12,469)	(5,404)	43,249

During the Track Record Period and immediately prior to the deconsolidation, Beijing Xiaowen did not conduct any business with external customers under the Operation and Promotion Business. Beijing Xiaowen had commenced the AIGC-related business and recorded substantial revenue since 2022, with the AIGC-related business having generated revenue of RMB25.5 million in 2022 and RMB26.5 million in 2023 up to the Disposal Date, respectively. Beijing Xiaowen recorded a net loss in each of 2021 and 2022 primarily due to the overhead and staff costs of the Group recorded under Beijing Xiaowen. Beijing Xiaowen had a net profit of RMB43.2 million in 2023, partially due to recharges made by our Group prior to the Disposal Date to compensate Beijing Xiaowen for certain historical costs and liabilities borne by Beijing Xiaowen. As these recharges were completed prior to the deconsolidation, the transactions among the companies within the Group were fully eliminated.

To the best of the knowledge of our Directors, our Directors confirm that (i) the deconsolidation of Beijing Xiaowen from our Group did not have any material impact on the business and financial position of our Group; and (ii) Beijing Xiaowen did not have any material non-compliance during the Track Record Period prior to the termination of contractual arrangements.

2. Termination of historical contractual arrangements with Nanjing Xiaowen, capital increase and transfer of equity interest in Nanjing Xiaowen

Prior to the establishment of contractual arrangements with Nanjing Xiaowen, as our Group intended to do live-streaming related business to advertise our AIGC solutions which we thought it may fall within the scope of "Internet cultural activities" under the Provisional Regulations on the Administration of Internet Culture (《互聯網文化管理暫行規定》) and other relevant regulations, our Group entered into a series of contractual arrangements with Nanjing Xiaowen. Pursuant to the contractual arrangements, our Group had effective control over the financial and operational matters of Nanjing Xiaowen and was entitled to all the economic benefits derived from Nanjing Xiaowen. Accordingly, Nanjing Xiaowen was consolidated into our Group as a variable interest entity. However, our Group subsequently changed its business plan and engaged with some anchors to advertise our AIGC solutions which did not involve the engagement of commercial Internet cultural activities or products, nor will commercial Internet cultural activities be engaged in the future which would fall under the "restricted" or "prohibited" scope in the Negative List. Since the entry into the contractual arrangements with Nanjing Xiaowen by our Group, there had been no operating activities that were foreign "restricted" or "prohibited" under the Negative List and the said contractual arrangements were therefore unnecessary.

Nanjing Xiaowen was established and owned as to 75% by Ms. Li and 25% by Mobvoi IT. In May 2023, Ms. Li Qinying (李嶔盈), a Hong Kong permanent resident, subscribed for a registered capital of RMB110,000 in Nanjing Xiaowen, representing approximately 5.21% of the enlarged registered capital of Nanjing Xiaowen. As a result of the aforesaid capital increase, Nanjing Xiaowen has become a sino-foreign joint venture limited company. The aforesaid increase in capital was duly completed on May 15, 2023.

In May 2023, Mobvoi IT entered into an equity transfer agreement with Ms. Li and Ms. Li Qinying, pursuant to which (i) Mobvoi IT acquired 71.09% of the equity interest in Nanjing Xiaowen from Ms. Li at a consideration of RMB1.5 million; and (2) Mobvoi IT acquired 5.21% of the equity interest in Nanjing Xiaowen from Ms. Li Qinying at nil consideration. The consideration was determined based on the amount of paid-up capital contributed by the respective former shareholders of Nanjing Xiaowen and the transfer was duly completed on May 16, 2023.

In May 2023, Mobvoi Innovation entered into an equity transfer agreement with Mobvoi IT, pursuant to which Mobvoi Innovation acquired the entire equity interest in Nanjing Xiaowen from Mobvoi IT at a consideration of RMB1.5 million. The transfer was duly completed on May 17, 2023 and the consideration was fully settled on May 18, 2023.

As a result of the above transfers, the aforesaid contractual arrangements were terminated and Nanjing Xiaowen has become an indirectly wholly-owned subsidiary of our Company.

The following table sets forth the financial information of Nanjing Xiaowen for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Revenue	—	32	973
Gross (loss)/profit	(1)	(100)	663
Net loss	(341)	(1,320)	(159)

3. Transfer of equity interest in Shanghai Yushanzhi and termination of historical contractual arrangements with Shanghai Yushanzhi

Our Group initially intended to use Shanghai Yushanzhi for operating our Group's websites and holding some online services to assist users in generating AI content which may require an ICP License. As this activity will fall under the value-added telecommunication services that are "restricted" under the Negative List, our Group entered into a series of contractual arrangements with Shanghai Yushanzhi, pursuant to which our Group had effective control over the financial and operational matters of Shanghai Yushanzhi and was entitled to all the economic benefits derived from Shanghai Yushanzhi. Accordingly, Shanghai Yushanzhi was consolidated into our Group as a variable interest entity. However, as our Group changed its business plan afterwards, there had been no operating activities at all since the entry of the contractual arrangements with Shanghai Yushanzhi and the said contractual arrangements were unnecessary.

Prior to the Reorganization, Shanghai Yushanzhi was owned as to 85.71%, 4.76%, 4.76% and 4.76% by Dr. Li, Ms. Li, Dr. Lei and Mr. Cong Zhiwei (叢志偉), respectively. Pursuant to an equity transfer agreement dated November 30, 2022 entered into by and among Shanghai Mobvoi, Dr. Li, Ms. Li, Dr. Lei and Mr. Cong Zhiwei, Shanghai Mobvoi acquired the entire equity interest in Shanghai Yushanzhi at nil consideration. The consideration was determined after arms' length negotiations between the parties. The transfer was duly completed on March 27, 2023.

As a result of the above transfer, the aforesaid contractual arrangements were terminated and Shanghai Yushanzhi has become an indirectly wholly-owned subsidiary of our Company.

The following table sets forth the financial information of Shanghai Yushanzhi for the years indicated:

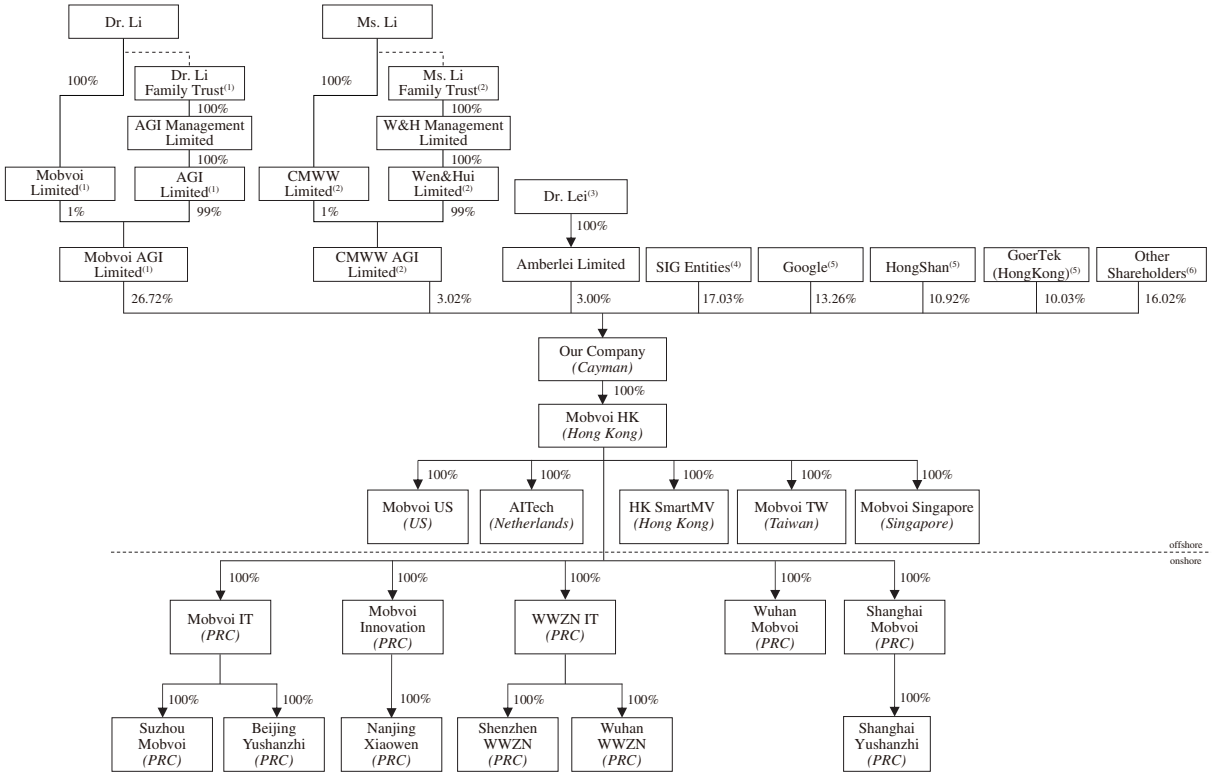
	For the year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	—	1,097	—
Gross profit	—	1,097	—
Net (loss)/profit	2	711	—

4. Establishment of Dr. Li Family Trust and Ms. Li Family Trust

On October 19, 2023, each of Dr. Li Family Trust and Ms. Li Family Trust was established as a discretionary trust, with Dr. Li as the settlor and protector of Dr. Li Family Trust and Ms. Li as the settlor and protector of Ms. Li Family Trust. The beneficiary of Dr. Li Family Trust is Mobvoi Limited. The beneficiary of Ms. Li Family Trust is CMWW Limited. The establishment of the family trusts is for each of Dr. Li's and Ms. Li's estate planning purposes. Suntera Corporate Trustees (Hong Kong) Limited is the trustee of each of Dr. Li Family Trust and Ms. Li Family Trust.

CORPORATE STRUCTURE OF OUR GROUP IMMEDIATELY UPON COMPLETION OF THE REORGANIZATION

The following diagram illustrates the shareholding structure of our Company immediately after the Reorganization but prior to the completion of the **[REDACTED]**:



Notes:

(1) Dr. Li Family Trust is a discretionary trust established by Dr. Li as the settlor and protector, with Mobvoi Limited as the beneficiary. AGI Limited is wholly owned by AGI Management Limited, which is entirely held by Suntera Corporate Trustees (Hong Kong) Limited, the trustee of Dr. Li Family Trust.

(2) Ms. Li Family Trust is a discretionary trust established by Ms. Li as the settlor and protector, with CMWW Limited as the beneficiary. Wen&Hui Limited is wholly owned by W&H Management Limited, which is entirely held by Suntera Corporate Trustees (Hong Kong) Limited, the trustee of Ms. Li Family Trust.

(3) Dr. Li, Ms. Li and Dr. Lei have been acting in concert with each other since December 1, 2019.

(4) Each of SIG I and SIG III is a Delaware limited liability limited partnership. SIG I was established on January 10, 2018. SIG III was incorporated on January 10, 2012. As of the Latest Practicable Date, SIG Pacific Holdings, LLLP was the limited partner holding 80% of the partnership interest in each of SIG I and SIG III. SIG China Investments GP, LLC was the general partner holding 20% of the partnership interest in each of SIG I and SIG III. SIG Asia Investment, LLLP, a Delaware limited liability limited partnership, is the investment manager of both SIG

I and SIG III. Heights Capital Management, Inc., a Delaware Corporation, is the investment manager of SIG Asia Investment, LLLP. Each of SIG I, SIG III, SIG Pacific Holdings, LLLP and SIG China Investments GP, LLC is ultimately beneficially owned by Mr. Jeffrey Yass, an Independent Third Party who is a US citizen.

(5) For further information, please refer to the paragraph headed "— **[REDACTED]** Investments — Background information of the **[REDACTED]** investors" in this section.

(6) Other Shareholders comprise the following:

a. 3.07% by Zhen Partners, which is a limited partnership established in the Cayman Islands on December 14, 2011. For further information, please refer to the paragraph headed "— **[REDACTED]** Investments — Background information of the **[REDACTED]** investors" in this section;

b. 2.93% by GWC Robotic Investment Limited, which is a limited liability company incorporated in the BVI on December 22, 2017. For further information, please refer to the paragraph headed "— **[REDACTED]** Investments — Background information of the **[REDACTED]** investors" in this section;

c. 2.47% by Elite Concept Holdings Limited, a British Virgin Islands company, which is wholly owned by New Oriental Education & Technology Group Inc., a NYSE-listed company. Elite Concept Holdings Limited became a Shareholder in September 2020. To the best knowledge of our Directors, as of the Latest Practicable Date, Elite Concept Holdings Limited was an Independent Third Party and its ultimate beneficial owner was Mr. Yu Minhong;

d. 1.79% by Skyteam Resources Limited, which is a limited liability company incorporated in the BVI on January 2, 2015. For further information, please refer to the paragraph headed "— **[REDACTED]** Investments — Background information of the **[REDACTED]** investors" in this section;

e. 1.79% by Everon Resources Limited, which is a limited liability company incorporated in the BVI on January 2, 2015. For further information, please refer to the paragraph headed "— **[REDACTED]** Investments — Background information of the **[REDACTED]** investors" in this section;

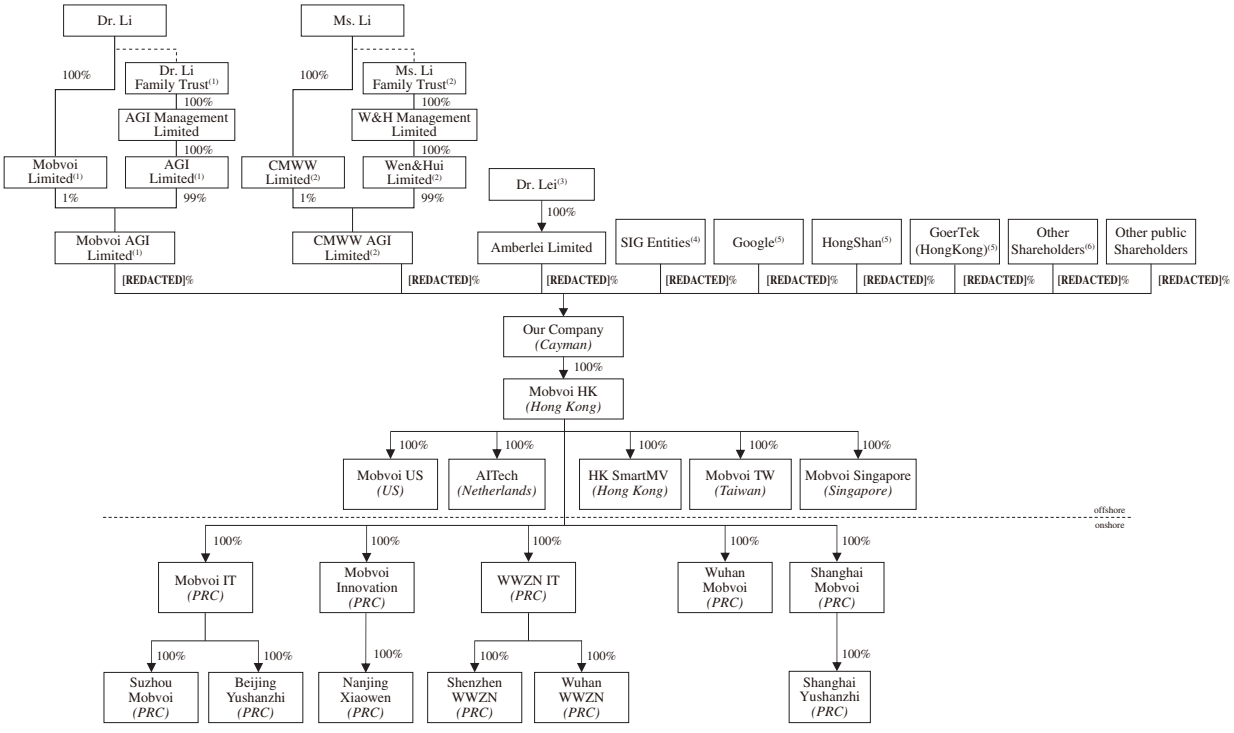
f. 1.47% by SO Artemis Limited, which is a limited liability company incorporated in the BVI on April 25, 2018. For further information, please refer to the paragraph headed "— **[REDACTED]** Investments — Background information of the **[REDACTED]** investors" in this section;

g. 1.39% by Perfect Nova Development Limited, a company limited by shares incorporated in the BVI on April 6, 2018 and an investment holding company solely for the purpose of holding our Shares. Perfect Nova Development Limited became a Shareholder in September 2020. To the best knowledge of our Directors, as of the Latest Practicable Date, Perfect Nova Development Limited was an Independent Third Party and its ultimate beneficial owner was Ms. Hui Yin Ching; and

h. 1.11% by Mighty Dream Limited, a company limited by shares incorporated in the BVI on September 8, 2020 and an investment holding company solely for the purpose of holding our Shares. Mighty Dream Limited became a Shareholder in September 2020. To the best knowledge of our Directors, as of the Latest Practicable Date, Mighty Dream Limited was an Independent Third Party and its sole shareholder was Mr. Xu Xiao Ping.

CORPORATE STRUCTURE OF OUR GROUP IMMEDIATELY UPON COMPLETION OF THE [REDACTED] (ASSUMING (I) THE [REDACTED] IS NOT EXERCISED; AND (II) EACH PREFERRED SHARE IS CONVERTED INTO ONE SHARE, WITHOUT TAKING INTO ACCOUNT ANY SHARES THAT MAY BE ISSUED UNDER THE [REDACTED] SHARE OPTION SCHEME)

The following diagram illustrates the shareholding structure of our Company immediately after the **[REDACTED]**, assuming (i) the **[REDACTED]** is not exercised; and (ii) each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme:



Notes:

(1) Dr. Li Family Trust is a discretionary trust established by Dr. Li as the settlor and protector, with Mobvoi Limited as the beneficiary. AGI Limited is wholly owned by AGI Management Limited, which is entirely held by Suntera Corporate Trustees (Hong Kong) Limited, the trustee of Dr. Li Family Trust.

(2) Ms. Li Family Trust is a discretionary trust established by Ms. Li as the settlor and protector, with CMWW Limited as the beneficiary. Wen&Hui Limited is wholly owned by W&H Management Limited, which is entirely held by Suntera Corporate Trustees (Hong Kong) Limited, the trustee of Ms. Li Family Trust.

(3) Dr. Li, Ms. Li and Dr. Lei have been acting in concert with each other since December 1, 2019.

(4) Each of SIG I and SIG III is a Delaware limited liability limited partnership. SIG I was established on January 10, 2018. SIG III was incorporated on January 10, 2012. As of the Latest Practicable Date, SIG Pacific Holdings, LLLP was the limited partner holding 80% of the partnership interest in each of SIG I and SIG III. SIG China Investments GP, LLC was the general partner holding 20% of the partnership interest in each of SIG I and SIG III. SIG Asia Investment, LLLP, a Delaware limited liability limited partnership, is the investment manager of both SIG I and SIG III. Heights Capital Management, Inc., a Delaware Corporation, is the investment manager of SIG Asia Investment, LLLP. Each of SIG I, SIG III, SIG Pacific Holdings, LLLP and SIG China Investments GP, LLC is ultimately beneficially owned by Mr. Jeffrey Yass, an Independent Third Party who is a US citizen.

(5) For further information, please refer to the paragraph headed "— **[REDACTED]** Investments — Background information of the **[REDACTED]** investors" in this section.

(6) Other Shareholders comprise the following:

a. **[REDACTED]** by Zhen Partners, which is a limited partnership established in the Cayman Islands on December 14, 2011. For further information, please refer to the paragraph headed "— **[REDACTED]** Investments — Background information of the **[REDACTED]** investors" in this section;

b. **[REDACTED]** by GWC Robotic Investment Limited, which is a limited liability company incorporated in the BVI on December 22, 2017. For further information, please refer to the paragraph headed "— **[REDACTED]** Investments — Background information of the **[REDACTED]** investors" in this section;

c. **[REDACTED]** by Elite Concept Holdings Limited, a British Virgin Islands company, which is wholly owned by New Oriental Education & Technology Group Inc., a NYSE-listed company. Elite Concept Holdings Limited became a Shareholder in September 2020. To the best knowledge of our Directors, as of the Latest Practicable Date, Elite Concept Holdings Limited was an Independent Third Party and its ultimate beneficial owner was Mr. Yu Minhong;

d. **[REDACTED]** by Skyteam Resources Limited, which is a limited liability company incorporated in the BVI on January 2, 2015. For further information, please refer to the paragraph headed "— **[REDACTED]** Investments — Background information of the **[REDACTED]** investors" in this section;

e. **[REDACTED]** by Everon Resources Limited, which is a limited liability company incorporated in the BVI on January 2, 2015. For further information, please refer to the paragraph headed "— **[REDACTED]** Investments — Background information of the **[REDACTED]** investors" in this section;

f. **[REDACTED]** by SO Artemis Limited, which is a limited liability company incorporated in the BVI on April 25, 2018. For further information, please refer to the paragraph headed "— **[REDACTED]** Investments — Background information of the **[REDACTED]** investors" in this section;

g. **[REDACTED]** by Perfect Nova Development Limited, a company limited by shares incorporated in the BVI on April 6, 2018 and an investment holding company solely for the purpose of holding our Shares. Perfect Nova Development Limited became a Shareholder in September 2020. To the best knowledge of our Directors, as of the Latest Practicable Date, Perfect Nova Development Limited was an Independent Third Party and its ultimate beneficial owner was Ms. Hui Yin Ching; and

h. **[REDACTED]** by Mighty Dream Limited, a company limited by shares incorporated in the BVI on September 8, 2020 and an investment holding company solely for the purpose of holding our Shares. Mighty Dream Limited became a Shareholder in September 2020. To the best knowledge of our Directors, as of the Latest Practicable Date, Mighty Dream Limited was an Independent Third Party and its sole shareholder was Mr. Xu Xiao Ping.

CAPITALIZATION

The below table summarizes the capitalization of our Company as of the Latest Practicable Date and immediately after the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised; and (ii) each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme):

									As of the Latest Practicable Date(Note 1)		Immediately upon completion of the [REDACTED]	
Shareholders	**Ordinary Shares**	**Series A Preferred Shares**	**Series A-1 Preferred Shares**	**Series A-2 Preferred Shares**	**Series B Preferred Shares**	**Series C Preferred Shares**	**Series D-1 Preferred Shares**	**Series D-2 Preferred Shares**	**Aggregate number of Shares**	**Aggregate ownership percentage**	**Aggregate number of Shares**	**Aggregate ownership percentage**
		(Note 1)	*(Note 1)*	*(Note 1)*	*(Note 1)*	*(Note 1)*	*(Note 2)*	*(Note 1)*		*(%)* *(Note 3)*		*(%)* *(Note 4)*
Mobvoi AGI Limited	375,862,577	—	—	—	—	—	—	—	375,862,577	26.72	**[REDACTED]**	[REDACTED]
CMWW AGI Limited	42,505,195	—	—	—	—	—	—	—	42,505,195	3.02	**[REDACTED]**	[REDACTED]
Amberlei Limited	42,276,005	—	—	—	—	—	—	—	42,276,005	3.00	**[REDACTED]**	[REDACTED]
Perfect Nova Development Limited	19,580,518	—	—	—	—	—	—	—	19,580,518	1.39	**[REDACTED]**	[REDACTED]
Elite Concept Holdings Limited	34,697,725	—	—	—	—	—	—	—	34,697,725	2.47	**[REDACTED]**	[REDACTED]
SIG Entities	95,898,368	—	143,715,400	—	—	—	—	—	239,613,768	17.03	**[REDACTED]**	[REDACTED]
Mighty Dream Limited	15,637,946	—	—	—	—	—	—	—	15,637,946	1.11	**[REDACTED]**	[REDACTED]
HSG CV IV Holdco, Ltd.	—	99,794,003	53,889,580	—	—	—	—	—	153,683,583	10.92	**[REDACTED]**	[REDACTED]
Zhen Partners Fund I, L.P.	—	32,335,060	10,778,520	—	—	—	—	—	43,113,580	3.07	**[REDACTED]**	[REDACTED]
GWC Robotics Investment Limited	—	41,254,185	—	—	—	—	—	—	41,254,185	2.93	**[REDACTED]**	[REDACTED]
SO Artemis Limited	—	20,627,092	—	—	—	—	—	—	20,627,092	1.47	**[REDACTED]**	[REDACTED]
Skyteam Resources Limited	—	—	—	25,213,220	—	—	—	—	25,213,220	1.79	**[REDACTED]**	[REDACTED]
Everon Resources Limited	—	—	—	25,213,220	—	—	—	—	25,213,220	1.79	**[REDACTED]**	[REDACTED]
Goertek (HongKong) Co., Limited	—	—	—	—	141,053,024	—	—	—	141,053,024	10.03	**[REDACTED]**	[REDACTED]
Google Ireland Holdings Unlimited Company	—	—	—	—	—	182,740,760	—	3,853,084	186,593,844	13.26	**[REDACTED]**	[REDACTED]
Other public Shareholders	—	—	—	—	—	—	—	—	—	—	**[REDACTED]**	[REDACTED]
Total	**626,458,334**	**194,010,340**	**208,383,500**	**50,426,440**	**141,053,024**	**182,740,760**	**—**	**3,853,084**	**1,406,925,482**	**100.00**	**[REDACTED]**	[REDACTED]

Notes:

1. Each Series A Preferred Share, Series A-1 Preferred Share, Series A-2 Preferred Share, Series B Preferred Share, Series C Preferred Share, Series D-1 Preferred Share and Series D-2 Preferred Share shall be converted into one ordinary Share with effect from the **[REDACTED]**.

2. 288,779,294 Series D-1 Preferred Shares were repurchased by our Company on September 28, 2022.

3. Based on the assumption that all of the Preferred Shares are converted into ordinary Shares on the basis set out in note (1) above.

4. Assuming (i) the **[REDACTED]** is not exercised; and (ii) each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme.

[REDACTED] INVESTMENTS

Principal terms

The table below summarizes the principal terms of the **[REDACTED]** investments:

	Series A	Series A-1 *(Notes 1 and 2)*	Series A-2	Series B	Series C	Series D-1 *(Note 3)*	Series D-2
Date of investment agreement(s)	February 8, 2013	December 6, 2013	January 29, 2015	July 24, 2015	October 19, 2015	March 30, 2017	September 22, 2019
Amount of consideration paid *(US$)*	1,620,000	8,156,100	6,000,000	20,000,000	40,000,000	140,000,000	16,867,971.27
Basis of consideration	The consideration for the **[REDACTED]** investments received by us were determined based on arm's length negotiations between the Company and the relevant **[REDACTED]** investors after taking into consideration the timing of the investments and the status of our business and operating entities.						
Date on which investment was settled	March 15, 2013	December 13, 2013	February 2, 2015	July 29, 2015	October 20, 2015	June 7, 2017	September 27, 2019
Approximate investment cost per Share *(US$)*	0.0084	0.0391	0.1190	0.1418	0.2189	0.4848	0.4848
Discount to the [REDACTED] price*(Note 4)*	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

	Series A	Series A-1 *(Notes 1 and 2)*	Series A-2	Series B	Series C	Series D-1 *(Note 3)*	Series D-2
Post-money valuation of our Company *(US$)* *(Note 5)*	5,099,999.94	34,152,940.34	101,472,990.76	150,820,542.21	272,829,211.83	744,266,181.63	756,689,245.74
Approximate shareholding in our Company immediately following the completion of the [REDACTED] *(Note 6)*	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Lock-up [Each of our **[REDACTED]** investors has entered into a deed of lock-up undertaking in favor of the **[REDACTED]** and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) respectively, pursuant to which each of the **[REDACTED]** investors agrees whether directly or indirectly, at any time during the period of six months from the **[REDACTED]**, not to dispose of any of the Shares it held. For further information about the aforementioned lock-up arrangements, see "**[REDACTED]** — **[REDACTED]** Arrangements and Expenses — **[REDACTED]** — [•]".]

Special rights All of our **[REDACTED]** investors were as of the Latest Practicable Date bound by the terms of the existing articles of association of our Company, which will be replaced by our Articles effective upon completion of the **[REDACTED]**. Pursuant to our existing Articles and the amended and restated members' agreement entered into, among others, by the **[REDACTED]** investors and the Company as amended from time to time, certain special rights were granted to holders of the Preferred Shares, including, among others, redemption rights (the "**Redemption Rights**"), preemptive rights, conversion rights, information and inspection rights and rights to appoint directors to the Board, which were effective as of the Latest Practicable Date. In May 2023, all of our **[REDACTED]** investors executed a waiver and confirmation (the "**Waiver and Confirmation**"), pursuant to which, among others, each of the **[REDACTED]** investors irrevocably and unconditionally agrees that the Redemption Rights and any other divestment rights granted to the **[REDACTED]** investors shall be suspended when the Company files its **[REDACTED]** (subject to certain circumstances). Immediately before the completion of the **[REDACTED]**, the aforesaid members' agreement will be terminated and all the Preferred Shares held by our **[REDACTED]** investors will be converted into our Shares, such that all special rights will be terminated in compliance with Chapter 4.2 of the Guide for New **[REDACTED]** Applicants issued by the Stock Exchange in December 2023.

[REDACTED] We utilized the **[REDACTED]** for the principal business of our Group as approved by the Board, including, but not limited to, research and development activities, the growth and expansion of our Company's business and general working capital purposes in accordance with the budget approved by the Board. As of the Latest Practicable Date, all of the **[REDACTED]** from the **[REDACTED]** investments had been utilized for the aforementioned purposes.

Strategic benefits to our Company We are of the view that our Company can benefit from the investments by the **[REDACTED]** investors as their investments demonstrated their confidence in our Group's operations and served as an endorsement of our Company's performance and strengths. Our Company is also of the view that the **[REDACTED]** investors have good presence in our industry which can provide us with professional insights and advice on our Group's development and can help us achieve business synergies through enhanced business cooperation.

Notes:

1. The Series A-1 **[REDACTED]** investments were comprised of subscription of new Shares and transfer of Shares from the Company's Shareholders.

2. Pursuant to a share purchase agreement dated September 3, 2018, HongShan transferred 41,254,185 Series A Preferred Shares and 20,627,092 Series A Preferred Shares to GWC Robotics Investment Limited and So Artemis Limited, respectively, at a consideration of US$20,250,000 and US$10,125,000, respectively. The aforesaid transfers were completed and the consideration was fully settled on September 14, 2018.

3. All the 288,779,294 Series D-1 Preferred Shares were repurchased by our Company on September 28, 2022.

4. Calculated on the basis of (1) the **[REDACTED]** of **[REDACTED]**, the mid-point of the proposed range of the **[REDACTED]**; and (2) the exchange rate of USD1: HKD7.82.

5. The post-money valuation figures are equal to the total consideration paid by the **[REDACTED]** investors in each round divided by the shareholding percentage held by them immediately following their respective round of investment.

6. Please refer to the paragraph headed "— Capitalization" in this section for further details.

Background information of the [REDACTED] investors

Set out below are descriptions of certain of the **[REDACTED]** investors:

SIG III

SIG III is a Delaware limited liability limited partnership established on January 10, 2012. As of the Latest Practicable Date, SIG Pacific Holdings, LLLP was the limited partner holding 80% of the partnership interest in SIG III and SIG China Investments GP, LLC was the general partner holding 20% of the partnership interest in SIG III. SIG Asia Investment, LLLP, a Delaware limited liability limited partnership, was the investment manager of SIG III. The general partner is not involved in the daily operations of SIG III, while the investment manager is vested with the power to identify, select, negotiate, consummate, monitor and liquidate investment opportunities on behalf of SIG III. Heights Capital Management, Inc., a Delaware corporation, is the investment manager of SIG Asia Investment, LLLP. As of the Latest Practicable Date, each of SIG III, SIG Pacific Holdings, LLLP and SIG China Investments GP. LLC was ultimately beneficially owned by Mr. Jeffrey Yass, an Independent Third Party who is a US citizen.

Google

As of the Latest Practicable Date, Google was a wholly-owned indirect subsidiary of Alphabet Inc., a company listed on NASDAQ (stock code: GOOGL).

HongShan

HongShan is an exempted company with limited liability incorporated under the laws of the Cayman Islands on June 14, 2012. As of the Latest Practicable Date, HongShan was wholly owned by HSG CV IV Senior Holdco, Ltd., which was wholly owned by HongShan Capital Venture Fund

IV, L.P. None of the limited partners of HongShan Capital Venture Fund IV, L.P. has more than 30% of partnership interest in HongShan Capital Venture Fund IV, L.P. The general partner of HongShan Capital Venture Fund IV, L.P. is HSG Venture IV Management, L.P., the general partner of which is HSG Holding Limited. HSG Holding Limited is wholly owned by SNP China Enterprises Limited, which is in turn wholly owned by Mr. Neil Nanpeng Shen, an Independent Third Party.

GoerTek (HongKong)

GoerTek (HongKong) is a limited liability company incorporated in Hong Kong on April 24, 2013. As of the Latest Practicable Date, GoerTek (HongKong) was solely owned by Weifang Goertek Trading Co., Ltd., which was a wholly-owned subsidiary of Goertek Inc., a company listed on the Shenzhen Stock Exchange (stock code: 002241). To the best knowledge of our Directors, each of Weifang Goertek Trading Co., Ltd. and Goertek Inc. is an Independent Third Party.

*GWC Robotic Investment Limited ("**GWC**")*

GWC is a limited liability company incorporated in the BVI on December 22, 2017. GWC is an investment holding company. As of the Latest Practicable Date, GWC was solely owned by Digital Growth Fund SPC. Digital Growth Fund SPC is a company incorporated under the Cayman Companies Act as an exempted segregated portfolio company. APLUS Investment Management Company Limited, an entity registered with Cayman Islands Monetary Authority, is the sole holder of management shares. The ultimate beneficial owner of APLUS Investment Management Company Limited is Ms. Tang Yuk Fan, an Independent Third Party.

*SO Artemis Limited ("**SO Artemis**")*

SO Artemis is a limited liability company incorporated in the BVI on April 25, 2018. SO Artemis is an investment holding company. As of the Latest Practicable Date, SO Artemis was owned as to 13.86% by CIS Securities Asset Management Limited, 11.14% by Mr. Zhang Li Kun, 9.4% by WE Enterprise Pre-IPO Fund, 9.4% by WE Financial Holding Group Limited, 7.42% by Mr. Zhang Hong, 7.42% by Mr. Wu Xinwu, 2.83% by SO Orpheus Limited, 1.88% Element Global Investment Limited and 36.65% by 19 individuals. To the best knowledge of our Directors, each of CIS Securities Asset Management Limited, WE Enterprise Pre-IPO Fund, WE Financial Holding Group Limited, SO Orpheus Limited, Element Global Investment Limited and the individuals is an Independent Third Party.

Zhen Partners

Zhen Partners is a limited partnership established in the Cayman Islands on December 14, 2011, with a focus of investing in start-ups in various industries. As of the Latest Practicable Date, Zhen Partners had two limited partners, namely, Zhen International Ltd., which held 51% of the partnership interest, and HSG 2010 CV Holdco, Ltd., which held 49% of the partnership interest. Zhen International Ltd. is wholly owned by Best Love Charming Limited. Best Love Charming Limited is wholly owned by the trustee of Mr. Xu Xiao Ping's family trust, of which he is the settlor. The general partner of Zhen Partners is Zhen Partners Management (MTGP) I, L.P., whose general partner is Zhen Partners Management (TTGP) I, Ltd. Zhen International Ltd. holds 51% equity interest in Zhen Partners Management (TTGP) I, Ltd. As of the Latest Practicable Date, HSG 2010 CV Holdco, Ltd. was wholly owned by HongShan Capital Venture 2010 Fund, L.P., whose general partner is HSG Venture 2010 Management, L.P. None of the limited partners of HongShan Capital Venture 2010 Fund, L.P. has more than 30% of partnership interest in HongShan Capital Venture 2010 Fund, L.P. The general partner of HSG Venture 2010 Management, L.P. is HSG Holding Limited, which is in turn indirectly wholly owned by Mr. Neil Nanpeng Shen, an Independent Third Party.

*Skyteam Resources Limited ("**Skyteam**")*

Skyteam is a limited liability company incorporated in the BVI on January 2, 2015. As of the Latest Practicable Date, Skyteam was solely owned by Rightone Resources Limited which was a wholly-owned subsidiary of Perfect Optronics Limited, a company listed on the GEM of the Stock Exchange (stock code: 8311). To the best knowledge of our Directors, each of Rightone Resources Limited and Perfect Optronics Limited is an Independent Third Party.

*Everon Resources Limited ("**Everon**")*

Everon is a limited liability company incorporated in the BVI on January 2, 2015. As of the Latest Practicable Date, Everon was solely owned by Mr. Cheng Wai Tak, an Independent Third Party.

Compliance with Interim Guidance and Guidance Letters

On the basis that (i) the consideration for the **[REDACTED]** investments was settled more than 28 clear days before the Company filed its **[REDACTED]**; (ii) the Redemption Rights were automatically terminated when the Company filed its **[REDACTED]**; and (iii) all other special rights granted to the **[REDACTED]** investors have been terminated or will cease to be effective prior to the **[REDACTED]**, the **[REDACTED]** are of the view that the **[REDACTED]** investments are in compliance with the Chapter 4.2 of the Guide for New **[REDACTED]** Applicants issued by the Stock Exchange in December 2023.

[REDACTED] SHARE OPTION SCHEME

Our Company adopted the **[REDACTED]** Share Option Scheme on October 19, 2015. The purpose of the **[REDACTED]** Share Option Scheme is to provide incentives to Directors and employees of the Company or any other third party that the Board considers as contributed or will contribute to the Company. The principal terms of the **[REDACTED]** Share Option Scheme are set out in the paragraph headed "Appendix IV — Statutory and General Information — D. Share Incentive Schemes — 1. **[REDACTED]** Share Option Scheme" in this document.

[REDACTED] RSU SCHEME

Our Company has conditionally adopted a **[REDACTED]** RSU Scheme by Shareholders' resolutions dated March 30, 2024. The purpose of the **[REDACTED]** RSU Scheme is to encourage and retain such eligible persons to make contributions to the long-term growth and profits of our Group. The principal terms of the **[REDACTED]** RSU Scheme are set out in the section headed "Statutory and General Information — D. Share Incentive Schemes — 2. **[REDACTED]** RSU Scheme" in this document. As of the Latest Practicable Date, no award Shares had been granted or agreed to be granted under the **[REDACTED]** RSU Scheme.

PUBLIC FLOAT

Save for the Shares ultimately beneficially held by our Controlling Shareholders, to the best of our Directors' knowledge, information and belief, the Shares held by Google, the SIG Entities and HongShan who are our substantial Shareholders and core connected persons will not be counted towards the public float of our Company for the purpose of Rule 8.08 of the Listing Rules upon the **[REDACTED]**. Save as disclosed above, all other Shareholders are not core connected persons of the Company. As a result, a total of **[REDACTED]** Shares, representing **[REDACTED]** of our issued share capital upon completion of the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised; and (ii) each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme) held by our other

existing Shareholders will be counted towards the public float. Assuming the **[REDACTED]** are allotted and issued to public shareholders, over 25% of the Company's total issued Shares will be held by the public upon completion of the **[REDACTED]**.

PRC LEGAL COMPLIANCE

Our PRC Legal Advisor confirmed that (i) the establishment of our subsidiaries in China and their subsequent shareholding changes have complied with the relevant laws and regulations in all material respects; and (ii) the Reorganization has complied with relevant applicable PRC laws and regulations in all material respects.

SAFE REGISTRATION

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 (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "**Circular 37**"), promulgated by SAFE and which became effective on July 4, 2014: (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to Circular 37, failure to comply with these registration procedures (the "**Circular 37 Registration**") may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on 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 No. 13**"), promulgated by the SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisor, as of the Latest Practicable Date, Dr. Li, Ms. Li and Dr. Lei, as one of our Controlling Shareholders, had completed the Circular 37 Registration.

M&A RULES

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the SAIC, the CSRC and the SAFE, jointly issued the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"), which became effective on September 8, 2006, and was amended on June 22, 2009. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise through an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise (the "**Regulated Activities**"). Where a domestic company, enterprise or natural person intends to acquire its/his/her related domestic company in the name of an offshore company which it/he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM (the "**MOFCOM Approval**").

As advised by our PRC Legal Advisor, the Reorganization does not require the MOFCOM Approval. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented and we cannot assure you that relevant PRC governmental authorities, would reach the same conclusion as our PRC Legal Advisor.

WHO WE ARE

We provide AIGC solutions, AI enterprise solutions, smart devices and accessories with generative AI and voice interaction technologies at the core of our business.

According to the CIC Report, we ranked third in the field of AI voice technologies and NLP software solution[(Note 1)] with a market share of 1.4% in China in terms of revenue recognized in 2022. On the other hand, in the rapid growing area of AIGC, we are one of the market players in Asia capable of self-building our large language model, "Sequence Monkey", which is equipped with multi-modal generative capability and has an ability to understand and generate humanized text, audios, images and videos. According to the CIC Report, we generated the largest amount of revenue from AIGC solutions among other market players in China[(Note 2)] in 2022. Furthermore, our revenue from Smart Devices and Other Accessories reached RMB197.3 million (or approximately USD28.1 million) in 2022, accounting for a market share of 0.02% of the global AI-empowered hardware solution market in terms of revenue.

We are a market player in the development of AI CoPilot in Asia through providing personalized AI assistants with voice interaction and content generation technologies to help users complete various tasks in work and life. Leveraging our voice interaction capability and our large language model with multi-modal generative capability, "Sequence Monkey", we are committed to providing AI CoPilot experience by integrating AI technology, innovative solution and commercialization capability through various software and hardware solutions to content creators, enterprises and consumers around the globe.

In 2020, we developed UCLAI, which has the ability to understand and generate text, and based on this, we introduced the upgraded version, "Sequence Monkey", in 2023. Compared with "UCLAI", "Sequence Monkey" has the ability to generate image, 3D content, speech and speech recognition in addition to text. Further, "Sequence Monkey" has the capability to train with more data and tackle more complex tasks than "UCLAI".

Notes:

1. In 2022, the AI voice and NLP software solution sub-market accounted for 37.5% of the AI software solution market, which accounted for 28.8% of China's AI market, both in terms of revenue.

2. In 2022, the size of China's AIGC market in terms of revenue was RMB0.4 billion, which accounted for 0.2% of China's AI market of the same year.

Before launching Sequence Monkey, some of our AIGC solution matrix such as "Moyin Workshop", "Mozhuan Writing" and "Weta365" were built using exclusive algorithm models, each of which had its own modality and each modality has a distinct model for (i) speech recognition and synthesis, (ii) image recognition and generation, (iii) text understanding and generation, and (iv) digital avatar generation. In such cases, the maintenance of multiple models for each modality (for example, audio, images and text) incurred large amount of research and development expenses and the independence of models might affect the performance of subsequent tasks by a poor performing node in the pipeline. With the integration of Sequence Monkey into a multi-modal large language model in 2023, our research and development with regard to algorithms became more concentrated and cross-modal information loss due to consolidation within a single model has been largely reduced.

The below table summarizes the models or exclusive algorithm models used to develop the relevant AIGC solution matrix before and after the launching of "Sequence Monkey" and the advantages of utilizing "Sequence Monkey":

	AIGC solution matrix		
	Moyin Workshop	**Mozhuan Writing**	**Weta365**
Models used before the launching of "Sequence Monkey" in 2023	Exclusive algorithm models for (1) TTS and (2) ASR	UCLAI	Exclusive algorithm models for (1) TTS; (2) digital avatar generation; and (3) computer vision (CV)
Model used after the launching of "Sequence Monkey" in 2023	Sequence Monkey	Sequence Monkey	Sequence Monkey
Benefits of utilizing "Sequence Monkey" over "UCLAI" or exclusive algorithm models	Prosody and naturalness of synthetic speech have been greatly improved. Content creators can now utilize AI writing (which was launched in May 2023) in the context of short videos (including editing and rewriting in different styles), making it more convenient to content creators.	More AI writing templates (such as slogans and adverts) are available for content creators and the quality and skills with regard to AI writing have been greatly improved.	Prosody and naturalness of synthetic speech have been greatly improved. Digital avatars will have more natural expressions and their mouth movements are more synchronized. Efficiency of video creation is enhanced. For example, avatar presentations can be generated simply based on a PowerPoint script.

Since our Group was incorporated and up to the Latest Practicable Date, we had recorded more than 14 million users globally covering content creators, enterprises and consumers. The figure comprised approximately 9.9 million cumulative registered users of our AIGC solutions, approximately 2.6 million users of the in-vehicle speech dialogue system developed under our joint venture contract with Automotive Sub A, and our historical number of smart devices sold of approximately 2.4 million. For the years ended December 31, 2021, 2022 and 2023, we recorded 2.8 million, 4.6 million and 4.2 million[(Note 3)] users, respectively. Under content creators related scenarios, we are dedicated to providing high-quality AI voiceover solutions globally with our AI voiceover assistant, "Moyin Workshop" and our integrated AIGC solutions, "DupDub". We had recorded over nine million users for our AIGC solutions worldwide since 2020. For the years ended December 31, 2021, 2022 and 2023, we recorded approximately 1.5 million, 3.0 million and 4.0 million users on our AIGC platforms, respectively. Meanwhile, under enterprise-related scenarios, we had pre-installed our automotive voice interaction solutions in more than two million vehicles since 2020. Under consumer-related scenarios, we had accumulated sales of more than one million pieces of our smart devices since 2020.

Our business segments consist of (i) AI Software Solutions, which comprise AIGC solutions and AI enterprise solutions; and (ii) Smart Devices and Other Accessories. We began to provide AIGC solutions in 2020, AI enterprise solutions in 2017 and Smart Devices and Other Accessories in 2015. We started to develop our AI CoPilot technology in 2023. For the years ended December 31, 2020 and 2021, we generated revenue primarily from the sale of Smart Devices and Other Accessories, which accounted for 83.0% and 85.0% of our revenue, respectively.

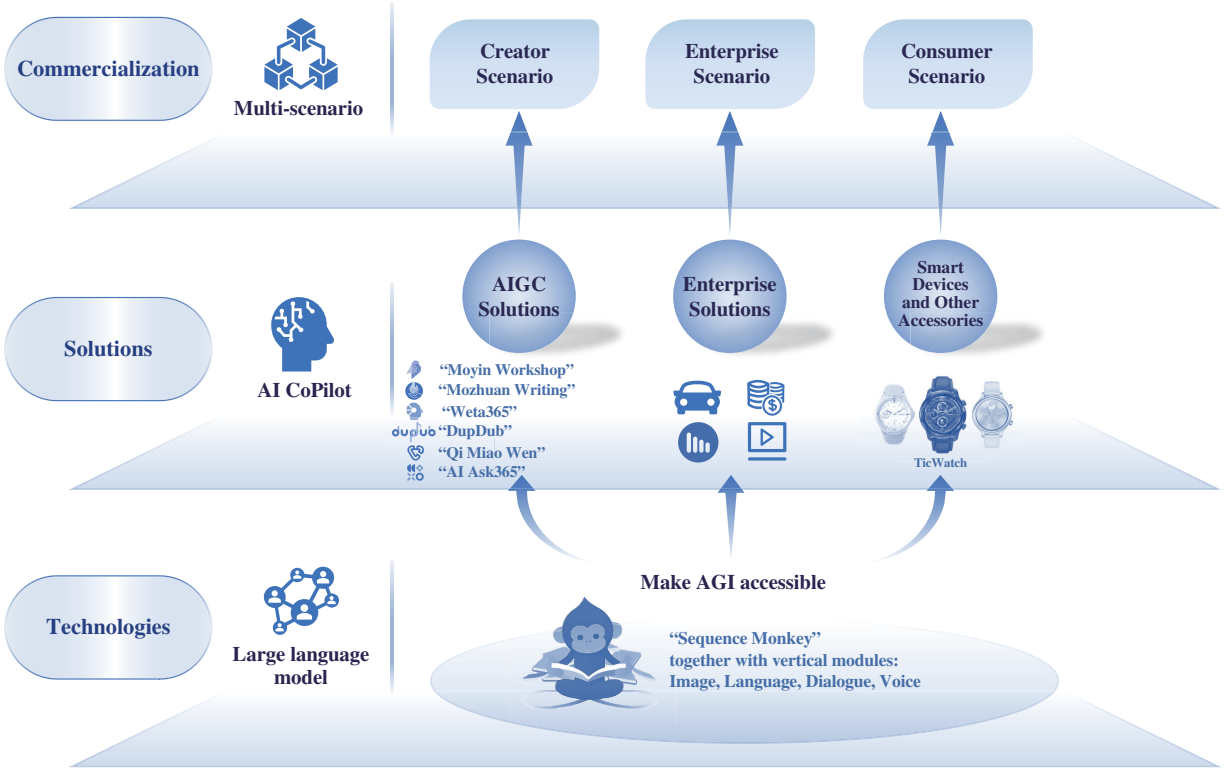
WHAT MAKES US DIFFERENT

We have accumulated deep understanding and foresight on the frontier of AI technologies. Leveraging our multi-modal large language model, "Sequence Monkey", we empower global content creators, enterprises and consumers with modularized AI CoPilot technologies. This creates a user-in-the-loop AI ecosystem enabling reinforcement learning from human feedback. We feed our technology modules with high-quality human-machine interaction generated from users, especially paying users, which empowers us to achieve high-quality and rapid iteration of our

Note:

3. Upon our disposal of Mobvoi JV in 2022, the tracking of the number of users of our in-vehicle speech dialogue system was discontinued.

model, "Sequence Monkey" and other vertical modules, thereby ultimately attracting a broader range of users. The following diagram illustrates our technologies, solutions and commercialization capabilities that backbone our competitive edges:



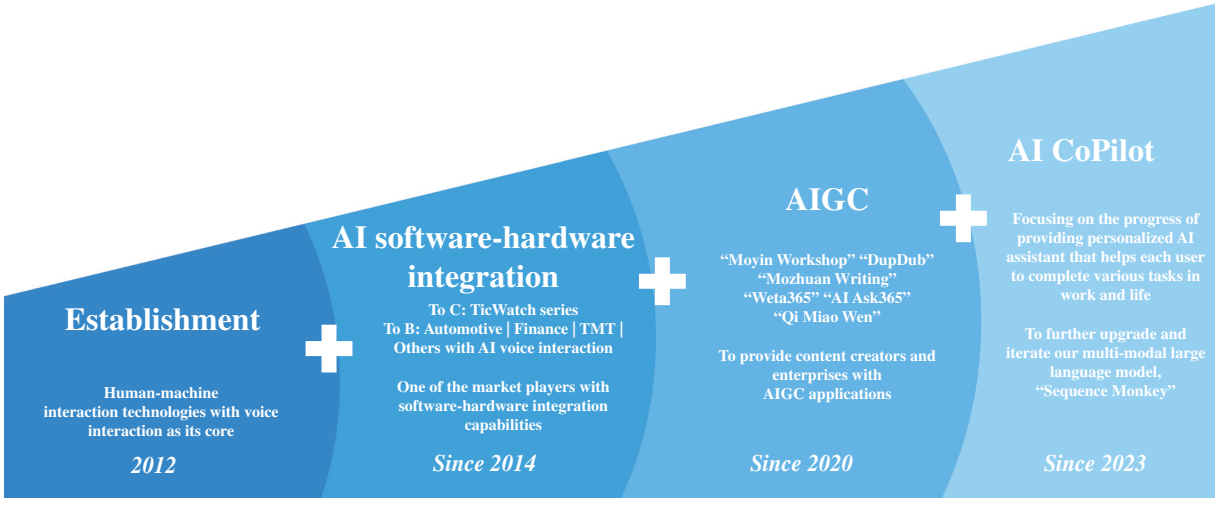
Technologies: With our multi-modal large language model, "Sequence Monkey", at the core of our underlying technological capabilities, we are capable of providing constant support and upgrade to our solutions. Our advanced voice interaction and image generation technologies enable us to provide the AI solutions well-tailored to different scenarios.

Solutions: We are capable of providing unique AI-empowered solutions designed to meet a broad range of needs from content creators, enterprises and consumers. As of the Latest Practicable Date, our AIGC solutions, including "Moyin Workshop" and other solutions, had successfully attracted approximately 840,000 cumulative paying users and achieved over one million payments since the launch of the solutions. TicWatch E3, one of our smart devices, has been awarded the 2021 Platinum Winner of the Muse Design Awards. Our TicWatch S2, TicWatch E2 and TicWatch C2, have also been awarded the 2019 Red Dot Award.

Commercialization: We have a deep understanding of the commercialization of AI technologies. Apart from project-based revenue generating model, we have developed various revenue generating formats, such as subscription, IP rights arrangements and software-hardware integrated solutions. Leveraging our user-in-the-loop AI ecosystem, we focus on the iteration of our solutions and aim to achieve product-led growth instead of through traditional marketing campaigns.

WHERE WE CAME FROM

Since our establishment, we have put in place a core technology research and development team that is committed to defining the next generation of human-machine interaction. In 2013, we developed a voice search engine from scratch, which entailed the development of ASR, TTS and NLP, being the early form of AI CoPilot. Over the years, with our prominent voice recognition technologies, distinctive voice-based interactive software-hardware integration capability and robust AI research and development abilities, we have developed our smart devices to provide AI interactive experience for consumers. We have then further expanded the application of our technologies to enterprise scenarios by providing AI CoPilot experience with voice interaction and content generation technologies at its core to enterprises in automotive, finance, TMT and others such as healthcare and retail industries. In the meantime, we have accurately captured the opportunities presented by the latest global AI trends to iterate and upgrade our core technologies. We were one of the notable companies to identify the trend of large language model. As early as 2020, we developed our large language model, "UCLAI", and vertically optimized technology modules, and subsequently developed prominent AIGC technologies and application specifically for our global content creators and enterprises. In 2023, an upgraded version, "Sequence Monkey", which possesses the capabilities in natural language processing and generation, was launched making it a versatile tool for understanding text, generating content, engaging in dialogue, performing logical operations, and leveraging its trained knowledge base to provide global content creators, enterprises and consumers with information and insights.



WHAT DO WE OFFER

AI Software Solutions

To content creators:

We are dedicated to empowering content creation by providing AIGC solutions around the world. As of the Latest Practicable Date, we had attracted approximately 840,000 cumulative paying users for our AIGC solutions and achieved over one million payments since the launch of the solutions. As of the Latest Practicable Date, we had built our AIGC solution matrix enabling content creators to achieve efficient content generation:

- *AI voiceover assistant:* "Moyin Workshop" — provides high-quality AI voiceover solutions, serving millions of users, especially video creators, worldwide as of the Latest Practicable Date.

- *AI writing assistant:* "Mozhuan Writing" and "Qi Miao Wen"*(Note 4)* — offer distinguished AI written content generation solutions.

- *AI avatar:* "Weta365" — provides AI video generation and virtual live streaming solutions.

- *Integrated solutions:* "DupDub" — provides high-quality AI voiceover solutions, distinguished AI written content generation solutions and AI Avatar generation.

To enterprises:

Leveraging our strong software-hardware integration capability and voice interaction technologies, we are able to customize AI Software Solutions for enterprises from automotive, finance, TMT and others such as healthcare and retail industries, for instance:

- *AI voice interaction solutions:* With comprehensive interaction as foundation, we offer humanized and intelligent AI voice interaction solutions to various industries including automotive and finance industry. Software solutions include voice-interacted in-car

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Note:

4. After the launch of "Qi Miao Wen", content creators will gradually be guided from "Mozhuan Writing" to "Qi Miao Wen". As such, we anticipate that the number of subscriptions in relation to "Mozhuan Writing" will decrease whilst there would be an increase in the user subscription rate of "Qi Miao Wen", although there is no expected timeframe or any anticipated schedule for the replacement as of the Latest Practicable Date.

control which help achieve phone call answering, navigation, weather checking, hotel booking functions, through default or personalized hot words, and AI anti-fraud solution to the enterprises we serve to prevent theft and falsification. Additionally, enterprise solutions may also be provided to enterprises with AI software-embedded hardware to further cater to the highly customized demand of the enterprises we serve.

- *Intelligent customer service solutions:* We apply intelligent voice interaction technologies into customer service scenarios to reduce costs and increase operating efficiency. For instance, our intelligent customer service solutions can perform AI customer service, make callbacks, and provide humanoid responses.

During the Track Record Period, our revenue and financial performance were significantly contributed by the IP rights arrangement project with Automotive Sub A which commenced in October 2021 and from which we generated revenue of RMB3.2 million, RMB213.0 million and RMB138.8 million, accounting for 0.8%, 42.6% and 27.4% of our total revenue in 2021, 2022 and 2023, respectively. The said IP rights arrangement project was completed in June 2023.

The accomplishment of the IP rights arrangement project with Automotive Sub A is a significant value-adding milestone for our Group to strengthen and expand such a profitable business model. It serves as a successful precedent for our Group to market our IP rights arrangement business, in particular, opens up the opportunity for us to cooperate with other companies from the automotive industry.

In January 2023, leveraging our expertise in the industry, we started our IP rights arrangements with a new automotive customer, namely, a technology development subsidiary of a PRC domestic automotive group. We provided IP rights and technologies to the said automotive customer, from which we generated revenue of RMB4.0 million in 2023. We completed in late 2023 our performance obligations under the IP rights arrangements, namely, delivering the deliverables that satisfied the requirements of this new automotive customer. In December 2023, we entered into another contract, with a contract sum of RMB1.2 million, to continue our cooperation with the same customer and the contract is expected to be substantially completed in 2024.

As of the Latest Practicable Date, our relationship with this new automotive customer was still at its early stage and continuous investment in research and development was required and expected. For this reason, we recorded a gross profit margin of 56% for the IP rights arrangements with this new automotive customer in 2023. For the year ending December 31, 2024, we do not expect the gross profit margin attributable to this new automotive customer to be as high as that achieved in the project with Automotive Sub A.

We expect to record a decrease in revenue, gross profit and gross profit margin for our AI enterprise solutions in 2024. The revenue contribution by this new automotive customer has been substantially smaller in terms of contract value compared to the project with Automotive Sub A, which was completed in 2023.

For details of the two series of IP rights arrangements, please refer to the paragraphs headed "— Our Solutions — AI Software Solutions — AI enterprise solutions — IP rights arrangements with Automotive Sub A" and "— Our Solutions — AI Software Solutions — AI enterprise solutions — IP rights arrangements with a technology development subsidiary of a PRC domestic automotive group" in this section.

Smart Devices and Other Accessories

We have launched various smart devices, such as AI smart watch — TicWatch series and AI smart treadmill — Mobvoi Home Treadmill Incline. We have gradually applied advanced AI technology in three major human-machine interaction life scenarios of "wearable, automotive and smart homes" through software-hardware integrated devices. Our relevant smart devices can be interconnected by our personal virtual assistant — "Xiaowen":

- ***User experience:*** Our TicWatch series have been highly recognized with numerous international awards.

- ***Strategic cooperation:*** We have established in-depth strategic cooperation with a world-leading multinational technology company focusing on search engine technology and a multinational technology corporation that creates semiconductors, software, and services related to wireless technology. Benefiting from the long-term cooperation on multiple projects, we have effectively improved our technological and solution capabilities. As a result, we have developed and maintained a pre-eminent research and development team.

- ***Design and algorithms:*** Our sport, health algorithms and sensors feed the human-machine interaction to the relative technology modules to achieve constant optimization and efficient iteration. Our iconic "dual-screen and dual-system" design resolves the two major pain points of smart watches: low battery life and low visibility under high bright outdoor conditions.

INDUSTRY BACKGROUND AND OPPORTUNITIES

In recent years, the iteration of AI technologies has been accelerating, especially in its understanding and reasoning capabilities. It has been recognized that AI has profoundly impacted the global economy and has become a global strategic priority, evidenced by the exponential growth in the market size of AI market in China and worldwide. According to CIC, the market size of the global AI market has grown from USD71.3 billion in 2018 to USD199.7 billion in 2022 and is expected to reach USD562.4 billion in 2027. Meanwhile, the size of the AI market in China in terms of revenue has grown from USD8.0 billion in 2018 to USD27.7 billion in 2022, and is expected to reach USD91.9 billion in 2027. The recent trend for AI is to take transformative steps towards AGI, which is a revolutionary frontier in AI with versatile capabilities in various contexts. For details, please refer to the paragraphs headed "Industry Overview — Overview of global and China's AI markets — Market size of the global and China's AI markets" and "Industry Overview — Overview of global and China's AI markets — Future trends of AI markets — Artificial General Intelligence (AGI)" in this document.

Meanwhile, innovative AI models based on generative algorithms have supported the emergence of AIGC technologies, which enables generative AI to become an initiative approach to generate content apart from the current forms such as user-generated content ("**UGC**") and professionally-generated content ("**PGC**"). Leveraging the increasing popularity of various short video platforms and growing need for more efficient content creation technologies, the AIGC market in China is expected to grow continuously and realize commercialization in various application scenarios. According to CIC, the market size of China's AIGC market in terms of revenue increased from RMB0.1 billion in 2020 to RMB0.4 billion in 2022, representing a CAGR of 100.8% between 2020 and 2022. The market size is expected to reach RMB32.6 billion by 2027, representing a CAGR of 136.3% between 2022 and 2027.

Our technological advantages

Large language models

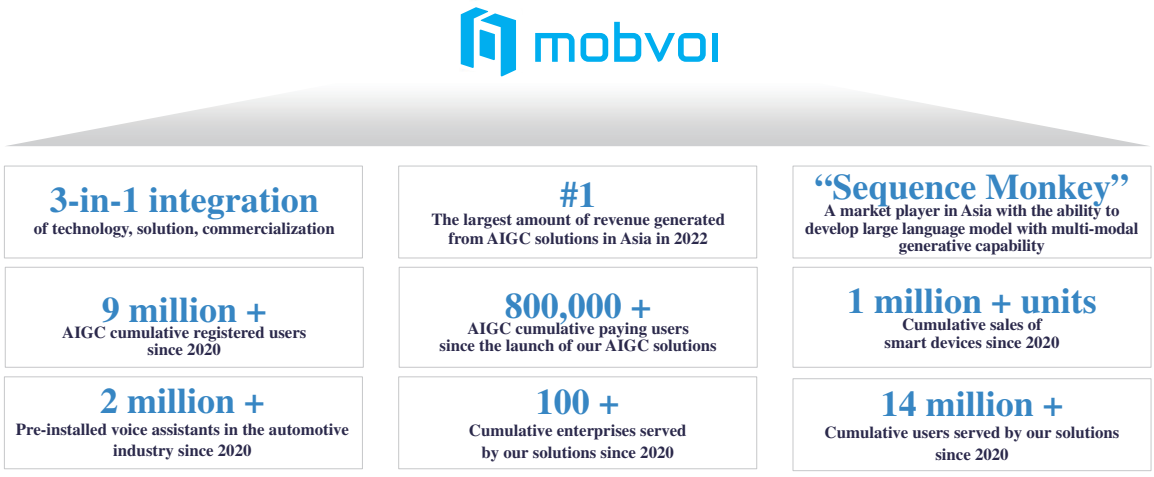
We are one of the earliest market players in China that focuses on the development of large language models. Since 2020, we have been exploring large language model trainings in Chinese language and have developed our large language model, "UCLAI". We have constructed a large-scale distributed training platform based on large computing power and big data capabilities. In 2023, an upgraded version, "Sequence Monkey", was launched and it established itself as a robust language model capable of supporting image, 3D content, speech generation and speech recognition in addition to text.

The development of our AI solutions was founded on our robust research and development capabilities. As of the Latest Practicable Date, we had obtained 681 AI-related intellectual properties in total, including 593 authorized AI-related patents and 88 AI software copyrights.

During the Track Record Period, we had experienced strong growth in revenue and gross profit. The table below set forth our revenue and gross profit from our continuing operations during the Track Record Period:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Revenue	397,914	500,194	507,060
Gross profit	149,196	336,151	326,079

The following graph sets forth our operating highlights as of the Latest Practicable Date:



OUR STRENGTHS

Strong large language model capabilities and vertical module technologies

We are a notable market player in the development and commercialization of generative AI model in Asia. According to the CIC Report, we generated the largest amount of revenue from AIGC solutions among other market players in China in 2022. We are also one of the market players in the development of AI CoPilot in Asia, focusing on the progress of providing personalized AI assistant that helps each user to complete various tasks in work and life.

In 2023, "Sequence Monkey", being an updated version of UCLAI, was launched, providing solid technological foundation for our AI solutions. According to the CIC report, we are one of the market players in Asia capable of building large language model with multi-modal generative capabilities.

Leveraging our experiences accumulated in the past, we have possessed four vertical modules consisting of image, language, dialogue and voice modules through our robust research and technological capabilities:

- The image module possesses image recognition and generation capabilities. By using this module which can accurately analyze the existing images, users can generate high-quality and diverse images;

- The language module possesses language understanding and generation capabilities, allowing in-depth analysis and processing of natural language, and is capable of understanding and processing various linguistic expressions quickly and accurately. In addition, it can also generate high-quality text content on demand, such as, dialogue responses, story composition and advertising scripts;

- The dialogue module enables users to enhance the flow of human-machine conversations, and effectively improves the efficiency and accuracy of conversations. It also allows multiple rounds of conversations and intelligently adjusts the response strategies based on users' feedback and needs; and

- The voice module possesses superior speech-to-text and text-to-speech capabilities, providing highly accurate speech recognition and natural speech synthesis. It supports multiple deployment measures including cloud and embedded deployment. With the advantage of low latency, our voice module brings users a faster response experience. It also supports multiple languages and dialects to accommodate the needs of different regions and scenarios.

Well-established solution matrix of AI-empowered, voice-enabled, end-to-end, and software-hardware integrated solutions to serve diverse customer groups

We are committed to providing AI CoPilot solutions for all types of users, including content creators, enterprises and consumers.

The concept of AI CoPilot represents the application of AI to optimize user efficiency and elevate the overall user experience through seamless integration of AI-empowered functionalities, including image, language, dialogue and voice modules. It is an application built upon large language models to optimize and elevate users' efficiency and experience.

We are one of the market players to launch all-in-one AIGC platform early in the industry.

- Based on our in-depth understanding of content creation processes, we are one of the market players to launch AIGC creator-oriented solutions early in the industry to promote the content creator economy with the application of AI technologies.

- Our long-term endeavors in AI solutions and technologies enable us to develop AIGC solutions through our modularized technologies and strategically design our solutions effectively. As a result, we have developed an all-in-one AIGC platform, providing distinctive user experiences.

- Our self-developed and middleware-based algorithm architecture system provides great flexibility for the design and development of our solutions. This enables us to efficiently integrate various capabilities of our universal AI platform and to rapidly develop new solutions on application level.

Our well-developed enterprise solutions serve various industry verticals and enable multi-scenario interaction experience.

- We provide enterprises with language interaction experiences and noise reduction algorithms, in different industries such as automotive, finance, TMT and others such as healthcare and retail industries. Empowered by AIGC solutions features, we can deliver exclusive and high-quality API voice services or integrated AI avatar services to enterprises. We are also capable of providing customized AI software-embedded hardware to further cater to enterprises' highly customized demand for software-hardware integrated solutions.

We provide global consumers with software-hardware integrated Smart Devices and Other Accessories.

- Since our establishment, we have launched Smart Devices and Other Accessories, including AI smart watch — TicWatch series and other AI-empowered hardware products and non-AI products, to the global market, and created a smart devices ecosystem which supports multi-scenario application. We believe smart watch is one of the most important smart devices that enable interaction with users. Embedded with our end-to-end voice interaction capabilities, TicWatch series are our flagship products which are positioned as high-end smart devices. We have carried out continuous iteration and upgrade on our TicWatch series since its launch in 2015, covering value-added applications relating to exercise, health, sleep and watch face. As of the Latest Practicable Date, our TicWatch series had been sold to over 100 countries and regions with cumulative sales of over one million pieces since 2020.

Solid commercialization capabilities of our AI technologies and user-in-the-loop ecosystem

Over the years, we have been focusing on research and development of AI technologies and realizing our commercialization capability.

Since our inception, we have been observing the development of forefront AGI technologies, and thereby seizing the opportunities from the commercially viable AI technologies. In 2020, we launched our first AIGC voiceover platform, "Moyin Workshop," which was the first commercial application of AIGC technologies in China.

Our solutions can cover the needs of content creators, enterprises and consumers, empowering us to identify the suitable paying user groups for our cutting-edge AI technologies, thus enabling the deployment of AI technologies to all scenarios.

Our market position aids us in our business development efforts in terms of variety of scenarios and users. As of the Latest Practicable Date, the number of our cumulative users had reached 12 million since our Company was incorporated.

Since our establishment, we have launched Smart Devices and Other Accessories, including AI smart watch — TicWatch series and other AI-empowered hardware products and non-AI smart devices, in the global market. Leveraging our AI capabilities and experiences accumulated in the consumer scenarios, our strong software-hardware integrated capability, voice interaction technologies and engineering capability, we have accumulated sales of more than one million pieces of smart devices since 2020.

We have built an open and renowned industry partner ecosystem in the enterprise market. In 2017, we launched an open platform based on our "Xiaowen" virtual assistant, which was utilized by developers and hardware manufacturers. As of the Latest Practicable Date, our intelligent voice interaction SDK including various modules such as hot words triggering, speech recognition, semantic analysis, vertical search and speech synthesis, had provided comprehensive voice interaction functions, enabling developers to create end-to-end AI voice solutions covering smart devices, vehicle, robots, smart homes, and mobile applications and other scenarios. We had also achieved outstanding performance in terms of growth in number of clients from various industries and served over 100 enterprises covering application scenarios such as automotive, finance, TMT and others such as healthcare and retail industries as of the Latest Practicable Date.

Utilizing our existing user base and the interaction and interconnection between our solution matrix, we have developed seamless platform-based services. For instance, "Weta365"'s video streaming solution has built in "Moyin Workshop"'s voiceover function which in turn has "Mozhuan Writing"'s AI writing function embedded to help users input written text. Meanwhile, voiceover files generated via "Moyin Workshop" can be re-extracted to "Mozhuan Writing" for extension and embellishment using its AI-written content generation solution. To enhance users' willingness to pay for our premium services, we have developed multiple customized features. As of the Latest Practicable Date, we had attracted over nine million cumulative registered users being the largest AIGC solutions platform within the creator economy in China.

With extensive human-machine interaction, we are well-positioned to enjoy the effect brought by data and user flywheels. We have been facilitating our users to utilize our AIGC solutions to improve their productivity and efficiency, and at the same time to improve the output quality of our content creation platforms for professional application, thereby enabling us to achieve expansion in customer group.

Well-positioned business exposure with international vision

We have thorough understanding of the importance of global business exposure and the potential value of our AIGC technologies in the global market. Leveraging our success in launching our consumer Smart Devices and Other Accessories business in the global market, together with our global sales team and diversified media resources, our solution-oriented research and development structure enables us to adapt to and launch our services locally in a more rapid and efficient way. As of the Latest Practicable Date, our "Moyin Workshop" and "DupDub" supported over 44 languages which allowed us to provide solutions to content creators in international markets across the world. To facilitate the development of language models encompassing various languages, our Group will initiate the process by either sourcing a comprehensive and representative dataset from the Internet or procuring a commercial dataset from a trusted vendor, both tailored specifically to the target language. Subsequently, the models (such

as UCLAI and Sequence Monkey) will undergo a meticulous retraining procedure customized to fine-tune their adaptation to the subtleties and intricacies intrinsic to the chosen language. Upon the conclusion of this retraining phase, our Group will conduct a comprehensive evaluation of these refined models, utilizing extensive evaluation sets to gauge their accuracy, fluency, and their ability to faithfully capture the language-specific nuances.

With the extensive experience of our sales and management team, our Smart Devices and Other Accessories have successfully globalized. Since the launch of our first smartwatch, TicWatch 1, in 2015, we have been aiming to establish our presence in the global market. We have launched our consumer solutions worldwide covering primarily North America, Europe and the Asia-Pacific region. Our TicWatch series has received numerous international awards.

We are recognized by international leading partners for our international presence, evidenced by the long history of their cooperation with us. Our prominent Chinese AI semantic interpretation technologies and solutions have enabled us to secure investments from well-known international technology companies and become their long-term strategic partners in China.

Visionary management team and innovative corporate culture

Our founder and chief executive officer, Dr. Li, holds a Doctor of Philosophy degree in computer science at Johns Hopkins University in the United States. He had previously worked as a scientist at Google's headquarters in the United States and is an expert in the fields of machine learning and machine translation. In 2012, Dr. Li founded our Company in China with the aim to develop the next generation of human-machine interaction with voice interaction AI technologies as its core. Led by Dr. Li, we have been continuously focusing on the development of large language model, and in 2020, we were one of the earliest companies in development of large language model. The insight of our management team in AI technologies enables us to lay out accurate research and development directions in advance and to roll out our industry's prominent and full-service matrix.

We adhere to an open and innovative cultural atmosphere, preserving our innovation with engineering culture. Our core research and development team comprises top AI scientists who have accumulated working experience at prominent global technology companies. Our engineers also contains computer science graduates from top-tier universities including Tsinghua University and Peking University. As of the Latest Practicable Date, our team consisted of over 327 staffs, of which 55.0% are from our research and development team.

OUR STRATEGIES

Continuously improve and enrich our solution matrix

We will continuously improve and enrich our existing solution matrix by developing innovative solutions to meet the diverse and evolving needs of our users. The upgraded solutions are expected to empower content creators, enterprises and consumers by means of the following:

To content creators — connecting the entire content creation process:

- *Enhance features and functions:* We plan to further enhance our AIGC content creator solutions, for instance "Moyin Workshop", "DupDub", "Mozhuan Writing", "Weta365" and "Qi Miao Wen" in terms of comprehension, generation and transformation abilities, to empower content creators with further enhanced efficiency and conversion accuracy. We will also carry out comprehensive upgrade to our content creator platforms continuously and further develop new features and functions. As a result, our AIGC solutions is expected to become more adaptive to specific demands from content creators and thereby equipped us with the ability to assist content creators throughout the entire content creation process with our AIGC solutions.

- *Streamline adaptability to multiple systems:* We will strengthen the adaptability of our AIGC solutions to multiple systems, such as Android, iOS, and mini-programs.

- *Globalization:* We will also enhance our ability of globalization, including continuously upgrading "DupDub" with our latest features and functions, and adopting different languages in our AIGC solutions.

To enterprises — optimizing the capabilities of AI CoPilot in different application scenarios:

- *Embrace the AGI era:* AI CoPilot for enterprises has been meticulously tailored to meet their specific needs, empowering enterprises to enhance their existing repositories of data and product specifications. This enhancement significantly enhances the capabilities of our large language models, improving their responsiveness and competence in delivering informative responses to queries. With iteration on our capabilities in various application scenarios, such as automotive, finance, TMT and others such as healthcare and retail industries, of which AI CoPilot serves as digital labor effectively performing roles such as customer representative, pre-sales support and administrative assistant, we are able to empower enterprises for the challenges in the AGI era.

- *Expand industry verticals as well as application scenarios:* Leveraging our "Sequence Monkey", a large language model with multi-model generative capability, we are capable of assisting enterprises in performing and completing tasks across multiple industry verticals. With our experiences accumulated from serving enterprises across multiple industry verticals over the years, we will continue to iterate and optimize our AI enterprise solutions, including upgrade of automotive AI assistant and upgrade of bank intelligent customer services with dialogue compatibility. We aim to expand the scenarios to cover new industry verticals such as education and lifestyle, and to further promote AGI technology to all industry verticals.

To consumers — continuous improvement of consumer smart devices:

- *AI CoPilot technologies:* We have equipped our Smart Devices and Other Accessories with AI CoPilot technologies and will continuously invest in the research and development of our human-machine interaction model, aiming to roll out a full-function AI personal virtual assistant which can communicate and interact with users without time or location limit.

- *Software-hardware integration capabilities:* Leveraging our accumulated software-hardware integration capabilities, we will continue to develop new smart devices and accessories, particular focusing on the development of our TicWatch series.

Continuous investment in research and development and optimize capabilities of our multi-modal large language model, "Sequence Monkey"

Continuous upgrade, iteration and optimization of our multi-modal large language model, "Sequence Monkey" to better adapt to user needs by expanding our computing power, including spending on proprietary computing resources and entering into cooperation agreement with leading cloud computing providers. We will also continue to utilize data from various industry verticals through our cooperation with business partners. Leveraging our multimodal AI generation capabilities, we aim to increase the scale, improve the versatility and computational accuracy performance and minimize hallucination error, of our large language model. Hence, the technological infrastructure of our Al CoPilot solution matrix can be enhanced. For details, please refer to the paragraph headed "Future Plans and **[REDACTED]** — **[REDACTED]** — Development of our "Sequence Monkey", a multi-modal large language model" in this document.

We will also continue to invest in other infrastructure and enhance our user-in-the-loop ecosystem. We intend to invest continuously in research and development to remain at the forefront of the AI industry. We intend to utilize the data acquired from various industry verticals during our business operation to accelerate the iteration of our "Sequence Monkey", a multi-modal

large language model and continuously improve our solutions. We will also perform vertical optimization on the application scenarios. We also intend to upgrades existing program algorithm through recruitment of talents or acquisition of technologies from quality companies.

Further strengthening our commercialization capabilities

Improving our solution quality and monetization structure

We aim to improve our service quality and optimize our solutions and underlying technologies with the goal of attracting more content creators, enterprises and consumers, aiming to achieve product-led growth. Meanwhile, we will focus on enhancing our monetization model by introducing more value-added services and premium features such as additional voice packages and personalized image customization.

Enhancing our marketing capabilities

Leveraging our strong technological know-how and extensive solution offerings, we intend to enlarge our content creators, enterprises and consumer base through enhancing the efficiency of sales and marketing teams and formulation of nimble promotion strategies based on the localized needs of our customers from different regions or venues.

Expand our international reach

We aim to capitalize on our in-depth industry knowledge and experience to further enhance our global business exposure through overseas market expansion.

Further localization in international markets and solution upgrades

We aim to carry out further localization of our AIGC solutions based on local user needs and habits, for example, to equip such solutions with different languages and popular localized platforms, thereby attracting a larger overseas user base. Furthermore, we are planning to upgrade "DupDub".

We also intend to promote our Smart Devices and Other Accessories by expanding the application of our human-machine interaction to other languages for smartwear application platforms, and to upgrade our Smart Devices and Other Accessories for globalization. In addition, we will expand our international enterprise coverage to unlock new business opportunities.

Attract AI talents to supplement our globalization strategy

Furthermore, we will continue to introduce prominent technologies and recruit AI talents in overseas market with international vision, thereby solidifying infrastructure foundation and resources for the implementation of our globalization strategy.

Pursue strategic cooperation, investments and acquisitions

We will continue to build strategic cooperation with leading companies in the AI industry. We also plan to seek opportunities for strategic cooperation, investments and acquisitions to enhance our technologies and brand awareness, and further solidify our competitive and market position in the AI industry. We believe this will expand our business scale and solidify our competitive position. We will closely monitor upstream and downstream companies that can create synergies with our business. As of the Latest Practicable Date, we had not identified any definite targets for strategic cooperation, investments and acquisitions.

OUR SOLUTIONS

Our position as a market player in the AI industry in China, leveraging our AIGC and voice interaction technologies at the core of our business, has successfully translated into our commercialization capabilities and growth in our solution matrix covering various scenarios. Since our inception in 2012, we have accumulated AI solutions and expertise in the field of NLP and ASR, which have enabled us to develop and expand our innovative solutions over the years. With the integration of our AI technologies and modules into consumer devices, we have launched our Smart Devices and Other Accessories, such as our AI smart watch — TicWatch series, offering consumers with voice-based human-machine interaction. Our TicWatch series has proven the successful application and achievement in commercialization of our AI technologies. Furthermore, we have also extended the application of our AI technologies and introduced AI enterprise solutions to enterprises. Over the years, we have been developing and expanding the application scenarios of our AI enterprise solutions to cover intelligent pre-installed automotive voice interaction solutions as well as other solutions for enterprises in different industry verticals. Leveraging our prominent underlying AI voice technological structure, algorithm and solution integration capabilities and globalized genes accumulated in our Smart Devices and Other Accessories and AI enterprise solutions business, according to CIC, we are one of the first market players in commercializing AIGC technologies in the industry. Since 2020, we have been carrying out rapid iteration and optimization of our AIGC solution matrix and continued to embark on the next generation of human-machine interaction. Our AIGC solutions have proven track record in the market and are widely accepted by customers, especially content creators. Our rapid development, iteration and upgrade of large language model has enabled us to lead in the commercialization of

our AIGC technologies and to build our AIGC solutions, such as "Moyin Workshop", "DupDub", "Mozhuan Writing", "Weta365" and "Qi Miao Wen" to assist content creators in the entire content creation process.

The following table sets forth our revenue, gross profit and gross profit margin from continuing operations by business line for the years indicated:

	For the year ended December 31,								
	2021			2022			2023		
	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross profit	Gross Profit Margin
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
AI Software Solutions	59,519	37,351	62.8	302,888	284,148	93.8	343,247	290,901	84.7
— AIGC solutions	6,822	4,695	68.8	39,857	35,094	88.0	117,605	108,384	92.2
— AI enterprise solutions	52,697	32,656	62.0	263,031	249,054	94.7	225,642	182,517	80.9
Smart Devices and Other Accessories	338,395	111,845	33.1	197,306	52,003	26.4	163,813	35,178	21.5
Total	**397,914**	**149,196**	**37.5**	**500,194**	**336,151**	**67.2**	**507,060**	**326,079**	**64.3**

The following table sets forth our revenue by geographical locations of end customers for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Mainland China	97,191	24.4	290,944	58.2	328,512	64.8
United States	73,683	18.5	55,372	11.1	34,600	6.8
United Kingdom	24,232	6.1	22,430	4.5	15,984	3.2
Italy	50,458	12.7	23,756	4.7	13,754	2.7
Spain	15,047	3.8	11,556	2.3	8,326	1.6
Germany	25,586	6.4	6,417	1.3	33,189	6.5
Japan	14,961	3.8	19,781	4	13,802	2.7
Brazil	7,222	1.8	15,972	3.2	18,435	3.6
Other countries or regions	89,534	22.5	53,966	10.7	40,458	8.1
Total	**397,914**	**100.0**	**500,194**	**100.0**	**507,060**	**100.0**

Our revenue from Mainland China amounted to RMB97.2 million, RMB290.9 million and RMB328.5 million for the years ended December 31, 2021, 2022 and 2023, respectively, representing 24.4%, 58.2% and 64.8% for the same years. The overall increase in our revenue from Mainland China as a percentage of our total revenue was due to (i) the introduction of our AIGC solutions in 2020 from which more than 99% of our revenue was generated in Mainland China; and (ii) the IP rights arrangements with Automotive Sub A, which commenced in 2021. Automotive Sub A was our largest customer in 2022 and 2023, from whom we generated revenue of RMB3.2 million, RMB213.0 million and RMB138.8 million, accounting for 0.8%, 42.6% and 27.4% of our total revenue in 2021, 2022 and 2023, respectively.

AI Software Solutions

Our AI software solutions consist of AIGC solutions and AI enterprise solutions. Leveraging our voice interaction capabilities and our large language model with multi-modal generative capability, "Sequence Monkey", we serve content creators with our AIGC solutions. We also serve over 100 enterprises from various industries with our AI enterprise solutions.

The following table sets forth our revenue from the segment of our AI Software Solutions by geographical locations of end customers for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	AIGC solutions	AI enterprise solutions	AIGC solutions	AI enterprise solutions	AIGC solutions	AI enterprise solutions
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mainland China	6,822	29,388	39,758	223,287	116,843	204,229
United States	—	15,177	—	24,827	393	10,172
Brazil	—	—	—	3,018	2	7,019
Other countries or regions	—	8,132	99	11,899	367	4,222
Total	**6,822**	**52,697**	**39,857**	**263,031**	**117,605**	**225,642**

AI Software Solutions — AIGC solutions

AIGC solutions is the latest development in the field of content creation which involves the use of AI technologies to assist users to generate content for different application scenarios, such as short videos, social media posts and marketing materials. By replacing basic labor processes, our AIGC solutions enable users to improve their productivity and enhance efficiency in content creation. As one of the market players in development and commercialization of generative AI in

Asia, we have accumulated profound cutting-edge large language model capabilities which have enabled us to stay ahead in the industry. We are committed to providing AIGC solutions for content creators over the world. As of the Latest Practicable Date, we had built our AIGC solution matrix and created a one-stop content creation suites including, "Moyin Workshop" — our AI voiceover assistant, "Mozhuan Writing" — our AI writing assistant and "Weta365" — our AI avatar. Our AIGC solutions on one hand enables content creators to enhance their video production, livestreaming and content creation capabilities and efficiencies, and on the other hand allows us to achieve a user-in-the-loop ecosystem with human-machine interaction.

The following table sets forth a summary of our key AIGC solutions:

	Moyin Workshop	Mozhuan Writing	Qi Miao Wen	Weta365	DupDub	AI Ask365
Targeted customers	Content creators and enterprises	Content creators	Content creators	Content creators and enterprises	Content creators	Enterprises
Usage and functions	An online intelligent voiceover solution that can convert written text into natural voice. It provides voice models of different genders and accents to create voiceovers directly based on the inputted text. It can be applied to short videos and more.	An AI-written content generation solution. Its functions include real-time smart correction and rewording, AI writing, the word dictionary, multilingual translation and text extraction.	An AI-written content generation solution and an upgraded version of "Mozhuan Writing". In addition to the existing features of "Mozhuan Writing", it enables an easier, faster and more accurate interactive process.	A video and live streaming solution with provisions of voice and image clone and 3D avatar personalization.	An overseas integrated version of "Moyin Workshop", "Mozhuan Writing", "Weta365" and "Qi Miao Wen" with the same functions.	A solution for creating AI-empowered digital personnel that possesses NLP capabilities and is able to interact autonomously with audience in a conversational manner.
Average subscription period *(Note 1)*	14.2 months	2.9 months	2.1 months	9.3 months	8.5 months	12 months
Range of subscription/project period	One month to 24 months	One month to 12 months	One month to 12 months	One month to 12 months	One month to 12 months	12 months

	Moyin Workshop	Mozhuan Writing	Qi Miao Wen	Weta365	DupDub	AI Ask365
Fee range	Approximately RMB48-999 *(Note 2)*	Approximately RMB54-408 *(Note 2)*	Approximately RMB40-326 *(Note 2)*	Content creators: approximately RMB298-2,499 *(Note 2)* Enterprises: approximately RMB2,500-1,000,000 per project	Approximately USD15-1,320 *(Note 2)*	Approximately RMB30,000-670,000 *(Note 2)*
Fee arrangement	Subscription *(Note)*	Subscription *(Note)*	Subscription *(Note)*	Subscription *(Note)* or contractual payment term	Subscription *(Note)*	Contractual payment term
Sales and distribution channels	Official website	Official website	Official website	Official website	Official website	Official website

Notes:

1. Average subscription period is calculated by dividing the aggregate subscription period from all orders by the number of paying users over the Track Record Period.

2. The fees and fee arrangements vary depending on the subscription plans selected by our users. We offer one-month, one-year and two-year plans and payment is made prior to the start of the plan period. Users who opt for longer-term plans are charged a lower average monthly rate.

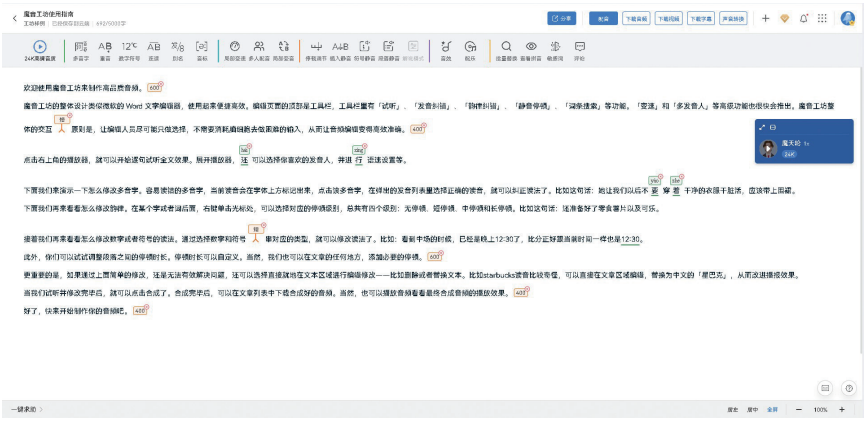
"Moyin Workshop" — Our AI voiceover assistant

In 2020, we built and released our voiceover assistant, "Moyin Workshop". Leveraging our self-developed model, content creators can create voiceovers and other audio-based content through our AI-empowered solutions.

"Moyin Workshop" is a platform for creating AI-generated content by leveraging NLP algorithms to analyze written text and convert the written text into natural voice. It offers more than 1,000 voice styles as well as a diversified portfolio of voice samples sourced from external vendors, and supports 37 languages and 15 dialects. It enables AI-generated content to be customized for different application scenarios, for example, an AI avatar in a video can use "Moyin Workshop" to deliver news or weather updates in a particular accent or tone of voice that the content creator prefers. This would also be beneficial for enterprises with high demand in mass production as written content can be quickly transformed into spoken words without extra recording work, while the audio content is highly editable. As we intend to empower content creators with our prominent technologies, apart from "Moyin Workshop", we have also launched "DupDub" for overseas content creators and an enterprise version which enterprises can deploy

through API integration. The enterprise version allows users from the same enterprise to interact and cooperate with enterprise functions, for example, collaborative editing, audio sharing, comment, imitation, membership restriction and data management functions. Our "Moyin Workshop" is built with six core functions, (i) software voiceover — Text-to-Speech; (ii) voice actor dubbing; (iii) voice store; (iv) efficient tools; (v) voice cloning; and (vi) video editing:

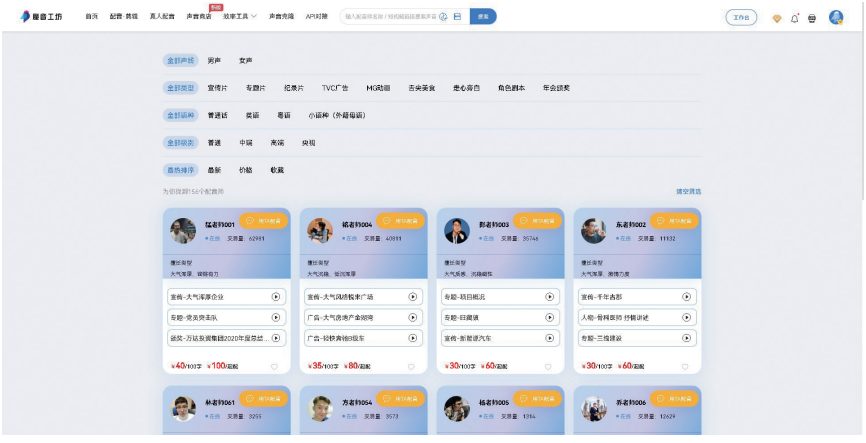
(i) Software voiceover — Text-to-Speech



By utilizing the Text-to-Speech function, our users can generate a piece of 24K or 48K high quality audio from text content (maximum 5,000 words) in one go.

Our users can also use the toolbar to edit the text content to adjust the pronunciation of certain words (correcting polyphone, alias, accent) and the speed of the dialogue audio, insert pause between the sentences and insert sound effect and soundtrack in the audio.

(ii) Voice actor dubbing



Users can designate a real-person voice actor on the platform to provide a one-to-one voiceover service on a provided script for genre in advertisement, documentary and featured video in different characters, dialects and languages.

Users can filter out the most suitable voice actor on the platform according to the genre of the video. Voice actors can attend a 10-minute free audition with the user for trial and assessment purpose. After the user has chosen the voice actor, the user will be charged based on the number of words of the script provided by the user.

(iii) Voice store

In the voice store, hundreds of virtual voice models developed on real person voice data are available to users.

Users can first listen to the trial of the voice model in different style, and then decide to purchase for utilizing some particular voice models for a fixed period to make unlimited audio.

The platform can assist users in searching for the most suitable voice model by matching the voice model with users' preference. For example, if a user selects "field — documentary", "tone — gentle", "language — Putonghua", "gender — male", "age — 21-30" and "fee — payment required", the voice store will lead the user to the voice model of "MoWuJi (魔無忌)".

(iv) Efficient tools

"Moyin Workshop" also provides efficient tools for video editing such as transcript extractor, automatic video timeline fixer, background soundtrack fixer, human voice fixer and thumbnail creator.

For the transcript extractor, users can extract transcript from a video/audio of no longer than 20 minutes in less than two minutes, by either uploading the video/audio file or provide the hyperlink of the video clip from different platforms. The upload of the video/audio file and the provision of a hyperlink will not result in the transfer of ownership. The transcript extractor as of the Latest Practicable Date support hyperlink from more than 20 social media platforms, including Douyin, Kuaishou, Xiaohongshu and Bilibili. To enhance the accuracy of the transcript, users can also provide the name of the video and the language of the audio.

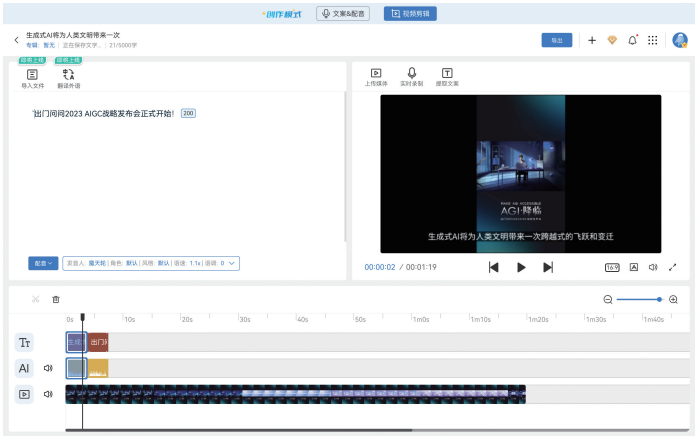
Our background soundtrack fixer allows users to upload the video/audio file of no longer than 10 minutes to extract the background soundtrack from the audio or remove the background/main soundtrack from the video.

Our human voice fixer allows users to upload the video/audio file of no longer than 10 minutes, to extract the human voice soundtrack from the audio or remove the human voice soundtrack from the video.

(v) Voice cloning

Users can develop virtual voice model based on their own voice. After a user providing us with a recording of four to five hours of his/her own voice, our voice cloning function can generate a voice model based on the recording in 72 hours. Users can create audio freely with their customized voice model anytime thereafter. Additionally, we have developed a simplified version of our voice cloning function which only requires three minutes of a user's recording. This version takes approximately one hour of processing time to generate a voice model.

(vi) Video editing



"Moyin Workshop" transforms the way users create professional video content with our all-in-one solution. Our video editor offers a variety of features, including easy external content importing and transcription, screen recording, one-click subtitling, auto-translation, and standard video editing functions like cropping and cutting.

"Moyin Workshop" can create a realistic and dynamic voiceover for AI avatar and environments which would be a vital element in the development of metaverse. As the content creation industry continues to evolve, it provides a breakthrough to the bottleneck in productivity and generates high-quality content efficiently.

"Mozhuan Writing" — Our AI writing assistant

Our AI writing assistant "Mozhuan Writing" is a solution launched in September 2022 for creative writing purposes. It is a solution established with NLP capability to support functions such as copyediting and proofreading. In addition to those similar functions offered by other traditional writing software, leveraging our self-developed "UCLAI," "Mozhuan Writing" allows users to input keywords to generate a complete paragraph or an article. Its AI writing function can support different application scenarios, for example, marketing article writing and creative writing.

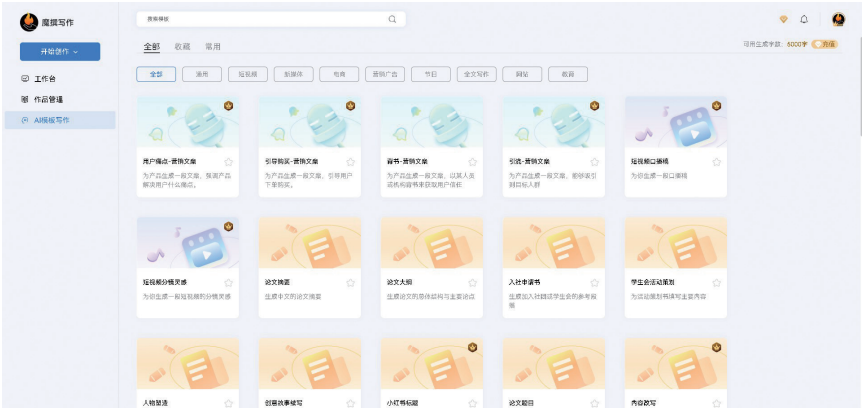
(i) Smart correction

This function helps to automatically correct typos, punctuation and grammatical mistakes, which enhances the efficiency of proofreading process.

(ii) Rewording tool

Rewording tool is a function that helps recommend the best wordings to be used in the context and provide suggestions to users to reframe their articles with figurative language such as simile and rhetorical question, which enables users to express themselves effectively as intended.

(iii) AI writing



The AI writing feature supports functions of template searching and creative writing to produce short video scripts, news clips, marketing advertisements and story composition.

Users can use the AI writing feature to generate content for various scenarios, such as business proposals, creative stories and titles for social media.

By simply filling in required fields, it can finish the paragraph or article in accordance with the keywords provided with a maximum of 500 words.

(iv) Word library

Word library is a built-in tool with dictionary function and database for synonyms, antonyms and famous quotes. It aims to provide users with different ideas to improve the quality of writing.

(v) Machine translation

Machine translation function empowers users to overcome the language barriers and expand users' reach with the click of a button to seamlessly translate their articles into 14 different languages.

"Qi Miao Wen" — Our AI writing assistant

Our AI writing assistant "Qi Miao Wen" is a solution launched in November 2023 for writing creation purposes and an upgraded version of "Mozhuan Writing". In addition to all those features in "Mozhuan Writing", "Qi Miao Wen" offers interactive dialogue.

The interactive dialogue function allows users to express themselves effectively by giving instructions directly in a natural and conversational manner with regard to the written content. Leveraging its advanced NLP capabilities, the solution thoroughly analyzes and comprehends user inputs so as to generate new written content that is tailored to meet users' requests.

After the launch of "Qi Miao Wen", content creators will gradually be guided from "Mozhuan Writing" to "Qi Miao Wen". As such, we anticipate that the number of subscriptions in relation to "Mozhuan Writing" will decrease whilst there would be an increase in the user subscription rate of "Qi Miao Wen", although there is no expected timeframe or any anticipated schedule for the replacement as of the Latest Practicable Date.

"Weta365" — Our AI avatar

Our AI avatar, "Weta365," is a video and live streaming solution launched in March 2022. This solution enables users (i) to clone their voice, image, customize their virtual avatar and to personify brand image; (ii) to produce AI-generated video contents for various application scenarios, such as training and education, corporate advertisements, news reporting and online customer services; and (iii) to create avatar and virtual scenes for the purpose of conducting livestreaming via third-party live streaming platforms. Leveraging our NLP and machine learning capabilities, the AI avatar can be programmed to simulate human-like appearance and motion in order to provide a more engaging experience to viewers.

(i) Voice cloning, image cloning, customization on avatar and brand image personification:

Voice & face cloning

"Weta365" revolutionizes the way content creators create voiceovers with our human-like voiceover tool, which is capable of producing natural-sounding recordings in seconds. It takes things even further with our AI avatar cloning technology, enabling content creators to create lifelike AI avatars on demand. Our advanced image and voice-cloning results are like real persons, and require just a few clips to clone an AI avatar. Our AI avatar can be utilized for mass production of videos, empowering content creators to create high-quality content at scale, saving time and resources for content creators while maintaining consistent quality with our advanced technology.

3D avatar customization

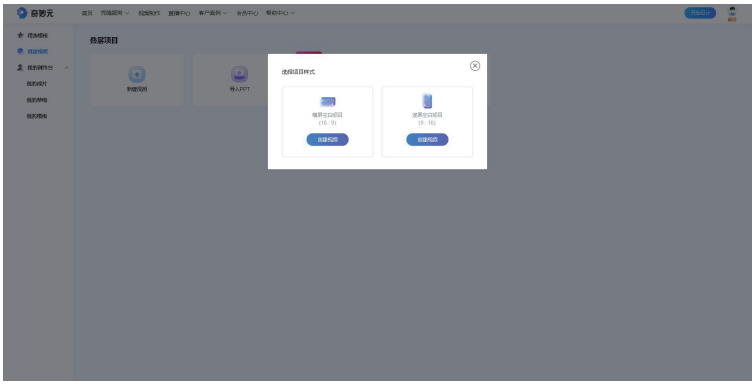
In addition to our face cloning technology, we also offer cutting-edge 3D avatar customization solutions. With our platform, content creators have the freedom to fully customize their AI avatars, including style, motions, costumes, and accessories. Unlock new levels of creativity and engage content creators' audience with visually stunning, personalized AI avatars.

Enterprise IP revolution

Traditional corporate mascots often suffer from flat, limited imagery, and low commercial value. However, with "Weta365," enterprise users can develop a more dynamic and engaging brand image with a unique personality and distinct characteristics. With advanced face and body motion capture technologies enable corporate mascots to interact with their audiences in real-time, bringing new life and vitality to the brand. Our "Weta365" unlocks the full potential of corporate mascot and leaves a lasting impression to enterprise users' customer.

(ii) AI-generated video content for various application scenarios:

Our "Weta365" platform is built with a user-friendly interface which is compatible with both mobile devices and computers and supported by a comprehensive database with an enormous amount of virtual background materials such as different venues and lighting settings. Content creators can create a video with an AI avatar reading out the content provided in around five minutes, by following a simple four-step approach as shown below:



Step 1. To start from either selecting a given template or creating users' own content.

Step 2. To pick an AI avatar and input a transcript with adjustments.

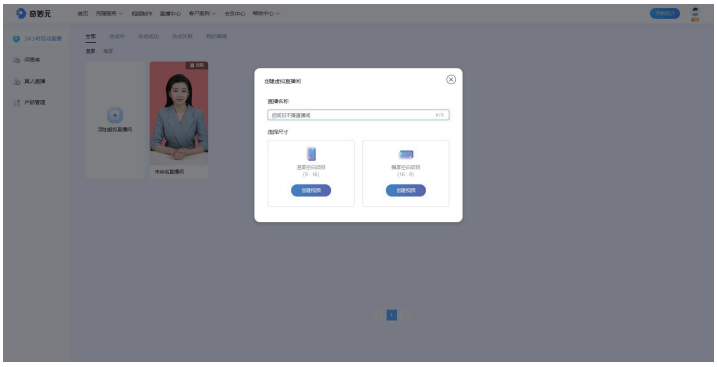
Step 3. To edit the background of the video matching the theme and content of the video.

Step 4. To generate and export the video as the final product after editing.

(iii) Create AI avatar and virtual scenes for purpose of livestreaming:

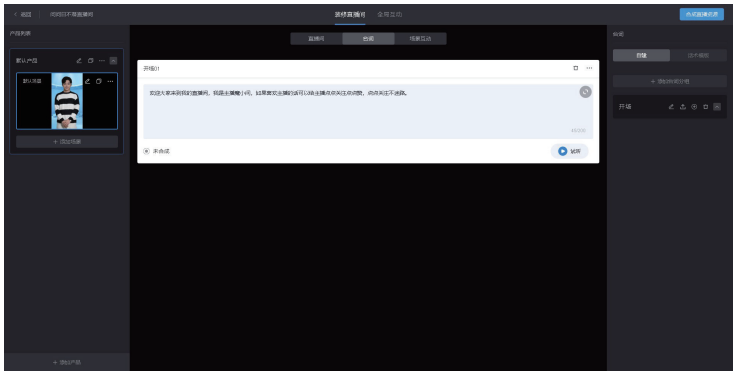
Content creators can create their own AI avatar and virtual scenes. Content creators can also control their AI avatar in real-time through cameras or motion capture devices and livestream through other third-party live streaming platforms.

24-hour automatic livestreaming



Step 1. To create a virtual livestreaming by selecting "24-hour automatic livestreaming" — "add virtual livestreaming".

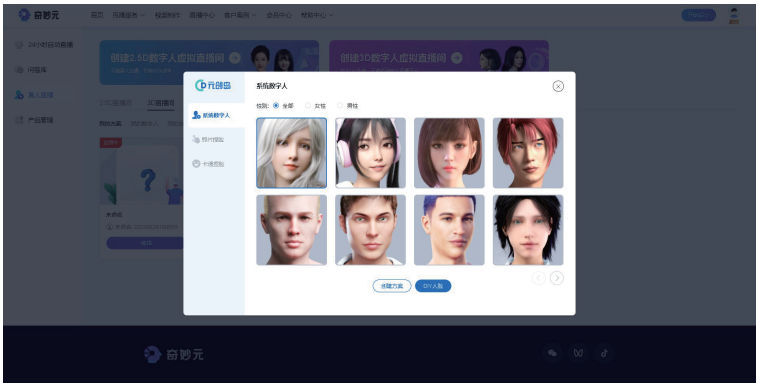
Step 2. To select an AI avatar and customize the livestreaming room by inserting the background, pictures, music and title.



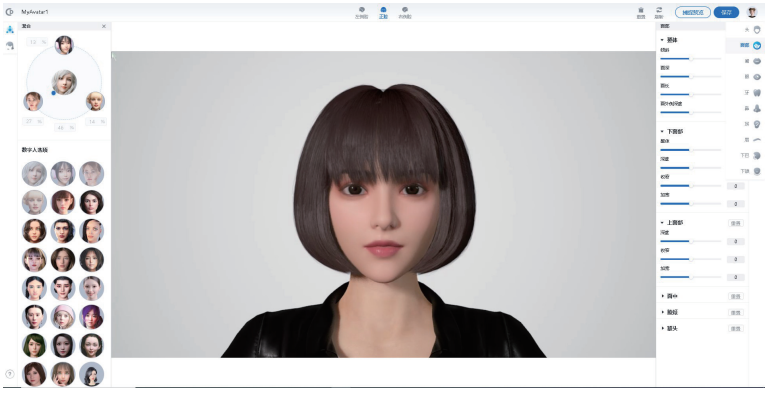
Step 3. To edit the dialogue script with various voice over style.

Step 4. To start the 24-hour virtual livestreaming with local rendering application.

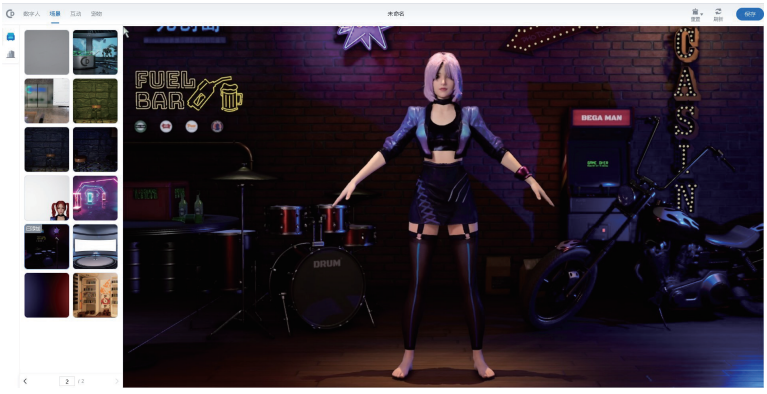
3D avatar livestreaming



Step 1. To create a virtual livestreaming by selecting "create 3D AI avatar virtual livestreaming."



Step 2. To select an AI avatar or to create an AI avatar with different facial feature.



Step 3. To customize the AI avatar by selecting the background, accessories, special effects and animated motion.

Step 4. To start the virtual livestreaming by clicking "AI avatar livestreaming — 3D" in local or cloud rendering application connecting with other livestreaming platforms.

With "Weta365"'s Live Controller, the content creators can animate the AI avatars' facial expressions and motion by external devices, which allows content creators to maintain the atmosphere and interactiveness of the livestreaming rooms. The AI avatars are also capable of performing a variety of smooth animations to enhance interaction with the intended audience.

"AI Ask365" — Our AI-empowered digital personnel creator

In November 2023, we officially launched a solution targeting enterprise customers, featuring the creation of AI-empowered digital personnel who can act autonomously based on prescribed scenarios. The AI-empowered digital personnel created are equipped with NLP capabilities enabling them to understand and interpret human language, and respond to question user queries and engage in conversations in a manner that simulates human interaction. Enterprises that engage us in the development of a digital personnel will gain exclusive access to our AI Ask365 online platform, which is equipped with a wide range of features.

(i) Simplicity

Enterprises who engage us in the development of a digital personnel will have access to our AI Ask365 online platform. A feature of the platform is its simplicity, allowing enterprises to create their own digital personnel easily. With just three steps, enterprises can generate customized interactive digital personnel.

Step 1. Image configuration

The platform offers a diverse array of options for customizing the appearance and sound of digital personnel. Enterprises have the freedom to select from a wide range of visual elements and audio attributes in order to create a character.

Furthermore, we provide offline customization services for digital personnel. In instances where our image database lacks the desired appearance that a client is seeking, our technical staff is available to develop a new avatar offline. This avatar can then be uploaded to the platform, allowing users to select a tailor-made appearance that suits their specific needs. For example, an enterprise may desire its founder or brand ambassador to be presented as its digital personnel.

Step 2. Scene configuration

Enterprises have the flexibility to define the background in which the digital personnel will operate. This includes customizing backgrounds and user interface components to create a personalized setting. Additionally, enterprises can set up active and sleep modes to control how the digital personnel engage with users when they are in different states.

Step 3. Role configuration

Users can define the roles and characteristics of the digital personnel. This allows for assigning specific tasks or functions to the digital personnel. The platform also includes an intelligent knowledge base, enabling the digital personnel to provide answers or assistance based on their defined roles.

In addition, enterprises can upload to the platform certain content in various formats. The digital personnel, equipped with NLP technology, will provide answers and responses based on their comprehension of the uploaded content. This feature enables seamless integration of enterprise-specific information and allows the digital personnel to interact intelligently with users, providing accurate and contextually relevant information.

(ii) Multi-terminal display

After the digital personnel is created, it can be launched through various media channels. This means that the digital personnel can be showcased and interacted with across various devices, such as computers, smartphones, tablets, or other compatible platforms. This ensures a consistent and convenient experience regardless of the device used, providing flexibility and accessibility to its end users.

We go beyond software and provide intelligent integrated hardware specifically designed for large screens. This hardware is equipped with advanced functionalities including:

(a) Directional audio reception: The large-screen hardware has the ability to capture audio from a specific direction or area. This enables the digital personnel to focus on and respond accurately to audio input coming from a particular source. It enhances the precision and effectiveness of interactions, ensuring that the digital personnel can provide targeted responses.

(b) Voice recognition: The integrated hardware supports voice recognition technology, enabling the digital personnel to understand and interpret spoken commands or queries from end users. This feature enhances the interactivity and responsiveness of the digital personnel, making the user experience more intuitive and user-friendly. End users can communicate with the digital personnel through voice commands, enabling a more natural and convenient interaction.

(c) Facial recognition: The integrated hardware is equipped with facial recognition capabilities. This allows the digital personnel to identify and recognize individuals based on their facial features. Facial recognition can be utilized for personalized interactions, security purposes, or to provide tailored services to individual users. It adds a layer of personalization and customization to the user experience, making the interactions with the digital personnel more engaging and personalized.

The following table sets forth a breakdown of our revenue from AIGC solutions by fee arrangement for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
AI Software Solutions — AIGC solutions			
— Subscription fees	6,585	35,533	101,490
— Project-based fees[(Note)]	237	4,324	16,115
Total	6,822	39,857	117,605

Note: Project-based fees are applied to enterprise customers who request for tailor-made AIGC solutions, such as the creation of a digital human which possesses generative AI features.

The rapid growth in number of paying users as well as average revenue per paying user throughout the Track Record Period was primarily attributable to our continuous efforts in enhancing the features and functions offered by our AIGC platforms, including built-in AI voiceover, AI copywriting and AI virtual characters, and the growing demand for high-quality content creation driven by an increasing number of content creators such as KOLs in various social media channels. Our ongoing efforts and the growing market demand also resulted in the launch of various AIGC platforms and the addition of more features and add-ons that our paying users could

purchase on top of their subscriptions on our AIGC platforms, consequently leading to higher average revenue per paying user during the Track Record Period. During the Track Record Period, our average acquisition cost per paying user also increased in tandem with our inclination to raise channel fees and seize a larger market share, driven by the observed increase in average revenue per paying user. The following table sets forth the number of paying users and the average revenue per paying user, the number of registered users and monthly active users, as well as the average acquisition cost per paying user and registered user for our AIGC solutions for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
Number of paying users *(Note 1) ('000)*	63	237	410
Average revenue per paying user *(Note 2) (RMB)*	104	150	248
Number of registered users *('000)*	1,454	2,982	4,038
Number of monthly active users *(Note 3) ('000)*	N/A	1,045	1,970
Average acquisition cost per paying user *(Note 4) (RMB)*	31.8	54.0	133.1
Average acquisition cost per registered user *(Note 5) (RMB)*	1.4	4.3	13.5

Notes:

1. Paying users refer to users whose payments for subscription, renewal and/or other purchases were made on any of our AIGC platforms during the year indicated. Users whose subscriptions were carried forward from the previous year and expired, without renewing, during the year indicated are excluded.

2. Average revenue per paying user equals total revenue from subscription fees in connection with our AIGC platforms divided by the number of paying users and multiplied by 100%.

3. Monthly active users refer to users who access our AIGC platforms monthly. The number of monthly active users is not applicable for the year ended December 31, 2021, as we started to analyze our monthly active users since August 2022 when our user base reached a significant level that justified the cost of analysis.

4. Average acquisition cost per paying user equals total channel fees in connection with our AIGC platforms divided by number of paying users and multiplied by 100%.

5. Average acquisition cost per registered user equals total channel fees in connection with our AIGC platforms divided by number of registered users and multiplied by 100%.

The following table sets forth a breakdown of the number of paying users and the number of registered users by our AIGC solution matrix:

	"Moyin Workshop"	"Weta365"	Others
Number of paying users[(Note)] *('000)*	2021: 63	2021: N/A	2021: N/A
	2022: 236	2022: 0.6	2022: 0.4
	2023: 404	2023: 2	2023: 4
Number of registered users ('000)	2021: 1,454	2021: N/A	2021: N/A
	2022: 2,957	2022: 4	2022: 21
	2023: 3,625	2023: 48	2023: 365

Note: Paying users refer to users whose payments for subscription, renewal and/or other purchases were made on any of our AIGC platforms during the year indicated. Users whose subscriptions were carried forward from the previous year and expired, without renewing, during the year indicated are excluded.

The increase in our average revenue per contract from our project-based AIGC solutions from RMB26,000 in 2021 to RMB139,000 in 2022 was due to the continuous maturity, improvement in features and variety of our solutions. It mildly dropped to RMB134,000 in 2023 as we successfully launched our new AI Ask365 platform in late 2023. As some of our solutions on this platform had become mature, they could be standardized and offered at lower costs. The following table sets forth the average revenue per contract from our project-based AIGC solutions for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Average revenue per contract [(Note)]	26	139	134

Note: Average revenue per contract is calculated by dividing the total revenue from our project-based AIGC solutions by the total number of contracts for these solutions. Our projects may involve one or more contracts.

API integration feature

Our content creators can access our solutions offerings through API integration which covers "Moyin Workshop," "Mozhuan Writing" and "Weta365." This can be achieved through connecting our API to content creators' website, software applications or any other system interface that is compatible with major coding methods such as JAVA, Python2 and Python3.

Such integration would provide benefits to our content creators through:

- Increased functionality with time and cost efficiency: Our solutions APIs can provide access to additional functionalities that may not be available natively on our content creators' website or application. Rather than developing new functionality from scratch, integrating APIs can save time and cost by leveraging our mature and well-developed technologies in AIGC solutions. This can be particularly beneficial for small businesses or startup companies with limited resources.

- Scalability: Our solutions offered through APIs can increase the scalability of our client's websites by increasing their traffic handling capability without compromising performance. By offloading certain tasks to our APIs, they can focus on delivering a better user experience without worrying about scalability issues.

AI Software Solutions — AI enterprise solutions

We offer innovative voice-enabled AI-based solutions primarily to enterprises, aiming at solving their pain points and maximizing value for them. We deliver various solutions such as cloud-based solutions, embedded solutions, online-offline integrated solutions and technology/intellectual properties licensing solutions. As of the Latest Practicable Date, we had established an extensive solution matrix specifically for a particular or across multiple industry verticals, such as automotive, finance, TMT and others such as healthcare and retail industries.

The following table sets forth a summary of our key AI enterprise solutions by industry verticals:

	Automotive Industry	Finance Industry	TMT	Others
Targeted customers	Automotive enterprises	Banks and insurance companies	Technology, media and telecom enterprises	Other enterprises

	Automotive Industry	Finance Industry	TMT	Others
Usage and functions	The voice interaction function can provide automotive enterprises with pre-installation in their automotive products. Depending on the needs of automotive enterprises as well as configurations of specific automotive models, we offer diverse solutions in various forms including intellectual properties licensing that cover one or more aspects along the entire process of voice interaction. With such solutions, users can fully enjoy the benefits brought by the internet of vehicles through voice interactions, including the synergy among interconnected in-vehicle devices as well as the cross-scenario connections between automotive and external networks and devices.	The AI customer service system with speech recognition and semantic understanding functions can deal with end customers' demands in an efficient manner. The intelligent voice quality inspection system can convert imported audio files to text by speech-to-text technology and analyze the text according to the imported call data to ensure service quality.	The AI software-embedded hardware can cater to enterprises' highly customized demand for software-hardware integrated solutions. For example, functions such as schedule notification and Bluetooth positioning functions can be embedded into various smart devices. With AI-based, voice-enabled, language technologies and strong software-hardware integration capabilities, the tailor-made smart devices can satisfy enterprises whose demands require strong software design capabilities and software-hardware integration abilities.	Solutions with voice chat robot functions can enhance enterprises' business operations and lower operational costs. These solutions can improve the quality of services provided through intelligent learning on the accuracy of online models. The solutions are able to identify and recognize verbal interruptions, rhetorical questions, non-response and change of topic in the dialogue to provide realistic and humanoid responses. Further, enterprise customers can customize the dialogues based on their business aims and guide the users to solve their own enquiries through the customized multi-round dialogues.

	Automotive Industry	Finance Industry	TMT	Others
Average contract price [(Note 1)]	Historically, our high-value customers had large contribution to the Group's revenue growth and we expect the contract price of our projects with the automotive industry excluding high-value customers will be within the range of RMB1-10 million on average in the coming years. [(Note 2)]	Approximately RMB0.7 million	Approximately RMB0.45 million [(Note 2)]	Approximately RMB0.7 million
Range of contract period	Three years	Nine months to one year	20 days to two years	Four months to three years
Fee arrangements	Contractual payment term	Contractual payment term	Contractual payment term	Contractual payment term
Sales and distribution channels	In-house sales team and channel partners [(Note 3)]	In-house sales team and channel partners [(Note 3)]	In-house sales team and channel partners [(Note 3)]	In-house sales team and channel partners [(Note 3)]

Notes:

1. Average contract price may vary considerably by the terms and duration of a contract and the type of services provided.

2. The calculation of the average contract price has not taken into account our high-value customers. They are excluded to present a clearer visualization of the analysis.

3. We primarily sell our AI enterprise solutions through our in-house sales team who engage in sales activities through phone calls and onsite visits. We also collaborate with our channel partners to leverage the network effect and word-of-mouth referrals by stakeholders, while actively exploring market opportunities.

Our industry verticals — 1. Automotive industry

We develop and provide voice interaction solutions to automotive enterprises for pre-installation in their automotive products. Depending on needs of automotive enterprises as well as configurations of specific automotive models, we offer diverse solutions in various forms including intellectual properties licensing that cover one or more aspects along the entire process of voice interaction. With such solutions, users can fully enjoy the benefits brought by internet of vehicles through voice interactions, including the synergy among interconnected in-vehicle devices as well as the cross-scenario connections between automotive and external network and devices.

Our intelligent automotive solutions offer key features as follows:

- ***Voice interaction functions.*** Underpinned by our proprietary AI-based language technologies, our intelligent automotive solutions can offer all mainstream voice interaction functions available in the market. For example, users can enjoy our intelligent automotive solutions, with auxiliary functions such as phone calls, navigation, air conditioning, and checking of weather, flights and hotels through default hot words and personalized hot words.

- ***Multiple languages and dialects.*** As of the Latest Practicable Date, our intelligent automotive solutions had supported four languages and dialects, including Mandarin, Cantonese, Taiwanese and Sichuan dialect.

- ***Accurate online and offline recognition.*** Our intelligent automotive solutions enable both online and offline access. Our solutions can achieve at least 91% of accuracy rate of online ASR and at least 88% of offline ASR.

Case Study

Background. Our client is an international automotive manufacturer with long operating history and abundance of product lines, including mini cars, sedan, sport cars, SUVs and commercial vehicles. In view of enhancing the innovativeness of its products, our client wished to develop in-vehicle intelligent voice interaction capabilities for its customers and to build up voice-interacted in-car control and search functions, to provide the users with a more convenient and intelligent driving experience.

Solution. We provide comprehensive intelligence voice interaction solutions to build up an intelligent and personalized smart cockpit experience. Leveraging technical capabilities such as signal processing, hot-words triggering, speech recognition, natural language understanding and voice synthesis, we introduce our client with high-quality voice interaction capabilities for different vehicle models, together with online and offline voice interaction functions, ensuring that the system can still function well under weak network condition. With embedding our solutions, users can experience efficient end-to-end intelligent voice interaction with low power consumption, low latency and dual network.

Our industry verticals — 2. Finance Industry

We offer a set of voice interactive solutions including speech dictation, natural language understanding and speech synthesis, with the aim to introduce auxiliary functions to financial institutions that could lower their manpower consumption.

Applications

- *Fraud detection*: Financial institutions can conduct multi-round dialogues with their customers based on a dynamic questionnaire and cross check responses provided on a rolling basis, thereby recognizing any inconspicuous deficiencies. This solution also features multi-modality biometric recognition technologies by employing a combination of face recognition, voiceprint recognition and micro-expression detection. Based on detection results, an evaluation report encompassing risk warnings and a risk conclusion will be generated on a real-time basis, and then sent back to financial institutions for reference.

- *Intelligent contact center*: Our solution understands human languages and detect human intentions while conducting multi-round dialogues to generate the most favourable answers. Financial institutions can delegate simple functions, such as customer service and callback, to our solutions, as such they can deal with their end customers' demands in an efficient manner.

- *Meeting transcription*: Our solution transcribes audio messages into text and displays the converted text on screen in real-time. It also generates the converted text in Word document format for users' records. The accuracy rate of the transcription exceeds 90%. Enterprises can save up manpower for taking notes in meeting and enjoy a smooth meeting with real-time transcription techniques.

Case Study 1

Background. Our client is a provincial branch of a state-owned bank in the PRC. In the process of operating credit business, in order to guarantee the authenticity of the creditors, a massive amount of manpower was needed to perform verification on the creditors' identities over phone calls. The workload of manual verification over phone calls can be heavy and the verification standard of each of the officers can be different. In view of the aforesaid, our client wished to achieve intelligent upgrades to improve operating efficiency, unify verification standard and to reduce labour costs.

Solution. We introduce our AI anti-fraud solution to our client to prevent theft and falsification of identities by engaging real-time dialogue questionnaires and generating personalized questionnaires for creditors. Further, by adopting automatic phone calls and asking questions through real-time AI-generated voices, and generating survey results automatically, the efficiency of detecting fraud is improved and the relevant costs are also decreased.

Case study 2

Background. Our client is an insurance company. Through developing a system allowing its customers to interact with AI customer service through voice interactions, customers can obtain information and complete purchase of insurance products through AI customer service, hence can increase our client's capability to serve more customers simultaneously as its capacity will no longer be limited by the number of staff hired. With AI customer service, our client can avoid the situation where there lacks manpower to operate our service hotlines, and can also reduce costs on operations and human resources.

Solution. We provide a comprehensive solution which consists of our speech recognition system, speech synthesis system and semantic understanding system ("**Intelligent Voice System**"). Our client can import its services and products data, FAQ data and business processes into the Intelligent Voice System to build its AI customer service system. After converting customers' questions and requests into text through speech recognition technology, the system will process the converted text and propose corresponding service, or business information, hence convert the same into AI voice messages through speech synthesis technology.

Case study 3

Background. Our client is an insurance company. It needed to establish an intelligent system to help with analyzing the calls between its insurance agents and the customers, which consumed a huge amount of manpower.

Solution. We provide a comprehensive solution which consists of our speech recognition system and semantic understanding system ("**Intelligent Voice Quality Inspection System**"). Our client can import sampling call data into the Intelligent Voice Quality Inspection System. The system will convert the audio file to text by speech-to-text technology and then analyze the text according to the imported call data.

Our industry verticals — 3. TMT

We also provide AI software-embedded hardware to cater to enterprises' highly customized demand for software-hardware integrated solutions. For instance, we can embed our personalized assistant functions such as schedule notification and Bluetooth positioning onto various smart devices. With AI-based, voice-enabled, language technologies and strong software-hardware integration capabilities, we are also able to offer tailor-made smart devices and accessories to various enterprises whose demands require strong software design capabilities and software-hardware integration abilities, such as Technology Corporation A, a PRC top-tier

university and a PRC research institute. For details of our collaboration with Technology Corporation A, please refer to the paragraph headed "— Our strategic collaboration — Technology Corporation A" in this section.

Application

- Embedding assisting functions such as schedule notifications and Bluetooth positioning onto smart watches

Case Study

Background. Our client is a worldwide renowned intelligent image technology provider, which provides intelligent image solutions for consumers and various industries based on panoramic technology and through its own research and development and technological innovation. Its product lines include sport cameras, webcams, aerial cameras and professional cameras. They have been committing to improve product functionality and innovativeness. As such, our client wanted to add intelligent speech recognition to and improve audio processing of its sport camera to provide a more intelligent, convenient and powerful audio processing system.

Solution. We provide our client with a comprehensive intelligent voice interaction solution and an audio processing solution to upgrade a sport camera with more intelligent and personalized functions and enhanced audio processing ability. Based on our technical capabilities such as signal processing, neural network signal processing, hot word triggering, and secondary hot word detection, we provide our client with high-quality speech processing and speech recognition functions, and ensure that it is still able to function without network. By embedding our solutions, users can experience the efficient end-to-end speech recognition function and a more stable audio processing system with low power consumption, low latency and can function without network.

Our industry verticals — 4. Others

(i) Healthcare industry

We offer solutions that can perform vital signs data monitoring functions for AI smart devices users. Leveraging massive human-machine interaction acquired by in-network devices, our big-data algorithms can accurately analyze and infer users' exercise and vital signs and hence provide users with a more accurate and practical guidances for exercise and health.

Applications

- Performing monitoring functions on heart rate and respiration rate.

- Measuring number of floors climbed, distance walked over, HRV pressure and calories.

- Monitoring sleep habits with measuring and analysis functions of, for instance, respiration rate, bedtime, sleeping stage, sleeping quality, degree of snoring and skin temperature during sleep.

- One-tap measurement of multiple health metrics, upgraded sleep tracking with premium membership and 24-hours continuous heart rate monitoring.

- Fitness tracking with more than one hundred workout modes, including open water swimming, sailing, outdoor rock climbing and rugby.

- Additional ecosystem services, including Sports and Health Data Platform, TimeShow and Mobvoi Treadmill App, provide users with seamless and immersive experience.

Case Study

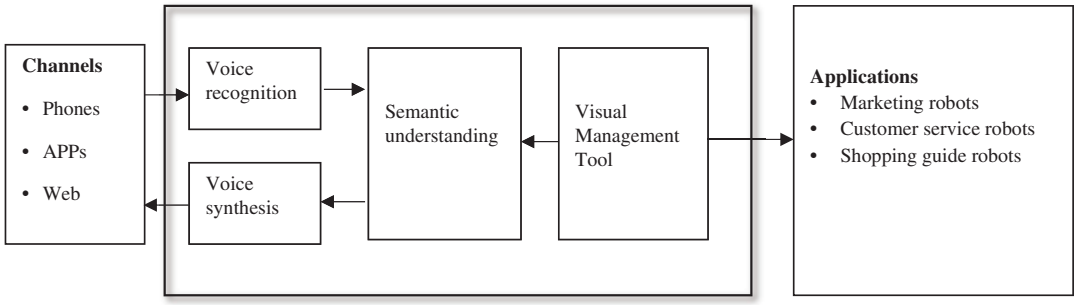
Background. Our client is a US company specializing in the R&D, manufacturing and sales of electric wheelchairs, seating systems and assisted living equipment. Its products are widely used in areas such as healthcare, social welfare and home care in the US. Wheelchair users often suffer from issues such as shoulder pain due to prolonged use of the wheelchair, while many users do not like the controller that comes with the wheelchair. On view of this, our client was looking for a more advanced and stylish control module.

Solution. Our client has chosen our solution based on TicWatch E3, which is a smartwatch in which we develop and embed the SmartDrive application, which enables the user to control the wheelchair to move forward and stop through gesture activation. The users can activate SmartDrive with just a touch of the hand and no need to actually push or reach. The customized TicWatch E3 also comes with a special strap that can only be worn by the users using our client's products to ensure that the watch is always securely mounted on the wheelchair.

(ii) Retail industry

We have designed solutions with voice chat robot functions to enhance enterprises' business operations and lower their operational costs. Leveraging the online data and users' feedback, our solutions are able to perform self-optimization through intelligent learning on the accuracy of online models to improve the quality of services provided. The solutions are able to identify and recognize verbal interruptions, rhetorical questions, non-response and change of topic in the

dialogue to provide realistic and humanoid responses. Further, our enterprise customers can customize the dialogues based on their business aims and guide the users to solve their own enquiries through the customized multi-round dialogues.



Applications

- *Intelligent customer services and auxiliary functions*: Leveraging the speech recognition system, we are able to transcribe in real-time the conversation between the customer and the customer service personnel into text, analyze the semantics and keywords in the text, and integrate with that particular enterprise's business systems and database, in order to provide the customer service personnel with real-time suggestions on appropriate answers.

- *Intelligent telemarketing*: The intelligent voice robot of the enterprises makes phone calls to its terminal customers, and conducts outbound call scenarios such as information notification or telemarketing in the form of voice interaction, including contract return visit, marketing activity notification, sales willingness survey and bill return notification.

Case study

Background. Our client is a "digital-retail" solution provider in Hong Kong and Taiwan. Our client wished to assist its customer, who is a cosmeceuticals retailer (the "**Cosmeceuticals Retailer**"), to establish a system that can provide recommendations to the consumers through interactions with consumers via voice or touch instructions and to effectively and systematically record consumer preferences and increase conversion rates.

Solution. We offer a comprehensive solution that consists of our speech recognition system, speech synthesis system and semantic understanding system (the "**Intelligent Voice System**"). The Cosmeceuticals Retailer can import its products data and FAQ data into the Intelligent Voice System. The system will convert the verbal questions and/or requests raised by consumers into text through speech recognition technology, then convert the information into AI voice messages through speech synthesis technology to search for the most appropriate answers.

Intellectual property rights arrangements

As part of our AI enterprise solutions, we also generate revenue from entering into intellectual property rights ("**IP rights**") arrangements with enterprises who are in need of various technologies such as voice interaction capabilities developed by us. Our IP rights arrangements cover, among others, copyrights, patents and know-how and are mainly conducted by way of IP rights licensing, IP rights co-developing and co-owning and technology transfer.

We generally enter into written agreements with our clients for such arrangements. Depending on the IP rights concerned, the salient terms of such agreements primarily include (i) the term of the arrangements, during which the parties will utilize the relevant IP rights in accordance with the agreed arrangements; (ii) the fees to be paid for such arrangements, generally by way of a fixed licensing fee; (iii) payment terms, either by a lump sum or by installments, (iv) delivery including the details of the IP rights concerned and the specifications required; (v) termination, according to which the parties may terminate the agreements.

IP rights arrangements with Automotive Sub A

In 2021, we entered into a series of IP rights arrangement agreements with Automotive Sub A pursuant to which, the parties agreed to cooperate on and share certain copyrights, patents and know-how ("**Relevant IPs**") matters. According to such arrangements, the parties cooperate on and share certain IP rights mainly in relation to the backend technology for automotive speech dialogue system. For the background leading to the IP rights arrangements with Automotive Sub A, please refer to "— Our Strategic Collaboration — Automotive Corporation Group" in this section.

Set forth below are the salient terms of the IP rights arrangements with Automotive Sub A:

Contract amount	US$55 million
Details of the Relevant IPs	80 registered patents and patent applications, 17 copyrights of registered software and various know-how which includes the source codes and the source data used in the development of the Relevant IPs. The Relevant IPs are components of the automotive voice interaction solutions to be utilized by Automotive Sub A in vehicles manufactured by the Automotive Corporation Group. The Relevant IPs were self-developed by our Group.

Milestones and payment arrangement

Our Group shall deliver to Automotive Sub A three batches of deliverables:

- the first batch of deliverables included software development kit, descriptions of technology and functions through training sessions provided by our Group to employees of Automotive Sub A, and transfer agreements for co-ownership of the Relevant IPs, which shall be delivered by our Group by November 2021 for the first payment in the sum of US$15 million;

- the second batch of deliverables included the co-ownership certificates of certain Relevant IPs, source code and documentation in relation to the backend technology, know-how, training materials and domain name replacement, which shall be delivered by our Group by December 2021 for the second payment in the sum of US$18.5 million; and

- the final batch of deliverables included co-ownership certificates of the remaining Relevant IPs and handover of the backend technology which shall be delivered by our Group by June 2023 for the final payment in the sum of US$21.5 million.

The last batch of deliverables were delivered in June 2023 and the project was completed in late June 2023 accordingly.

Automotive Sub A shall pay our Group within fifteen days upon receipt from us the invoice for the delivery of each of the three batches of deliverables, subject to the completion of delivery and Automotive Sub A's confirmation of receipt.

	Each of the three batches of deliverables was subject to satisfaction of backend test conducted by Automotive Sub A. Upon completion of the backend test, Automotive Sub A shall issue a confirmation regarding satisfaction of the test. Once we received this confirmation, our Group's obligations regarding the particular batch of deliverables were considered fulfilled.
Profit sharing	There is no profit sharing between the parties.
Roles, rights and obligations of our Group	Our Group has the sole discretion to use, or grant non-exclusive licenses to any third party to use, all or any part of the Relevant IPs as it sees fit in connection with our commercial objectives, without the need to account to or share profits with Automotive Sub A.
Roles, rights and obligations of Automotive Sub A	Automotive Sub A may only use or grant non-exclusive licenses to any third party to use, all or any part of the Relevant IPs only for vehicle projects bearing the brands of the Automotive Corporation Group, and Automotive Sub A shall not release or disclose any source code within the Relevant IPs for new project development purposes.
Termination	The arrangement may be terminated upon either party breaches any of its material obligations or occurrence of any force majeure event.

The following table illustrates the time of delivery, acceptance, payment and revenue recognition for each batch of the deliverables under the aforementioned IP rights arrangements:

	Actual delivery time	Time of acceptance by Automotive Sub A	Time of payment by Automotive Sub A	Time of revenue recognition by our Group
First batch of deliverables[(1)]	November 2021	November 2021 and January 2022	November 2021	November 2021 and January 2022
Second batch of deliverables[(2)]	December 2021	January 2022	February 2022	January 2022
Final batch of deliverables .	June 2023	June 2023	June 2023	June 2023

Notes:

(1) Our Group completed the training sessions to Automotive Sub A on relevant technologies and know-how in November 2021. The revenue from training was fully recognized in 2021. According to the aforementioned IP rights arrangements, those deliverables had to pass the backend test run by Automotive Sub A. Our Group therefore recognized the revenue associated with the transfer of those deliverables in January 2022 upon receiving confirmation from Automotive Sub A regarding the satisfaction of such backend test.

(2) Our Group passed the remaining backend technologies in December 2021. After the receipt of all the underlying technologies and know-how from the first and second batches of deliverables, Automotive Sub A conducted a backend test on all these deliverables and confirmed the satisfaction of such backend test in January 2022.

For the years ended December 31, 2021, 2022 and 2023, from the above-mentioned IP rights arrangements with Automotive Sub A, being our largest customer in 2022 and 2023, we generated revenue of RMB3.2 million, RMB213.0 million and RMB138.8 million, accounting for 0.8%, 42.6% and 27.4% of our total revenue for the same years, respectively.

Our Group's gross profit margin attributable to the Automotive Sub A Arrangement in 2021 and 2022 was both close to 100% in light of the unique cooperation arrangement between our Group and Automotive Sub A, as almost all of the costs in relation to the co-ownership of intellectual property rights and other deliverables transferred were incurred in the ordinary research and development and operation activities of our Group before the IP rights arrangements transaction, mainly including research and development expenses and other related costs. In regards of the revenue from Automotive Sub A, there were only few staff costs to provide support and consultancy services throughout the IP rights arrangements transaction. As a result, the gross profit margin for each of the years ended December 31, 2021, 2022 and 2023 was extremely high, being close to 100%.

During the Track Record Period, there was high contribution of revenue from Automotive Sub A as a result of our IP rights arrangement project with Automotive Sub A. The high concentration of customer and service to Automotive Sub A is not expected to continue as the IP rights arrangement project was completed in June 2023, and as a result of this, we expect to record a decrease in adjusted net profit (non-IFRS measure) in the short term, primarily due to an expected decrease in revenue from our AI enterprise solutions given the completion of the IP rights arrangements with Automotive Sub A.

However, our Directors are of the view that the completion of the IP rights arrangements with Automotive Sub A will not materially affect our Group's business and financial position considering the following reasons:

(i) before the IP rights arrangements with Automotive Sub A, our Group had been licensing digital signal processing noise cancellation algorithm solutions based on our underlying speech recognition technology to a multinational software company based in the PRC, which was a kind of IP right arrangements. Our cooperation history with Automotive Sub A and the experience gained from the IP rights arrangements with Automotive Sub A serves as a successful precedent for our Group to market our IP rights arrangement business, in particular, opens up the opportunity for us to cooperate with other companies from the automotive industry. The subsequent IP rights arrangements that we entered into with a technology development subsidiary of a PRC domestic automotive group as disclosed in "IP rights arrangements with a technology development subsidiary of a PRC domestic automotive group" below serves as a sound example;

(ii) the accomplishment of the IP rights arrangement project with Automotive Sub A is a significant value-adding milestone for our Group to strengthen and expand our IP rights arrangement business model. According to the IP rights arrangement agreements, Automotive Sub A may grant non-exclusive licenses to any third party to use the relevant IPs, but only for the purpose of providing the relevant in-vehicle solutions to vehicle projects of the Automotive Corporation Group of brands and is prohibited from releasing or disclosing any source code within the assigned IP for new project development purpose, while our Group is free to grant non-exclusive licenses to any third party to use the relevant IPs without restriction. In addition, the underlying speech technologies possessed by our Group are not confined to a rigid form but multiadaptive in nature, which can be retrofitted to bring specific improvements desired by different clients. As of the Latest Practicable Date, we had also entered into two IP rights arrangement agreements with a PRC enterprise that sells photography, recording equipment and accessories and a PRC enterprise that designs and sells smart devices, respectively; and

(iii) AI enterprise solutions are not the sole revenue-generating business segment of our Group. For instance, our revenue from AIGC solutions has increased by approximately 2.0 times from RMB39.9 million for the year ended December 31, 2022 to RMB117.6 million for the year ended December 31, 2023. We will continue to expand our solutions and offerings under the different business segments.

For our plan to enhance our financial performance, please refer to the paragraph headed "— Business Sustainability — Our path to sustainable profit" in this section.

IP rights arrangements with a technology development subsidiary of a PRC domestic automotive group

In 2023, we entered into an IP co-development agreement with a technology development subsidiary of a PRC domestic automotive group, pursuant to which, by way of licensing, we provide the client with co-development service such as source codes and training data for various modules including, among others, sound source localization, beamforming and echo cancellation (the "**IP Technologies**"). The agreed fees shall be paid when the development plan, the IP Technologies together with the relevant explanatory documentations and the development solutions are delivered according to the agreement. The ownership of the IP Technologies remains with us and that of the relevant developed solutions will be owned by the client.

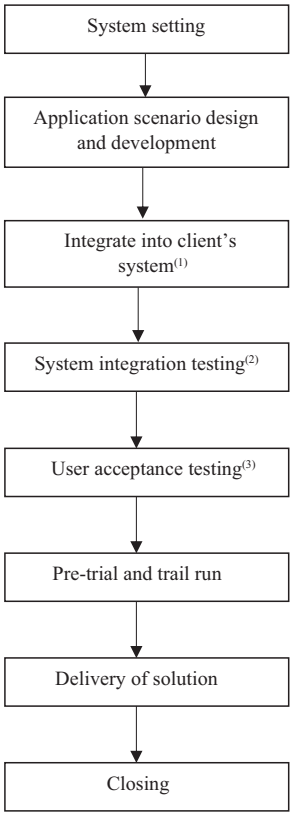
Set forth below are the salient terms of the IP rights arrangements with the PRC domestic automotive group:

Contract amount	RMB4.19 million
Milestones and payment arrangement	Our Group shall deliver to the PRC domestic automotive group three batches of deliverables. The PRC domestic automotive group shall pay our Group within 60 days upon receipt from us the invoice for the delivery of each of the three batches of deliverables. The three batches of deliverables were all delivered by late 2023.
Profit sharing	There is no profit sharing between the parties.
Roles, rights and obligations of our Group	Our Group provides the PRC domestic automotive group with IP Technologies, of which our Group has all the ownerships.
Roles, rights and obligations of PRC domestic automotive Group	The PRC domestic automotive group shall use all or any part of the IP Technologies without the need to account to or share profits with the Group, but it shall not be allowed to transfer or assign any part thereof to any third party.
Termination	Both parties may agree on early termination of the arrangements based on mutual consent or in the event of force majeure.

Subsequent to the aforesaid IP rights arrangements, we entered into another contract with the same PRC domestic automotive group in December 2023, with a contract sum of RMB1.2 million, to continue our cooperation.

Operations

The following chart generalizes the key stages of our AI enterprise solutions workflow (which may vary case by case for different industry verticals):



Notes:

(1) Integrate into client's system: we install and deploy our solutions to client's servers and customize and develop software middleware according to customer needs. We use the middleware to integrate our solutions (that have been installed with customer servers) with the customers' own IT systems.

(2) System integration testing ("**SIT**"): Based on the testing plan we formulated with our customers, we conduct the first stage engineering testing and verification on the abovementioned integration.

(3) User acceptance testing: Based on the testing plan we formulated with our customers, we carry out the second stage user testing and verification on the abovementioned SIT, which serves as one of the main basis for a project acceptance.

The following table sets forth a breakdown of our revenue from AI enterprise solutions and number of enterprise customers (excluding high-value customers) by industry verticals for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	Revenue RMB'000	*Number of enterprise customers (excluding high-value customers)*	*Revenue RMB'000*	*Number of enterprise customers (excluding high-value customers)*	*Revenue RMB'000*	*Number of enterprise customers (excluding high-value customers)*
Automotive Industry	19,440	—	213,136	—	189,165	2
Finance Industry	4,129	7	7,999	9	1,604	7
TMT Industry	18,426	28	28,665	16	18,932	25
Others	10,702	16	13,231	21	15,941	23
	52,697	51	263,031	46	225,642	57

The following table sets forth a breakdown of our revenue from AI enterprise solutions by fee arrangement for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
AI Software Solutions — AI enterprise solutions			
— Quantity-based fees	13,077	14,692	19,017
— Project-based fees	39,620	248,339	206,625
Total	52,697	263,031	225,642

The average revenue per enterprise customer (excluding high-value clients) increased from RMB437,000 in 2021 to RMB647,000 in 2022, and further to RMB689,000 through continuous enhancement of our AI and NLP technological capabilities. The number of enterprise customers (excluding high-value clients) increased to 57 in 2023 as compared to 46 in 2022 due to the accumulation of our industry and technological know-how to cover more verticals.

The following table sets forth the number of enterprise customers (excluding high-value customers) and the average revenue from each enterprise customer (excluding high-value customers) for our AI enterprise solutions for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
Number of enterprise customers (excluding high-value clients)[1][2][3]	51	46	57
Number of high-value clients[1]	3	3	3
Average revenue per enterprise customer (excluding high-value clients) *(RMB'000)*	437	647	689
Revenue from repeated enterprise customers *(RMB'000)*[4]	13,796	20,136	17,835

Notes:

(1) Our high-value customers included Automotive Sub A, Mobvoi JV and Technology Corporation A who accounted for 57.7%, 88.7% and 82.6% of our revenue from AI enterprise solutions for the years ended December 31, 2021, 2022 and 2023, respectively. Automotive Sub A became our high-value customer in 2021. The average revenue per high-value customers was RMB10.1 million, RMB77.8 million and RMB62.1 million for the years ended December 31, 2021, 2022 and 2023, respectively. They are excluded to present a clearer visualization of the analysis.

(2) All projects with enterprise customers were profitable during the Track Record Period.

(3) Other than the high-value customers, a substantial number of our customers were engaged in one project with our Company in each year.

(4) Our repeated enterprise customers represent those enterprise customers who, prior to the year indicated, had utilized our AI enterprise solutions since we launched our AI enterprise solutions in 2017.

Smart Devices and Other Accessories

Ever since our inception in 2012, we have been committed to defining the next generation of human-machine interaction. To this end, we have sedulously strived to infuse our proprietary AI-based, voice-enabled, end-to-end language technologies into our self-developed solutions. Leveraging our strong software-hardware integration capabilities, we have successfully carried out deployment in commercializing our Smart Devices and Other Accessories. In particular, we have developed AI smart watch — TicWatch series and other AI-empowered hardware products and non-AI smart devices.

Consumer smart devices — TicWatch series

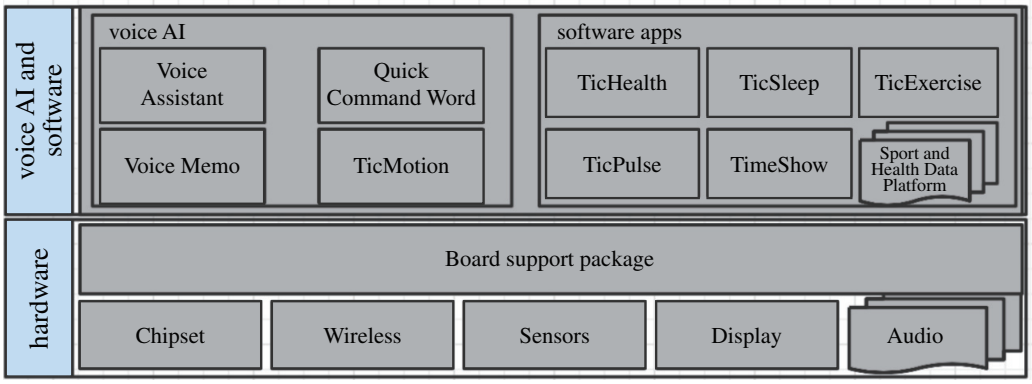
We develop and launch smart watches with smooth AI voice interaction under TicWatch brand. To cater to diverse and evolving customer demands and preferences, we constantly conduct technological innovation and functional optimization, and launch new models from time to time. As of the Latest Practicable Date, we had launched five generations of TicWatch-series products with 80 SKUs in total for consumers.

The following table sets forth our TicWatch-series products matrix for consumers as of the Latest Practicable Date:

Generation	Time of Launch	Product		
First Generation	2015	TicWatch 1 (Bluetooth)		
Second Generation	2016 to 2017	TicWatch 2 (3G / Bluetooth)	TicWatch S (3G / Bluetooth)	TicWatch E (3G / Bluetooth)
Third Generation	2018 to 2019	TicWatch Pro (Bluetooth)	TicWatch Pro (LTE)	TicWatch S2 (Bluetooth)
		TicWatch E2 (Bluetooth)	TicWatch C2 (Bluetooth)	TicWatch Kids (LTE)

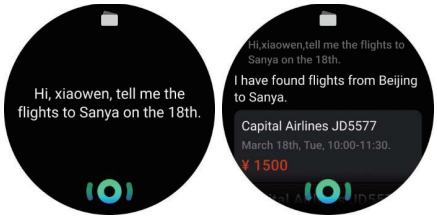
Generation	Time of Launch	Product
Fourth Generation	2020 to 2022	TicWatch Pro 3 (LTE / Bluetooth)
		TicWatch Pro 3 Ultra (Bluetooth)
		TicWatch Pro 3 Ultra (LTE)
		TicWatch GTH X (Bluetooth)
		TicWatch GTH (Bluetooth)
		TicWatch GTH 2 (Bluetooth)
		TicWatch GTA (Bluetooth)
		TicWatch GTK (Bluetooth)
		TicWatch GTW (LTE)
		TicWatch E3 (LTE)
Fifth Generation	2023	TicWatch Pro 5 (Bluetooth)

TicWatch is a product that integrates software, hardware, and voice AI interaction. The diagram below illustrates the architecture of TicWatch.



Our TicWatch series are equipped with the latest chipset platforms, which can minimize power consumption yet with powerful computing power, providing a solid foundation to run our AI modules and software apps. In turn, the optimized integration of our hardware components and our advanced AI modules and software apps could provide the end users of our TicWatches with astonishing user experiences.

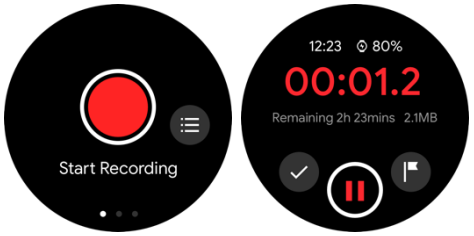
- ***AI modules for TicWatch***: Our TicWatch is preloaded with a suite of AI modules including Voice Assistant, Voice Memo and TicMotion. While all the AI modules share the similar algorithms and backend as in other verticals, they might use various sensor specific to the smart watch to provide special features. Those sensors can (i) monitor on heart rate, blood oxygen, skin temperature and various health-related data to keep track on the end users' health status around the clock and provide specific recommendation to end users; (ii) be tilted to wake on wrist raise from sleep mode; and (iii) empower our auto detecting sports mode using TicMotion. The front-end user interface has also been tailored for the rounded and squared screen of smart-watches. The chart below lists major AI modules preloaded in our TicWatch and corresponding sample user interfaces.

AI module	Sample UI
Voice Assistant WearOS built-in AI assistant — Xiaowen voice assistant provides smart watches with tons of third-party services. It is easy to get search results or system controls through voice query.	

AI module	Sample UI

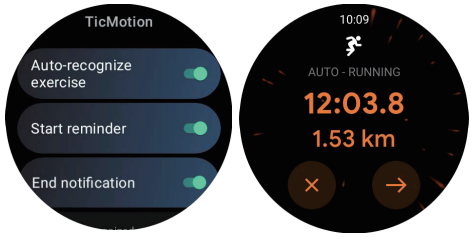
Voice Memo

Users can easily make a record on the wearable device and convert voice to text on the Mobvoi app on the phone. Convenient to put smart tags for each paragraph automatically and intelligently distinguish between interlocutors. Support to switch between all conversation and summary.



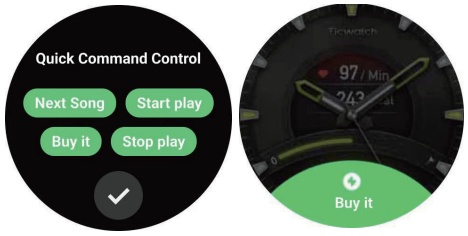
TicMotion

As a major part of the assistant, TicMotion offers useful and instant information streaming with rich services. Along with scrolling up the list, more information related to user activity will be shown up.



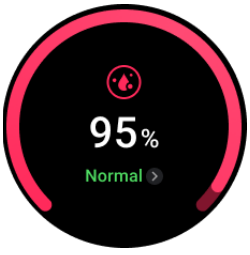
Quick Command Word

Quick command word is based on Mobvoi Voice Assistant technologies. It's much easier to access applications services straightly without any wake-up word.



- ***APPs for TicWatches***: As TicWatch is either based on Android OS or iOS, a user can download the "Ticwear" app from Appstore and connect their watches to phone device, and download apps from app stores and run them on TicWatch. This greatly enriches the application scenarios of TicWatch as any third-party developer can develop an App for TicWatch, just like in the Mobile phone industry. TicWatch is also preloaded with our own comprehensive health detection Apps, such as TicHealth, TicSleep, TicPulse, TicOxygen, TicZen and TicBreath, exercise related apps, such as TicExercise, marketplace App and TimeShow App. The charts below lists (i) the major apps and corresponding sample user interfaces; and (ii) the major charging apps and corresponding functions:

Apps	Sample UI
TicHealth A platform allows user to monitor health data synchronized from our TicExercise, TicPulse, TicOxygen, TicSleep, TicZen and TicBreath apps, which includes exercise, pulse, blood oxygen, sleep, stress and breath related data.	
TicSleep TicSleep could detect the sleep behavior and support sleep depth monitoring, including awake, rapid eye movement, light sleep, deep sleep, and bedridden time. It also supports nap detection. Users could review the data analysis, sleep quality score and set up a regular work and rest time schedule for more accurate sleep tracking.	
TicExercise Support more than 100 types of exercise, with user friendly layout. Provide rich data display with full functional sensor detection. Users could also trigger workout function through Xiaowen voice assistant.	

Apps	Sample UI
TicPulse Display the output of heart rate monitoring within 5 seconds. Support 24-hour monitoring from the backend and detect any unusual heart rate changes. Provide heart rate interval recommendation based on personal information.	
TicOxygen Blood oxygen is becoming a much more important indicator to physical health. It supports blood oxygen saturation detection and 24h monitoring for users. It also provides users with suggestions for improvement.	
TicZen TicZen tracks users' stress throughout the day, producing a stress score to offer insights into users' mental wellbeing. The photoelectric sensor in our TicWatch enables users to measure and track their heart rate variability which is often used as an indicator of physiological and psychological well-being.	
TicBreath TicBreath can guide users to release stress and regain inner peace through breathing training sessions by detecting the stress level and heartrate at the beginning and end of breathing training sessions.	

Apps	Sample UI

TimeShow

TimeShow is a marketplace for watch faces available on major App stores for smartwatches. It features both free and paid watch faces covering various categories of watch faces, from minimal watch faces, and animation watch faces to interactive gaming watch faces.

Sport & Health Data Platform

A digital platform for SmartWatch users to explore the data collected to gain more insights and better understand their body. Horizontal display of multiple exercise entries to allow users to identify the progress of each exercise and display of multiday health data to allow users to compare changes in body at different times.

Major paid apps	Functionality
Xiaowen App Store	Users can download various free Wear OS applications. However, they are required to pay if they would like to enjoy more advanced applications. Paid applications include premium watch face, utility applications (such as translation and file management) and game applications.
TicSleep	Users can enjoy free basic functions including the detection of sleep behaviours (such as awake, rapid eye movement, light sleep and deep sleep). Free functions also support nap detection. Users can review the data analysis, sleep score and set up a regular work and rest time schedule for advanced sleep pattern tracking. Users can purchase advanced functions including sleep aid music albums.
TimeShow	Users can make in-application purchase for premium watch face. They can design and customize their own watch face by using TimeShow web-based design platform.

- ***Hardware for TicWatch***: In TicWatch, major hardware components include, among others, chipset platforms, wireless/GPS transceivers, sensors, display screens, audio receivers, antennae, and batteries. We design mechanics carefully to integrate these components altogether to offer a consumer-standard product to our end customers. We also develop board support package (BSP) drivers for these hardware components so that they can interact with the operating system. The key considerations in designing TicWatch hardware include long battery life, compactness (small, thin, lightweight, and with premium appearance), water-proof, and richness of functionalities (such as motion sensors, LTE and NFC).

The followings were the major awards and recognition that our TicWatch-series products had received up to the Latest Practicable Date:

Product	Awards and recognition	Grantor	Year
TicWatch E3	2021 Platinum Winner of the Muse Design Awards	Muse Awards Jurors	2021
TicWatch S2/E2/C2	2019 Red Dot Award (2019紅點獎)	Red Dot	2019
TicWatch Pro 4G LTE	2019 Good Design Award (2019 日本優良設計獎)	Japan Institute of Design Promotion	2019
TicWatch C2	2019 iF Design Award (2019年iF產品設計獎)	iF Industrie Forum Design	2019
TicWatch 3	2018 iF Design Award (2018年iF產品設計獎)	iF Industrie Forum Design	2018
TicWatch S	2017 iF Design Award (2017年iF產品設計獎)	iF Industrie Forum Design	2017
TicWatch S/E	2016 Good Design Award (2016 日本優良設計獎)	Japan Institute of Design Promotion	2016

Consumer smart devices — Home Treadmill series

We develop and launch Home Treadmill series that are compatible with TicWatch under Mobvoi brand. As of the Latest Practicable Date, we had launched three generations of Home Treadmill with five SKUs in total for consumers.

Home Treadmill is a product that requires jointly optimizing software and hardware in order to provide the best user experience:

- ***Hardware for Home Treadmill:*** Home Treadmill has five-layered, water-resistant and anti-slip running belt which helps absorbing shock and pressure on the joints of the users during the workout. Equipped with remote control, the users can adjust the speed to change the workout mode from running to jogging instantly. Through the LED console, the users can view their performance via real-time feedback on their workout time, speed, distance and calories burnt. The Home Treadmill also has a special design which allows users to fine tune the treadmill incline up to 15 degree from the ground.

- ***Software for Home Treadmill Mobvoi Treadmill App:*** Home Treadmill is compatible with the Mobvoi Treadmill App on smartwatches (including TicWatch), allowing users to connect the treadmill with smart watches to enjoy real-time synchronization of live workout data. In pairing up the smart watches with the treadmill, the users cannot only monitor their heart rate, calories burned and pace, but also retrieving and recording workout data in distance, speed and duration.

The following was the major award and recognition that our Home Treadmill series products had received up to the Latest Practicable Date:

Product	Awards and Recognition	Grantor	Year
Mobvoi Home Treadmill Incline	Fitness Awards 2023	Health[1]	2023

[1] Health was founded in 1981 as a publication focusing on a healthy lifestyle for women.

The following table sets forth a summary of our Smart Devices and Other Accessories:

	TicWatch series	Home Treadmill series	Other AI-empowered hardware products and non-AI smart devices and accessories
Targeted customers	End consumers	End consumers	End consumers
Usage and functions	Smartwatch	Treadmill for home use	Smart headphones, smart home products, and other smart watch accessories
Product life cycles	Tentatively 3-5 years	Tentatively 5-8 years	Tentatively 3-5 years
Selling price range	Approximately RMB250-3,000	Approximately RMB1,800-5,000	Approximately RMB30-1,000
Sales and distribution channels	Offline distributors, proprietary online stores (including both our official website and our stores on various e-commerce platforms) and various third-party online distribution platforms	Offline distributors, proprietary online stores (including both our official website and our stores on various e-commerce platforms) and various third-party online distribution platforms	Offline distributors, proprietary online stores (including both our official website and our stores on various e-commerce platforms) and various third-party online distribution platforms

Our revenue from Smart Devices and Other Accessories during the Track Record Period was entirely attributable to the sale of smart hardware devices. The following table sets forth the number of our smart devices sold and their respective average selling price for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	Number of devices sold	Average selling price	Number of devices sold	Average selling price	Number of devices sold	Average selling price
	'000	*RMB*	*'000*	*RMB*	*'000*	*RMB*
TicWatch series	295	993	169	933	109	1,129
Home Treadmill series[(Note 1)]	15	2,458	16	2,121	22	1,926
Other AI-empowered hardware products and non-AI smart devices and accessories[(Note 2)]	37	204	30	149	17	99
	347		215		148	

Notes:

1. Home Treadmill series were first launched and sold in 2020.

2. Other AI-empowered hardware products and non-AI smart devices and accessories include smart headphones, smart home products (such as smart speakers and lighting products) and accessories for our TicWatch series. Since 2019, we ceased the production of our smart speakers, of which the sales during the Track Record Period comprised the remaining inventory.

The decrease in the number of devices sold for our TicWatch series from approximately 295,000 in 2021 to approximately 169,000 in 2022 was resulted from the delay in launching of our new flagship TicWatch products in 2022. Meanwhile, the drop in the average selling price of our TicWatch series between 2021 and 2022 was due to depreciation of our older models while the launch of our new flagship TicWatch products had been delayed, offset by an increase in sales of our superior model TicWatch Pro 3 Ultra. The number of devices sold for our TicWatch series decreased from approximately 169,000 in 2022 to approximately 109,000 in 2023, primarily due to the delay of new product launch which affected the sales volume before May 2023. Meanwhile, the new product launch increased their average selling price rose from RMB933 to RMB1,129 for the same years. After the launch of our Home Treadmill series in 2020, the number of devices sold for our Home Treadmill series remained stable from 2021 to 2022 while their average selling price dropped in 2022 due to price reduction on older models upon the launch of new models. The number of devices sold for our Home Treadmill series increased from approximately 16,000 in 2022 to approximately 22,000 in 2023 due to the launch of a new model in late 2022 while their average selling price decreased from RMB2,121 to RMB1,926 for the same years due to as there

was price reduction on older models upon the launch of new models. The number of other AI-empowered hardware products and non-AI smart devices and accessories sold decreased continuously over the Track Record Period primarily because we had ceased the production of our smart speakers since 2019 in order to shift our focus towards the development of our TicWatch series and Home Treadmill series, which offer higher profitability.

The following table sets forth our revenue from the segment of our Smart Devices and Other Accessories by geographical locations of end customers for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Mainland China	60,981	27,899	7,440
United States	58,506	30,545	24,035
United Kingdom	24,232	22,430	15,923
Italy	50,458	23,756	13,737
Spain	15,047	11,556	8,307
Germany	25,586	6,417	32,357
Japan	14,961	19,781	13,628
Brazil	7,222	12,954	11,414
Other countries or regions	81,402	41,968	36,972
Total	**338,395**	**197,306**	**163,813**

OUR STRATEGIC COLLABORATION

Technology Corporation A

Technology Corporation A is an international tech company specializing in internet-related products and services and an associate of one of our substantial Shareholders as of the Latest Practicable Date. In recognition of our strong research and development capabilities, Technology Corporation A maintained a strategic collaboration partnership with us from July 2015 till July 2023. Pursuant to the collaboration, we had developed and maintained certain pivotal functions available to original equipment manufacturers ("**OEMs**"), such as voice engine, application store as well as certain pre-loaded application software and third-party application software, who manufacture and launch wearable devices in China that use a baseline version of Technology Corporation A's operating system for wearable devices. In return, we were entitled to receive service fees from Technology Corporation A. We recognized revenue of RMB11.0 million, RMB20.1 million and RMB6.5 million attributable to our AI enterprise solutions segment from the strategic collaboration with Technology Corporation A for the years ended December 31, 2021,

2022, and 2023, respectively. We also benefited from technical and marketing support from Technology Corporation A in the development and promotion of our proprietary smart watches. For example, we equipped our smart watches exported outside of China with standard version of operating system developed by Technology Corporation A, while Technology Corporation A agreed to pre-load our voice engine at OEM request in, as well as to recommend our application store as the preferred one for all PRC-launched products that were compatible with the Chinese version of its operating system for wearable devices, until Technology Corporation A was able to provide the relevant functions in China on its own. In addition, we also provided over-the-air update service for the smart watches equipped with the operating system for wearable devices developed by Technology Corporation A for service fee.

Set forth below are the salient terms of the strategic collaboration agreement (renewed from time to time) between the Group and Technology Corporation A:

Nature	Development of OEMs smart watches.
Contract sum	The total contract sum shall be renewed each year.
Revenue contribution	We recognized revenue of RMB11.0 million, RMB20.1 million and RMB6.5 million attributable to our AI enterprise solutions segment from the strategic collaboration with Technology Corporation A for the years ended December 31, 2021, 2022 and 2023, respectively.
Cost of sales contribution	Cost of sales of RMB1.6 million, RMB1.5 million and RMB0.5 million attributable to our AI enterprise solutions segment from the strategic collaboration with Technology Corporation A were incurred for the years ended December 31, 2021, 2022 and 2023, respectively.
Profit sharing	There is no profit sharing between the parties.
Role and responsibility of our Group	Our Group shall provide development and maintenance of certain pivotal functions available to OEMs, such as voice engine, application store as well as certain pre-loaded application software and third-party application software, who manufacture and launch wearable devices in China, of which our Group has all the ownerships.

Role and responsibility of Technology Corporation A	Technology Corporation A shall provide its operating system to the Group for further development and shall pay service fees to the Group.
Termination	Both parties may agree on early termination of the arrangements based on mutual consent.

Due to a change in business strategy of Technology Corporation A and the fact that our Group will be able to serve Technology Corporation A's end customers directly, the collaboration between our Group and Technology Corporation A came to an end in July 2023 and our Group has negotiated to provide services directly to Technology Corporation A's end customers going forward.

The cessation of our collaboration with Technology Corporation A will not have any material impact on our business, as the amount of revenue from Technology Corporation A had not been significant and merely represented 2.8%, 4.0% and 1.3% of our total revenue for the years ended December 31, 2021, 2022 and 2023, respectively. In relation to the segment of Smart Devices and Other Accessories, the adoption of the standard version of operating system developed by Technology Corporation A is free to all smart watch developers and, as of the Latest Practicable Date, there was no circumstance that would lead to discontinuation of deploying such operating system in our smart devices.

Semiconductor Corporation A

Semiconductor Corporation A is a renowned multinational technology corporation that leads the global chipset market. It is also a pioneer in wireless technologies innovation and a market leader in development of technologies and ecosystems of AI smart devices. In recognition of our strong research and development capabilities, Semiconductor Corporation A has maintained a strategic collaboration relationship with us since 2016 to launch a series of TicWatch flagship products built upon its flagship wearable platforms.

We aim to combine Semiconductor Corporation A's world-leading platforms for AI smart devices with our innovative smart watch technologies to provide users with intelligent, power-saving and smooth smartwatch products. In 2020, Semiconductor Corporation A announced its self-developed wearable chipset platform — a powerful application processor to deliver super-fast performance and extended battery life to the platform. We were the first Wear OS smartwatch in the world to use this platform to build our TicWatch Pro 3. In 2022, Semiconductor Corporation A launched a more advanced wearable chipset platform — an application processor to deliver ultra-low power for extended battery life with high integration for sleek and innovative designs, and we made the first Wear OS smartwatch in the world to use this platform and built our

TicWatch flagship product "— TicWatch Pro5." We are one of the market players in the world in building our TicWatch Pro 3 and launching of our TicWatch Pro 5 on the two aforesaid unique chipset platforms developed by Semiconductor Corporation A.

Our Smart Devices and Other Accessories have been widely recognized, highly anticipated and acclaimed by the market. The cooperation is aimed at integrating wearable processor from Semiconductor Corporation A with the innovative technology in our TicWatch, to provide a more power-saving, smarter and smoother smart watch device to our consumers. We believe that our partners' technical and marketing expertise will continue to help us to roll out innovative solutions in enhancing the intellectual level in users' interaction and better serve consumers with enhanced user experiences as well as frontier technologies in the AI industry, and ultimately enabling us to increase our market presence and market share in the AI industry.

Set forth below are the salient terms of the strategic collaboration agreement (renewed from time to time) between the Group and Semiconductor Corporation A:

Nature	Procurement of components.
Procurement amount	RMB17.3 million, RMB6.4 million and RMB13.0 million attributable to our Smart Devices and Other Accessories from the strategic collaboration with Semiconductor Corporation A had been paid to Semiconductor Corporation A for the years ended December 31, 2021, 2022 and 2023, respectively.
Profit sharing	There is no profit sharing between the parties.
Role and responsibility of our Group	Our Group shall (i) procure components from Semiconductor Corporation A and (ii) build our smartwatches in the chipset platforms launched by Semiconductor Corporation A.
Role and responsibility of Semiconductor Corporation A	Semiconductor Corporation A shall provide (i) components and (ii) necessary chipset platforms for the building of the Group's smartwatches.
Termination	Both parties may agree on early termination of the arrangements based on mutual consent.

During the Track Record Period, Semiconductor Corporation A was the only supplier of central processor chipsets in our smart watches. Semiconductor Corporation A's consistent supply of their latest and cutting-edge chipsets for our smart watch development, as well as our longstanding relationship, serve as a testament to its recognition of our engineering and technical capabilities. Meanwhile, Semiconductor Corporation A has always been one of most reliable suppliers designated by Technology Corporation A to support its operating system and we will prioritize the maintenance of our relationship with Semiconductor Corporation A. Any change in our supplier of central processor chipsets for our smart watches may have a short-term impact on our segment of Smart Devices and Other Accessories. This one-off impact may arise from the need to re-perform integration work with the new chipset supplier, potentially extending the development process for future smart watches. However, we are of the view that the cessation of this collaboration is unlikely considering our longstanding collaboration with Semiconductor Corporation A, mutual recognition of capabilities and the absence of any issues with chipset supply since the commencement of such collaboration.

Impact of the COVID-19 pandemic

During the Track Record Period, the Group was required to deliver "pre-release builds" smartwatch devises to Technology Corporation A and Semiconductor Corporation A before launching of relevant products, in order to test and debug for the compatibility with relevant operating systems and/or chipset platforms. Due to the COVID-19 pandemic resulting in the restrictions on mobility, travel and social distancing, the Group's delivery of several "pre-release builds" smartwatch devises were prolonged and delayed which attributed to delay in testing and debugging, as well as the launching of some of the Group's flagship products. Nevertheless, such delays did not have a material long-term impact on the Group's strategic partnerships with Technology Corporation A and Semiconductor Corporation A.

Automotive Corporation Group

Before and during the Track Record Period, our Group had a series of collaborations with Automotive Corporation Group including establishing Mobvoi JV, conducting Series D **[REDACTED]** investments and entering into the IP rights arrangements with Automotive Sub A.

Series D-1 investment and establishment of Mobvoi JV in 2017

Since the inception of our Group, we have been dedicated to developing AI technologies with a particular focus on voice interaction algorithms, including NLP, voice recognition and search recommendation systems. At the same time, the Automotive Corporation Group, as a leading player of the automotive industry, had been laying out comprehensive plans for vehicle connectivity for years, with intelligence and voice interaction being key components of their

strategy. Our Group's innovative voice-controlled in-car rearview mirror that provides navigation, instant messaging and a system responding to voice commands to enhance drivers' experience, showcased the potential of an integration of voice interaction with vehicles.

In recognition of the alignment of strategic interests, our Group and the Automotive Corporation Group reached an agreement to strategically invest, through Automotive Sub B, in our Company during our Series D round of fund-raising and purchased 288,779,294 Series D-1 Preferred Shares at a consideration of US$140.0 million on March 30, 2017. Furthermore, both parties agreed to form a 50-50 joint venture, namely, Mobvoi JV, with each contributing US$40 million (i.e. a total of US$80 million) as registered capital of Mobvoi JV. Pursuant to the relevant investment agreements entered between our Group and the Automotive Corporation Group, our Group agreed to cooperate solely and exclusively with the Automotive Corporation Group in the automotive domain (the "**Exclusivity Agreement**").

Based on the information available to our Company, at the time of the investment, the Automotive Corporation Group was focusing on vehicle connectivity and did not have a particularly profound control strategy over many software technologies, including AI. As such, investing as a minority investor and establishing a joint venture served the purpose, as it allowed exploration of AI integration into vehicles and created a dedicated platform for both parties to focus on this domain. The decision to each holding a 50% stake in Mobvoi JV provided flexibility for future strategic adjustments and exits for both parties. According to CIC, our industry consultant, joint venture was a common form of structure among the Automotive Corporation Group's business cooperation with different enterprises at that time.

Within this cooperation framework, our Group continued to focus on the fundamental AI backend technology, while Mobvoi JV dedicated its efforts towards the technology integration and project management of in-car systems. The overarching goal of this strategic cooperation was to realize the application of AI technology across various factories and car models within the Automotive Corporation Group.

Mobvoi JV

(i) Joint venture contract

Set forth below are the salient terms of the joint venture contract setting up Mobvoi JV:

Registered capital	The registered capital of Mobvoi JV was US$80 million, and each of our Group and Automotive Sub A shall contribute half of the registered capital of Mobvoi JV. The registered capital was fully paid by June 2017.
Roles and responsibilities of our Group	Our Group shall provide technical support to Mobvoi JV in AI backend technologies including speech recognition and NLP as well as the development of such AI backend technologies and new solutions.
Roles and responsibilities of Automotive Sub A	Automotive Sub A shall provide, among others, sales and marketing support and contribute channel connections and distribution efforts to Mobvoi JV.
Voting rights structure	*Voting rights of the shareholders of Mobvoi JV* Each shareholder shall have the voting rights pro rata to the fully-paid registered capital that it holds. *Board of directors of Mobvoi JV* Each party to the joint venture contract shall nominate three directors (i.e. a total of six directors), each of whom carried one vote at board meetings. There was no casting vote at board meetings.

(ii) Nature and function of products and services provided by Mobvoi JV

Prior to our Group's disposal of equity interests in Mobvoi JV (the "**Disposal**"), details of which are set out in the paragraph headed "Exit of Series D investment and disposal of Mobvoi JV" below, the principal business of Mobvoi JV was to provide software solutions by applying our Group's AI technologies into the Automotive Corporation Group's pre-installed car head units. Mobvoi JV, in its early years of operations, devoted significant time, resources and efforts in the development of speech dialogue system ("**SDS**") solutions utilizing our Group's AI technologies, which enable human-to-machine communication through spoken

language, coupled with the underlying backend technology and various add-on features such as voiceprint recognition, personized push and in-vehicle infotainment system. The SDS developed via Mobvoi JV's research and development ("**R&D**") activities were to only be installed in vehicles bearing the brands owned by the Automotive Corporation Group.

(iii) Solutions and services provided by our Group to Mobvoi JV prior to the Disposal

Our Group provided general backend voice AI research and development support and services for various non-recurring engineering ("**NRE**") projects primarily related to SDS to Mobvoi JV. Fee was charged and determined based on a combination of factors such as project volume and the expected number of work hours required for each project.

Set forth below are the salient terms of our NRE agreements with Mobvoi JV:

Scope of services	Research and development services for various NRE projects related to SDS for use in Automotive Corporation Group's vehicles. The aim of the NRE projects on SDS was to enable human-to-machine communication through spoken language. In addition, we were contracted for certain add-on features such as multiple languages and dialects, personized push, GPS and in-vehicle infotainment system.
Duration	The contract period ranged from nine months to 17 months.
Contract amount	The contract amount ranged from RMB0.2 million to RMB42.2 million.
Roles and responsibility of our Group	We shall deliver to Mobvoi JV certain deliverables within the service period. In addition to the backend technology, we may provide onsite support and related training to Mobvoi JV. We shall complete rectification required by Mobvoi JV after its inspection of our deliverables within the rectification time limit.

Roles and responsibility of Mobvoi JV	Mobvoi JV shall inspect the deliverables after receiving them from our Group. After inspection, Mobvoi JV shall issue certificate of receipt, certificate of receipt with rectification requirements and rectification time limit or certificate of rejection with rectification time limit.
Payment arrangement	Payment shall be paid by Mobvoi JV on or before the dates specified following Mobvoi JV's inspection and issuance of the certificate of receipt.

(iv) Customers and suppliers of Mobvoi JV

As the SDS developed by Mobvoi JV was to only be installed in the Automotive Corporation Group's brand of vehicles, the customers of Mobvoi JV were primarily vehicle manufacturers which are subsidiaries or associated companies of the Automotive Corporation Group, such as its OEMs.

Based on the information available to our Company, the suppliers of Mobvoi JV included a number of R&D service providers and independent content providers. Our Group was the main provider of general backend voice AI research and development services for various NRE projects related to SDS. There were a few other R&D service suppliers providing in-car electrical systems and modules to Mobvoi JV. Content providers refer to companies that create or supply digital content such as music, news, entertainment, dining, delivery, travel and other services for use by Mobvoi JV in SDS.

Series D-2 investment in 2019

Recognizing our Group's know-how and commercial potential in developing tailored AI solutions, the Automotive Corporation Group decided to further invest in our Company, and on September 22, 2019, Automotive Sub B purchased 30,940,658 Series D-2 Preferred Shares at a consideration of US$15.0 million. The **[REDACTED]** satisfied the funding needs of our Group to further invest in our R&D at that time.

Exit of Series D investments and disposal of Mobvoi JV

Based on the information available to us, in or around 2020, the Automotive Corporation Group underwent a comprehensive software strategy transformation, proclaiming a shift from a traditional car manufacturer to a new-age automaker with electric and software-defined vehicles at

its core. Accordingly, the Automotive Corporation Group decided to devote more focus and resources and establish direct connections with software. Various software strategies were established during that period.

At this point of time, the automotive SDS technology and intellectual property ("**IP**") accumulated by our Group were to a certain extent constrained due to the Exclusivity Agreement, limiting potential collaboration and commercialization opportunities with other automakers.

Therefore, both parties realised that there was a need for strategic adjustments to the cooperation.

Under such circumstances, a friendly negotiation took place. Due to strategic consideration and based on arms' length negotiations, in late 2021, the parties agreed that the Automotive Corporation Group would acquire Mobvoi JV in its entirety, while our Company would repurchase all of the Automotive Corporation Group's Shares in our Company and the parties agreed to terminate the Exclusivity Agreement. Such arrangement would allow our Group to leverage our core technology and IP for cooperation with other automakers. The Disposal was subsequently completed in March 2022 and Automotive Sub B ceased to be a Shareholder in September 2022. The Exclusivity Agreement contained in the relevant investment agreements entered into between the Company and Automotive Sub B was terminated following the exit of Automotive Sub B as a Shareholder.

After the Disposal, our Group have not entered into any new transactions with Mobvoi JV, save for a few NRE projects that were commenced prior to the Disposal. Those NRE projects were all completed in 2023 and the revenue from such projects was fully recognized in the same year.

Notwithstanding the above, without the Exclusivity Agreement which has been terminated as a result of the Disposal, our Group believes that we will be able to establish business collaborations with other automakers.

IP rights arrangements with Automotive Sub A

Following our Group's exit from Mobvoi JV, the Automotive Corporation Group wished to explore other approaches to gain access to the AI backend technologies of our Group's automotive SDS to support its in-vehicle solutions. Accordingly, the parties agreed to enter into a series of IP rights arrangements, through which the Automotive Corporation Group would obtain co-ownership rights to the relevant IPs but could only apply these IPs in vehicle projects under the Automotive Corporation Group of brands.

As a result of the foregoing, the collaboration between our Group and the Automotive Corporation Group has changed from a joint venture, whereby our Group provided R&D support and services to Mobvoi JV for it to develop AI in-vehicle solutions for installation in the Automotive Corporation Group brands of vehicles, to entering into a series of IP rights arrangements, whereby the Automotive Corporation Group obtained co-ownership of the underlying IP rights with respect to the AI backend technology for use in the Automotive Corporation Group's vehicle projects.

In terms of the type of services provided, the cooperation is different in form of a joint venture and under the IP rights arrangements:

Form of cooperation	Joint venture	IP rights arrangements with Automotive Sub A
Contract scope	The scope of services provided by our Group to Mobvoi JV includes R&D support and services for various NRE projects related to SDS for use in the Automotive Corporation Group's vehicles. The aim of the NRE projects on SDS was to enable human-to-machine communication through spoken language. In addition, the projects might be contracted for certain add-on features such as voiceprint recognition, multiple languages and dialects, personized push, GPS and in-vehicle infotainment system.	The IP rights arrangements with Automotive Sub A mainly involves transfer of IPs that were generated in the course of our Group's development of AI backend technologies. These IPs could be those that were created in the course of our Group's provision of R&D support and services to Mobvoi JV in connection with NRE projects. By obtaining the co-ownership right to such IPs, the Automotive Corporation Group could subsequently upgrade or adapt the same to fit in its specific needs.

Form of cooperation	Joint venture	IP rights arrangements with Automotive Sub A
IP rights	The IP rights that were generated through the NRE projects with Mobvoi JV were automatically authorized for use by the Automotive Corporation Group and were subject to the Exclusivity Agreement.	Under the IP rights arrangements, the IP rights developed and owned by our Group were "shared" with the Automotive Corporation Group through the co-ownership arrangement. Our Group is not subject to any exclusivity constraint whereas the Automotive Corporation Group cannot license such IPs to any third party for use in new projects which had not started as at the date of the IP rights arrangement agreement.
Pricing basis	The pricing basis for the R&D solutions provided by our Group to Mobvoi JV was determined based on project volume and expected work hours, plus margin.	The contract sum was based on the value of the IPs assessed by our Group, as well as the expected costs for the ancillary services, which are primarily one-off services including system maintenance and configuration.

For the salient terms of the IP rights arrangements with Automotive Sub A, please refer to the paragraph headed "— Our Solutions — AI Software Solutions — AI enterprise solutions — IP rights arrangements with Automotive Sub A" in this section.

Chronology of events

Set out below is a chronology of major events summarising our collaboration with the Automotive Corporation Group:

Date	Event
March 2017	Automotive Sub B acquired 288,779,294 Series D preferred shares of the Company at a consideration of US$140.0 million.
March 2017	Mobvoi HK established Mobvoi JV with Automotive Sub A.
September 2019	All the Series D preferred shares held by Automotive Sub B was reclassified and redesignated to Series D-1 preferred shares of the Company.
September 2019	Automotive Sub B acquired 30,940,658 Series D-2 preferred shares of our Company at a consideration of US$15.0 million.
September 2020	Mobvoi Limited voluntarily transferred 69,677,483 ordinary Shares to Automotive Sub B at nil consideration to prevent the shareholding of Automotive Sub B from being diluted as a result of the allotment and issuance of ordinary Shares to the sellers in our Group's acquisition of Geekstar and Zhixue which took place in September 2020.
October 2021	Our Company executed a framework agreement with Automotive Sub A.
October 2021	Our Group executed a series of IP arrangement agreements with Automotive Sub A for granting the co-ownership rights of the Relevant IPs to Automotive Sub A.
December 2021	Mobvoi HK executed equity transfer agreement with Automotive Sub A for selling its equity interests in Mobvoi JV to Automotive Sub A.
December 2021	Our Company executed a share repurchase agreement with Automotive Sub B to repurchase all the 69,677,483 ordinary Shares, 288,779,294 Series D-1 preferred shares and 30,940,658 Series D-2 preferred shares of our Company from Automotive Sub B.
March 2022	Our Company disposed all of its equity interests in Mobvoi JV to Automotive Sub A.

Date	Event
September 2022	Our Company completed the repurchase of all the 69,677,483 ordinary Shares, 288,779,294 Series D-1 preferred shares and 30,940,658 Series D-2 preferred shares of our Company from Automotive Sub B.
June 2023	The IP rights arrangement project with Automotive Sub A was completed.

OUR CUSTOMERS

Our customers primarily consist of (i) content creators who purchase our AIGC solutions; (ii) enterprises to whom we sell our AI enterprise solutions; (iii) consumers who purchase our Smart Devices and Other Accessories and (iv) online and offline distributors to whom we sell our Smart Devices and Other Accessories. For each of the years ended December 31, 2021, 2022 and 2023, our revenue generated from our five largest customers accounted for 37.0%, 62.8% and 49.9% of our revenue, respectively, while our revenue generated from our largest customer for each of the years ended December 31, 2021, 2022 and 2023, accounted for 24.1%, 42.6% and 27.4% of our revenue, respectively. We granted credit terms of up to 90 days to our five largest customers upon their acceptance of products or delivery of solutions, and generally settled with them by bank transfer.

Our five largest customers

Set out below is a breakdown of our revenue derived from our top five customers during each year of the Track Record Period and their respective background information:

For the year ended December 31, 2021:

Rank	Customer	Profile and scale of operations	Services provided	Approximate year(s) of relationship	Sales amount	Percentage of total revenue
					(RMB'000)	*(%)*
1	Customer A	Customer A comprises a group of subsidiaries of a US-based international e-commerce platform operator, which principally engages in the provision of retail and e-commerce related services. It had revenue of approximately USD513.9 billion and more than 1.5 million employees in 2022.	Smart Devices and Other Accessories	4 years	95,748	24.1
2	Customer B	Customer B is a leading retailer headquartered in the PRC. Established in 2007, Customer B primarily engages in wholesaling of computing software and hardware and auxiliary equipment, sales of machinery and equipment, sales of household appliances, wholesaling of electronic components, wholesaling of hardware products and sales of electronic products. It has a registered capital of approximately US$1.4 billion and currently has more than 10,000 employees.	Smart Devices and Other Accessories	9 years	17,397	4.4

Rank	Customer	Profile and scale of operations	Services provided	Approximate year(s) of relationship	Sales amount	Percentage of total revenue
					(RMB'000)	*(%)*
3	Mobvoi JV.	Mobvoi JV was incorporated in 2017 and is based in the PRC. It principally engages in provision of software and information technology services including in-vehicle AI solutions. It was a related party of our Group. For details, please refer to note 36 to the Accountants' Report set out in Appendix I to this document.	In-vehicle AI Software Solutions	6 years	16,200	4.1
4	Technology Corporation A	Technology Corporation A is a wholly owned subsidiary of a US-based international technology group which was incorporated in 1998 and primarily engages in search engine technologies, cloud computing, online advertising technologies, and research and development of web-based products and services. It had a revenue of approximately US$282.8 billion and more than 190,000 employees in 2022. It is a related party of our Group. For details, please refer to note 36 to the Accountants' Report set out in Appendix I to this document.	Over-the-air operation system services and Smart Devices and Other Accessories	7 years	10,973	2.8
5	Customer C	Customer C is a PRC-based company incorporated in 2015 and principally engages in e-commerce marketing consultancy services, technology consultancy services and investment in consumer brands. It has a registered capital of RMB5.0 million.	Smart Devices and Other Accessories	4 years	6,219	1.6
				Total:	146,537	37.0

For the year ended December 31, 2022:

Rank	Customer	Profile and scale of operations	Services provided	Approximate year(s) of relationship	Sales amount	Percentage of total revenue
					(RMB'000)	*(%)*
1	Automotive Sub A . . .	Automotive Sub A is a subsidiary of an international automobile manufacturer headquartered in Germany. Automotive Sub A principally engages in the sales of automotive. It had revenue of approximately EUR279.2 billion in 2022. It was a related party of our Group. For details, please refer to note 36 to the Accountants' Report set out in Appendix I to this document.	AI enterprise solutions and IP rights arrangement	6 years	212,956	42.6
2	Customer A	Customer A comprises a group of subsidiaries of a US-based international e-commerce platform operator, which principally engages in the provision of retail and e-commerce related services. It had revenue of approximately USD513.9 billion and more than 1.5 million employees in 2022.	Smart Devices and Other Accessories	4 years	65,900	13.2
3	Technology Corporation A	Technology Corporation A is a wholly owned subsidiary of a US-based international technology group which was incorporated in 1998 and primarily engages in search engine technologies, cloud computing, online advertising technologies, and research and development of web-based products and services. It had a revenue of approximately US$282.8 billion and more than 190,000 employees in 2022. It is a related party of our Group. For details, please refer to note 36 to the Accountants' Report set out in Appendix I to this document.	Over-the-air operation system services and Smart Devices and Other Accessories	7 years	20,121	4.0

Rank	Customer	Profile and scale of operations	Services provided	Approximate year(s) of relationship	Sales amount	Percentage of total revenue
					(RMB'000)	*(%)*
4	Customer B	Customer B is a leading retailer headquartered in the PRC. Established in 2007, Customer B primarily engages in wholesaling of computing software and hardware and auxiliary equipment, sales of machinery and equipment, sales of household appliances, wholesaling of electronic components, wholesaling of hardware products and sales of electronic products. It has a registered capital of approximately US$1.4 billion and currently has more than 10,000 employees.	Smart Devices and Other Accessories	8 years	8,048	1.6
5	Sparky Create Inc . . .	Sparky Create Inc is a Japan-based company incorporated in 2015 and principally engages in distribution of electrical appliances and wholesaling of goods. It has a registered capital of JPY3.0 million.	Smart Devices and Other Accessories	5 years	7,244	1.4
				Total:	314,269	62.8

For the year ended December 31, 2023:

Rank	Customer	Profile and scale of operations	Services provided	Approximate year(s) of relationship	Sales amount	Percentage of total revenue
					(RMB'000)	*(%)*
1	Automotive Sub A . . .	Automotive Sub A is a subsidiary of an international automobile manufacturer headquartered in Germany. Automotive Sub A principally engages in the sales of automotive. It had revenue of approximately EUR279.2 billion in 2022. It was a related party of our Group. For details, please refer to note 36 to the Accountants' Report set out in Appendix I to this document.	AI enterprise solutions and IP rights arrangement	6 years	138,752	27.4
2	Customer A	Customer A comprises a group of subsidiaries of a US-based international e-commerce platform operator, which principally engages in the provision of retail and e-commerce related services. It had revenue of approximately USD513.9 billion and more than 1.5 million employees in 2022.	Smart Devices and Other Accessories	4 years	59,523	11.7
3	Mobvoi JV.	Mobvoi JV was incorporated in 2017 and is based in the PRC. It principally engages in provision of software and information technology services including in-vehicle AI solutions. It was a related party of our Group. For details, please refer to note 36 to the Accountants' Report set out in Appendix I to this document.	In-vehicle AI Software Solutions	6 years	41,127	8.1
4	Customer D	Customer D was founded in 1950. It ranked third among the manufacturers of optics, jewelry and watches category in Brazil in 2022.	Smart Devices and Other Accessories	6 years	7,019	1.4

Rank	Customer	Profile and scale of operations	Services provided	Approximate year(s) of relationship	Sales amount	Percentage of total revenue
					(RMB'000)	*(%)*
5	Technology Corporation A	Technology Corporation A is a wholly owned subsidiary of a US-based international technology group which was incorporated in 1998 and primarily engages in search engine technologies, cloud computing, online advertising technologies, and research and development of web-based products and services. It had a revenue of approximately US$282.8 billion and more than 190,000 employees in 2022. It is a related party of our Group. For details, please refer to note 36 to the Accountants' Report set out in Appendix I to this document.	Over-the-air operation system services and Smart Devices and Other Accessories	7 years	6,510	1.3
					252,931	49.9

Except for Technology Corporation A, Mobvoi JV, Automotive Sub A, all of our five largest customers during the Track Record Period had been Independent Third Parties. To the knowledge of our Directors, during the Track Record Period, none of our Directors or any Shareholders owning more than 5% of our issued share capital immediately following the completion of the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised; (ii) without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme; and (iii) each Preferred Share is converted into one Share) nor any of their respective associates had any interest in any of our five largest customers, except for an associate of Technology Corporation A.

Major terms of our long-term agreements

Please refer to the paragraph "— Sales and distribution networks — Distribution model — Major terms of agreements with distributors" in this section.

Customer services

Providing great customer service is of high priority to us. Our commitment to customers and their end users is reflected in the high levels of service provided by our customer service staff as well as in our product return and exchange policies. Among our sales and marketing staffs, 22 of them are responsible for customer services, as of December 31, 2022. Our customer service center handles queries and complaints from our customers and their end users regarding our product and

service solutions. Customers and their end users can make queries on our product and service solutions as well as file complaints around the clock by various means, such as a customer service hotline, online chatting with certain sales channels (such as e-commerce platforms) and leaving messages on our official website. We also provide system maintenance for some of our AI enterprise solutions. Depending on the specific queries or complaints, our customer service representatives answer questions, offer detailed instructions, initiate after-sale procedures, or transfer such queries or complaints to relevant functional departments (such as the research and development department and sales and marketing department) as appropriate. Our customer service representatives are required to complete training on solution knowledge, after-sale policies, communication skills and complaint handling procedures.

Product Returns, Exchanges and Warranties

Product Returns and Exchanges

Direct Sales

In China, we typically allow customers to return our products that are not made-to-order within seven days or 30 days upon customer acceptance. For certain limited products where we allow return only if the packages of the products are intact, and we typically allow customers to exchange any products within 15 days from the date of sale. Meanwhile, we generally allow overseas customers to return our products purchased through direct sales for any reason within 30 days from the date of purchase.

Distributors

Generally, we only accept returns in China covered by the Interim Measures for Seven-Day Unconditional Return of Products Purchased Online (《網絡購買商品七日無理由退貨暫行辦法》), which came into effect on March 15, 2017, and was revised on October 23, 2020, and returns with quality issues, and do not allow return of unsold products.

For certain distributors with whom we have built a long business relationship, we may allow them to return all or part of unsold products, in exchange for vast customer base brought by such distributors. During the Track Record Period, there were two distributors with such rights.

The following table sets forth the revenue contributed by, returns made by, and the amount of provision for returns made for such distributors with rights to return all or part of unsold products during the Track Record Period:

	For the year ended December 31,								
	2021			2022			2023		
	Revenue	Returns	Provision for returns	Revenue	Returns	Provision for returns	Revenue	Returns	Provision for returns
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Customer A[(Note)]	95,748	(7,404)	11,939	65,900	(19,261)	19,819	79,358	(19,835)	21,150
Customer B[(Note)]	17,397	(6,980)	8,681	8,048	(3,346)	2,944	3,110	(1,386)	1,397
	113,145	(14,384)	20,620	73,948	(22,607)	22,763	82,468	(21,221)	22,547

Note: Customer A was one of our five largest distributors for each year during the Track Record Period. Customer B was among our five largest distributors for the years ended December 31, 2021 and 2022. Regarding the amounts of returns made by these two distributors, the amounts attributable to Customer A reflect unsold returns only, given the business nature and that the Group's contract terms with Customer A only allow unsold returns arising from seasonal stock management, whereas the amounts attributable to Customer B consisted of (i) unsold returns generated from its internal stock management and sales planning, and (ii) returns generated from its after sales services.

The following table sets forth the balance of accumulated provision for returns made for Customer A and Customer B as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Customer A	4,910	5,468	5,866
Customer B	4,953	4,551	5,479
	9,863	10,019	11,345

For the years ended December 31, 2021, 2022 and 2023, the total value of returned products from all distributors, including the unsold returns, amounted to RMB19.7 million, RMB25.0 million and RMB22.4 million, respectively. The total provision of returns from all distributors amounted to RMB14.7 million, RMB16.0 million and RMB18.3 million for the years ended December 31, 2021, 2022 and 2023, respectively. Our Group offers warranties for our Smart Devices and Other Accessories under sales agreements. We had therefore made provision for warranties in best estimate approach. For details, please refer to note 32 to the Accountants'

Report in Appendix I to this document. As of December 31, 2021, 2022 and 2023, we had provision balance of RMB15.4 million, RMB16.5 million and RMB18.5 million, respectively, for potential claims of product return and other warranties.

Product warranties

We typically offer a limited warranty for our products, with warranty periods from 12 to 24 months from the date of sale, depending on the countries and regions where our products are sold.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material complaint or product liability or other legal claims from our customers or end users due to problems associated with the quality of our products.

We have also established product recall procedures with reference to applicable laws and regulations, and have prescribed recall guidelines and processes, which specify responsible persons to notify upon a recall and the handling procedure of the recalled products. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any product recall from our customers or end users due to quality problems.

OUR SUPPLIERS

Our suppliers primarily consist of suppliers of hardware components and raw materials, contract manufacturers, providers of cloud services and servers, suppliers of data sources, and service providers of warehouse and logistic services. Our major suppliers are mostly situated in China. For each of the years ended December 31, 2021, 2022 and 2023, our purchases from our five largest suppliers accounted for 32.7%, 24.3%, and 20.3% of our total costs of sales, respectively, while our purchase from our largest supplier accounted for 11.4%, 9.7% and 5.7%, respectively, of our costs of sales for the same years. Our five largest suppliers generally require prepayment and/or provide us with up to 30 days of credit period and we generally settle with them by bank transfer.

Our five largest suppliers

Set out below is a breakdown of our top five suppliers during each year of the Track Record Period and their respective background information:

For the year ended December 31, 2021:

Rank	Supplier	Principal business activities	Products or Services purchased	Approximate year(s) of relationship	Purchase amount	Percentage of total costs of sales
					(RMB'000)	*(%)*
1	Lixun	Manufacturing of electronic parts and components	Product assembly services	5 years	42,608	11.4
2	Supplier A	Development, manufacturing and sales of fitness equipment	OEM for Home Treadmill	4 years	26,489	7.1
3	Shenzhen Youchuangyi Technology Co., Ltd.	Development, manufacturing and sales of Bluetooth technologies related AI-empowered hardware products	Design and development of smart watch	4 years	17,940	4.8
4	Supplier B	Distribution of electronic parts and components	Storage chips, sensors and integrated circuits	5 years	17,639	4.7
5	Shenzhen Hengcheng Technology Co., Ltd.	Development, manufacturing and sales of electronic parts and components	Display screens and modules	5 years	17,440	4.7
				Total:	122,116	32.7

For the year ended December 31, 2022:

Rank	Supplier	Principal business activities	Products or Services purchased	Approximate year(s) of relationship	Purchase amount	Percentage of total costs of sales
					(RMB'000)	*(%)*
1	Supplier A	Development, manufacturing and sales of fitness equipment	OEM for Home Treadmill	4 years	23,474	9.7
2	Lixun	Manufacturing of electronic parts and components	Product assembly services	5 years	12,820	5.3
3	Shenzhen Youchuangyi Technology Co., Ltd. . .	Development, manufacturing and sales of Bluetooth technologies related AI-empowered hardware products	Design and development of smart watch	4 years	9,109	3.7
4	Supplier B	Distribution of electronic parts and components	Storage chips, sensors and integrated circuits	7 years	6,967	2.9
5	Supplier C	Manufacturing of touchscreen	Touchscreen	8 years	6,462	2.7
				Total:	58,832	24.3

For the year ended December 31, 2023:

Rank	Supplier	Principal business activities	Products or Services purchased	Approximate year(s) of relationship	Purchase amount	Percentage of total costs of sales
					(RMB'000)	*(%)*
1	Supplier A	Development, manufacturing and sales of fitness equipment	OEM for Home Treadmill	4 years	19,125	5.7
2	Supplier C	Manufacturing of touchscreen	Touchscreen	8 years	14,053	4.2
3	Semiconductor Corporation A	Design and manufacturing of mobile communication chips	Chipsets	8 years	12,972	3.8
4	Supplier B	Distribution of electronic parts and components	Storage chips, sensors and integrated circuits	7 years	11,886	3.5
5	Lixun	Manufacturing of electronic parts and components	Product assembly services	5 years	10,357	3.1
					68,393	20.3

Notes:

1. Lixun comprises Luxin Electronic Technology (Kunshan) Co., Ltd and Huzhou Lixun Precision Industry Ltd which are subsidiaries of a PRC-based company incorporated in 2004 and principally engages in manufacturing of electronic parts and components. It had registered capital of approximately RMB7.1 billion and 240,000 employees in 2022.

2. Supplier A is a PRC-based company incorporated in 2016 and principally engages in development, manufacturing and sales of fitness equipment. It had revenue of approximately RMB0.2 billion and 880 employees in 2023.

3. Shenzhen Youchuangyi Technology Co., Ltd is a PRC-based company incorporated in 2012 and principally engages in development, manufacturing and sales of Bluetooth technologies related AI-empowered hardware products. It had revenue of approximately RMB0.3 billion and 200 employees in 2023.

4. Supplier B is a PRC-based company incorporated in 1993 and principally engages in distribution of electronic parts and components. It had revenue of approximately US$1.4 billion and 650 employees in 2023.

5. Shenzhen Hengcheng Technology Co., Ltd is a PRC-based company incorporated in 2003 and principally engages in development, manufacturing and sales of electronic parts and components. It had revenue of approximately RMB0.2 billion and 53 employees in 2023.

6. Supplier C is a PRC-based company incorporated in 2015 and principally engages in manufacturing of touchscreen. It had revenue of approximately RMB0.2 billion and 300 employees in 2023.

7. Semiconductor Corporation A is a subsidiary of a US-based international semiconductor manufacturer incorporated in 1985 and principally engages in design and manufacturing of mobile communication chips. The US-based international semiconductor manufacturer had revenue of approximately US$44.2 billion in 2022.

To the best of our knowledge, none of the Directors or Shareholders or any of their respective associates had any interests in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

MARKETING

Our marketing team and sales team are jointly responsible for the design and implementation of our marketing strategies and campaigns, as well as logistic arrangement and customer service in and outside of China. We believe that in-house sales and marketing staff with a relatively high level of industry knowledge and expertise are important to implement our sales and marketing strategies and maintain our reputation and brand image. As of December 31, 2023, our marketing team and our sales team had a total of 21 and 37 employees, respectively. For the years ended December 31, 2021, 2022 and 2023, our selling and marketing expenses amounted to RMB105.9 million, RMB97.1 million and RMB150.7 million, respectively, representing 26.6%, 19.4% and 29.7% of our revenue during the same years, respectively.

We have implemented our marketing strategies and campaigns through various channels, primarily through advertisement on major internet platforms, electronic direct mail marketing, telemarketing and KOL marketing. As of the Latest Practicable Date, none of the KOLs engaged by us had entered into a contract with us to resell our AIGC solutions and AI-empowered hardware products and therefore such KOLs were not classified as our distributors.

We have a dedicated online marketing team focusing on the development of online marketing and advertising campaigns through various channel. We work with e-commerce platforms and participate in special sales events organized by these online platforms. For instance, we participated in the Prime Day, Black Friday and Cyber Monday campaigns on Amazon and 618 campaign on AliExpress. We generally participate in the sales activities organized by the e-commerce platform and utilize online resources such as live streaming and recorded videos to illustrate our solutions. Our online marketing activities on e-commerce platforms provide us with opportunities to effectively interact with customers, enable us to collect sales data and allow us to promptly respond to changes in customers' demands. As of the Latest Practicable Date, our

proprietary online stores on various e-commerce platforms had attracted over one million followers. We also deploy advertising campaigns through social media platforms utilizing consumer portrait and engagement of search engine companies to market our brands or to promote our new solutions. Apart from online marketing, we also market our solutions to specific clients by electronic direct mail and utilize commercial advertisements on magazines.

To capture a larger market share, we also engage channel partners, such as online e-commerce platforms and enrichment course providers, to promote our solutions and smart devices within their own business activities.

Set forth below are the salient terms of the contracts with our channel partners during the Track Record Period:

Scope of service	A channel partner shall promote our solutions or smart devices to end users through its own channels or platforms. The channel partner shall be entitled to a channel fee for the services. The amount of channel fees payable is pre-determined based on various factors, including but not limited to: (i) type of solutions or products sold; (ii) sales amount; and/or (iii) performance of the channel partner, such as the total sales amount generated through the channel partner.
Roles, rights and obligations of our Group	Our Group shall have the right to make necessary adjustments to product strategy, market strategy, pricing strategy and market orders based on market demands.
Roles, rights and obligations of our channel partners	Our channel partners shall earn channel fees through promotion of our solutions or products.

Payment arrangement

For the solutions and products promoted by our channel partners, our end users shall pay directly to us. Upon receipt of payment from end users, the channel fees associated with the relevant sales shall be accrued and settled in the following month.

The channel fees shall be settled on a monthly basis.

SALES AND DISTRIBUTION NETWORK

During the Track Record Period, we only engaged distributors for selling our smart devices. We believe it is an industry norm to adopt an online and offline sales and distribution model to operate efficiently and to increase sales of our Smart Devices and Other Accessories. The following table sets out our various distribution channels and their respective revenue contribution of Smart Devices and Other Accessories during the Track Record Period:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Smart Devices and Other Accessories						
Direct sales	158,775	46.9	87,173	44.2	78,884	48.2
Distributors	179,620	53.1	110,133	55.8	84,929	51.8
Total	338,395	100.0	197,306	100.0	163,813	100.0

For the years ended December 31, 2021, 2022 and 2023, revenue generated from our distributors was RMB179.6 million, RMB110.1 million and RMB84.9 million, respectively, and accounted for 53.1%, 55.8% and 51.8% of our revenue from Smart Devices and Other Accessories, respectively. Revenue from these distributors is recognized upon the transfer of control of the products or at the time of sale of solutions. In addition, we use an expected value approach to estimate the amount of return and volume rebates.

During the Track Record Period, we had conducted sales of (i) our AIGC solutions primarily through our website (including redirections from various social media platforms), and (ii) our Smart Devices and Other Accessories through offline distributors, our proprietary online stores (including both our official website and our stores on various e-commerce platforms) and various third-party online distribution platforms. In China, users can purchase our products directly from our website. For international markets, our website serves as the centralized platform for users to learn about our products. Our website allows customer to discover, review, select and purchase our products quickly and efficiently. Our website also makes product recommendations and compare

specification of different products for customers. We strive to provide customers with customized shopping experience by analyzing and understanding their transaction histories and browsing patterns on our website so as to increase customer stickiness and enhance recurring sales opportunities. To enhance brand awareness among younger generations, and to engage directly with customers, we launched our proprietary online stores since 2018. During the Track Record Period, we had engaged various social media platforms, such as WeChat (through the WeChat mini-program) and Douyin, in order to increase the visibility of our AIGC solutions.

For our AIGC solutions, these social media platforms play a role in increasing the exposure of our solutions. Where end consumers elect to subscribe to our AIGC solutions or purchase add-on premium functions, these platforms will redirect them to our website for payment processing via commonly used digital payment platforms in China. Service fee is charged based on general pricing policies set by social media platforms and we do not enter into separate agreements with them. Fees charged by us to our end consumers vary depending on the AIGC platforms our users subscribe to, the subscription period and the price of any add-on premium functions. Sales proceeds are settled with our Group in real time after deducting any service fee payable to social media platforms. For the years ended December 31, 2021, 2022 and 2023, the service fee charged by social media platforms ranged from 0.6% to 2%, 0.54% to 2% and 0.54% to 2% of the total transaction value and amounted to RMB47,000, RMB274,000 and RMB669,000, respectively. All end consumers, including those who subscribe on our website through redirections from social media platforms, can cancel their subscription to our AIGC solutions and purchase of the add-on premium functions at any time. In line with the industry practice, where subscription to our AIGC solutions is canceled, no subscription fee would be charged for the next subscription period following cancellation and the subscription fees for the existing period shall still be borne by our end consumers.

Set forth below are the major terms of our arrangements with social media platforms for our Smart Devices and Other Accessories:

Duration of service	No duration is specified since we do not enter into separate agreements with social media platforms.
Service fee	Service fee is charged based on general pricing policies set by social media platforms and we do not enter into separate agreements with them. During the Track Record Period, the service fee charged by social media platforms in each year ranged from 0.6% to 5% of the total transaction value. The service fee charged by the platforms amounted to RMB161,600, RMB151,300 and RMB24,100 for the years ended December 31, 2021, 2022 and 2023, respectively.

Roles and responsibilities of our Group	We shall sell and deliver our devices in accordance with the terms and conditions of such agreement as designated by the platforms.
Roles and responsibilities of social media platforms	The platforms shall provide the necessary sites, tools and services for the purpose of selling our devices to end consumers.
Goods return policies	We typically accept return requests within seven days from receipt of goods by end consumers.
Payment arrangements	The settlement cycle of service fees ranges from four to 15 days following order confirmation or receipt of payment from end consumers. The platforms usually deploy online payment systems certified by them and collect payments from end consumers. Sales proceeds are usually settled at the end of each settlement cycle after deducting service fee and the remaining balance is transferred to our Group after both parties reconcile and confirm the transaction records.

Apart from our proprietary online stores, we also sell our products through a global online distribution network comprising third-party e-commerce partners. We cooperate with the third-party e-commerce platforms which our solutions are sold primarily through Amazon, Walmart and AliExpress. For details of our distribution model, please refer to the paragraph headed "— Distribution model" in this section.

In addition, we also engage our in-house sales team for sale of our AI enterprise solutions and Smart Devices and Other Accessories to our enterprises, and third-party distributors for sale of our Smart Devices and Other Accessories. During the Track Record Period, we had primarily sold our AI enterprise solutions through in-house direct sales forces. We generally conduct direct sales through phone calls and onsite visits, and leverage the network effect and word-of-mouth referrals by stakeholders to strategically expand our market presence and scale up our business in a cost-effective manner. Apart from direct sales, we also deliver our solutions by engaging offline distributors which comprises (i) retail chains and local authorized stores in China, and (ii) international distributors, including online shops and offline retail stores. For details of our distribution model, please refer to the paragraph headed "— Distribution model" in this section.

Distribution model

We depend on effective sales networks to deliver our smart devices to consumers by engaging with online and offline distributors across the globe. As of December 31, 2023, we engaged 39 distributors, respectively, which allowed us to increase our market share in Smart Devices and Other Accessories and launch new products to the market in a relatively short timeframe. Our

distributors are our direct customers and are responsible for on-selling and delivering our products to their customers, including end users. We enter into buyer and seller relationships with all of our distributors. We consider a number of factors in selecting distributors, including their brand and reputation in the relevant industry, their overall business management and financial performance, and their warehousing and logistics capabilities. We believe our distributorship model is in line with industry norm.

For the sale of our Smart Devices and Other Accessories, the revenue is recognized when the distributors take possession of and accept the products. Under the standardized framework distribution agreements entered into among our suppliers and us, the distributors have the right to return the products within two days from the date of acceptance. The distributors acknowledge receipts of products, they bear the risks of any damage or loss of the products. Based on the historical information, our Directors are of the view that there will be no significant reversal of cumulative revenue and therefore recognizes those sales as revenue when the distributors take possession of and accept the products.

The following table sets forth the breakdown of our revenue from Smart Devices and Other Accessories by distribution channels for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Smart Devices and Other Accessories						
— Group's proprietary online stores[Note]	158,775	46.9	87,173	44.2	78,884	48.2
— Third-party online distribution platforms	130,127	38.5	81,055	41.1	62,466	38.1
— Offline distributors	49,493	14.6	29,078	14.7	22,463	13.7
Total	**338,395**	**100.0**	**197,306**	**100.0**	**163,813**	**100.0**

Note: Our proprietary online stores include both our official website and our stores on various e-commerce platforms.

The percentage of revenue generated from our Group's proprietary online stores was 46.9%, 44.2% and 48.2% for the years ended December 31, 2021, 2022 and 2023, respectively. In 2022, the overall revenue from our Smart Devices and Other Accessories decreased compared to 2021, and the revenue generated from our Group's proprietary online stores decreased accordingly since there were no new products launched in 2022. The decline in the percentage of revenue generated from our Group's proprietary online stores was due to our sales strategy in 2022, under which our

Group aimed at maintaining the original price on our proprietary online stores as opposed to offering discounts on third-party online distribution platforms in order to differentiate the sales channels and boost sales via third-party online distribution platforms. The percentage of revenue generated from third-party online distribution platforms increased slightly from 38.5% for the year ended 31, 2021 to 41.1% for the year ended December 31, 2022, while the percentage of revenue generated from offline distributors increased slightly from 14.6% for the year ended 31, 2021 to 14.7% for the year ended December 31, 2022, in both cases, primarily due to the impact of COVID-19 which remained during both years and contributed to online purchases. The percentage of revenue generated from third-party online distribution platforms decreased from 41.1% for the year ended December 31, 2022 to 38.1% for the year ended December 31, 2023, primarily due to our strategy to restructure product categories, as well as the delay in launching of new flagship products.

The following tables set forth the changes in the number of our distributors by geographical locations during the Track Record Period:

Distributors located in China

	For the year ended December 31,		
	2021	**2022**	**2023**
At the beginning of the year	60	29	16
Addition of new distributors	21	9	7
Number of distributors terminated during the year	52	22	10
Net decrease in distribution	(31)	(13)	(3)
As of the end of the year	29	16	13

Distributors located outside China

	For the year ended December 31,		
	2021	**2022**	**2023**
At the beginning of the year	80	72	42
Addition of new distributors	50	21	15
Number of distributors terminated during the year	58	51	31
Net decrease in distribution	(8)	(30)	(16)
As of the end of the year	72	42	26

As of December 31, 2023, we had 13 distributors in China and 26 distributors outside China. During the Track Record Period, all of our distributors had been Independent Third Parties. To the best knowledge of our Directors, there was no employment, financing, family or other relationship between our distributors and us during the Track Record Period. We terminated distributor relationships with 110, 73 and 41 distributors in 2021, 2022 and 2023, respectively, primarily due to our strategies to restructure distribution network. After the termination of such relationships, we settle accounts with the terminated distributors and generally do not allow return of unsold products from these terminated distributors. We engaged 71, 30 and 22 new distributors in 2021, 2022 and 2023, respectively.

Major terms of agreements with distributors

During the Track Record Period, we had typically entered into standardized framework distribution agreements with our distributors for our Smart Devices and Other Accessories. Below sets forth the salient terms of our standardized framework distribution agreements in relation to distributors:

Term of service and contract renewal	Generally has a fixed term of one year and subject to automatic renewal for one year.
Service fee	The fees charged depend on the actual services provided, according to the terms under relevant purchase order.
Payment arrangements	Payments should generally be made in full by distributors for our Smart Devices and Other Accessories prior to the shipment arranged by us. Payments are typically settled by bank transfer with the agreed credit terms.
Delivery of products	For our Smart Devices and Other Accessories, we arrange delivery services with Independent Third Party logistics companies.
Transfer of risks	For our Smart Devices and Other Accessories, the risks transfer to the distributors at the time and place of delivery of products to forwarder or carrier.
Return of products	For our standard Smart Devices and Other Accessories, we only accept product return application within 2 days after receipt of products on the basis that we fail to comply with the purchase order terms.

Minimum purchase requirements	We generally do not set a minimum purchase requirements for our distributors.
Pricing policy	We provide recommended retail price to our distributors.
Termination	Each party may unilaterally terminate the agreement if the other party breaches the agreement. We may terminate the agreement if the conditions agreed by distributors are not met.

Major terms of agreements with third-party e-commerce platforms

Term of service	The term of an agreement typically ranges from one to two years.
Service fee	Commission fee ranges from 5% to 15% of selling price depending on items and categories.
Roles and responsibilities of our Group	We shall sell and deliver our devices in accordance with the terms and conditions of such agreement as designated by the platforms.
Roles and responsibilities of online platforms	The platforms shall provide the necessary sites, tools and services for the purpose of selling our devices to end consumers.
Goods return and recall policies	Requests for full refund or replacement are accepted within seven to 30 days of receipt. If our devices are damaged, defective, not fit for any claimed purpose or breach any warranty or representation, consumers can normally return the product within three months.
Payment arrangements	Payment of service fee shall be made from 30 to 90 days following completion of transaction with end consumers.

Management of our sales and distribution network

Our sales and distribution network is managed by our sales team. Please refer to the paragraph headed "— Marketing" in this section for details of our sales team. To minimize the risk of cannibalization, we have adopted the following policies regarding our sales and distribution network: (i) we provide recommended retail and sales prices to e-commerce platforms and distributors, with an aim to ensure consistency across different channels, and (ii) when selecting our distributors, we take into account of their respective geographic coverage in order to avoid potential competition among our distributors within a region. Particularly, for our sales to

e-commerce platforms and our sales through our own proprietary stores, we have implemented a number of internal control policies to prevent cannibalization as certain e-commerce platforms on which a number of our proprietary online stores operate are also our customers. Such policies include (i) applying same recommended price for the same product; (ii) providing different multi-item combo packs to the e-commerce platforms and our proprietary online stores; (iii) setting a cooling-off period between promotional events on the e-commerce platforms and those held by our proprietary online stores; and (iv) designing different themes for promotional events on the e-commerce platforms and our proprietary online stores.

We have also adopted several measures to prevent channel stuffing, which primarily include (i) providing advice to our distributors regarding product and service offerings that are suitable to their clients, with an aim to minimize unsaleable products, and (ii) actively communicating with our distributors to gain a general understanding of their sales performance and provide marketing advice accordingly, and therefore help them avoid. We have set up a policy to require distributors to report to us their inventory level every one to three months, depending on each distributor's inventory management capability and the size of its inventory. During the COVID-19 pandemic, we communicated with our distributors regarding inventory level, development of distribution channels, sales performance and conducted the inventory-taking mainly by way of online meeting.

We constantly seek to optimize our sales strategy to adapt to changing market dynamics based on sales data collected by our sales and marketing team. Based on the sales strategy, we establish guidance for our sales and distribution network accordingly. We analyze data on the sales performance of our online channels and monitor the performance. Our sales and marketing team analyzes the information regularly to keep ourselves updated and adjusts our online sales and marketing strategies as necessary.

In addition, we monitor our distributors' compliance with the terms and conditions of distribution agreements. If we discover non-compliant issues, we will notify the relevant distributors in writing and request the distributors to cease the non-compliant activities within a specified period of time. We have the option to terminate our relationship with the distributors if the relevant distributors do not rectify the non-compliant activities as notified. Our distributors are also liable for breaches of their distribution agreements, and they are required to indemnify us for relevant breaches. We can terminate the appointment of our distributors if they breach provisions stipulated in the distribution agreements and choose not to renew our distribution agreements if their sales performance is not satisfactory.

Pricing

We have developed different pricing policies for our AIGC solutions, AI enterprise solutions and Smart Devices and Other Accessories, as follow:

(i) ***AI Software Solutions — AIGC solutions:*** We generally charge fixed membership subscription fees for basic packages and additional fees for add-on premium functions, such as premium voiceover actors and multi-seat collaborative creations. Multi-seat collaborative creations refer to a feature that enables multiple individuals to work together simultaneously on shared projects. In addition, for the avatar services, we charge for fee for voice and image cloning, 3D avatar customization, fixed membership subscription fees for avatar video creation and 2.5D and 3D avatar livestreaming services and volume usage fee for API integration services.

(ii) ***AI Software Solutions — AI enterprise solutions:*** Our service fees are generally set out in the agreements between us and our customers. We take into account of various factors, including type of services provided, type of customers and the industries they are involved in, level of engagement of our self-developed IP rights and level of customization. In addition, for our customers from automotive industry, we will also charge in respect of customers' sales volume on the model utilizing our relevant AI enterprise solutions and for the future upgrade on solutions.

(iii) ***Smart Devices and Other Accessories:*** We take into account of various factors, including cost of raw materials, selling and distribution expenses, supply and demand, the market positioning of the product, the prices of competing products and service fees and commission fees charged by the e-commerce platforms.

IMPACT OF THE U.S.-CHINA TRADE TENSION

During the Track Record Period and up to the Latest Practicable Date, the United States had been one of our markets. The ongoing trade dispute between the PRC and the United States and the increase in tariffs that the United States imposed on PRC imports have contributed to increased market volatility, weakened consumer confidence and diminished expectations for economic growth around the world. Our revenue generated from sale of Smart Devices and Other Accessories and customized smart devices and hardware developed under our AI enterprise solutions to customers in the United States accounted for 15.8%, 7.0% and 5.5% of our total revenue for the years ended December 31, 2021, 2022 and 2023, respectively. Most of our smart devices and hardware sold to the United States are subject to additional tariffs, with the majority of them subject to a tax rate of 7.5% while the remaining subject to a tax rate of 4.6%. The tariffs have remained as of the date of this document which make Chinese goods more expensive.

Nonetheless, as our smart devices and hardware do not involve sensitive technologies or functions, we have no reason to believe that the U.S. government would impose import restrictions on our products. Furthermore, sales of our smart devices and hardware to the United States as a percentage of total revenue from selling our smart devices and hardware had been decreasing throughout the Track Record Period and the trend is expected to continue after the **[REDACTED]**. Therefore, the Directors are of the view that the U.S.-China trade tension is unlikely to impede our ability to carry out our business with customers or collaboration with partners in North America, or to have a material adverse impact on our operations and financial performance in the near future.

As contingency measures to mitigate the potential impact of intensifying U.S.-China trade tensions, we will continue to expand sales channels in China, Europe and other markets. We have established companies in Singapore and the Netherlands in order to better serve overseas customers and markets. Furthermore, we sought to mitigate the impact of the costs associated with U.S. tariffs primarily by (i) promoting new consumer smart devices with higher margins that partially cover the tariff costs, (ii) sharing tariff costs with customers or suppliers, and (iii) raising selling prices of our consumer smart devices subject to tariffs where appropriate, taking into consideration factors such as foreign exchange rates and raw material prices.

Based on the independent due diligence work conducted by the **[REDACTED]**, including but not limited to, (i) reviewing the Accountants' Report and revenue contribution by geographical locations of our Group during the Track Record Period; (ii) reviewing the legal memo issued by our Company's legal advisors in relation to restrictions on export control and discussed with the legal advisors; (iii) discussing with our Company on the potential impact on our Group from the recent developments in the relationship between the PRC and other countries, and the contingency measures adopted by our Group to mitigate the risks associated with international geographical and trade tensions; and (iv) conducting background searches to our Group to understand any impact on international geographical and trade tensions, nothing has come to the attention of the **[REDACTED]** that would cause the **[REDACTED]** to disagree with the Directors' views.

QUALITY CONTROL

We are committed to providing customers with the highest level of quality in our AI-based solutions. We have designed and implemented a quality management system that provides the procedures and measures for continuous improvement of products and processes.

Before engaging contract manufacturers, we carefully review their licenses and other credentials and examine their technological expertise. We also conduct site visits to our contract manufacturers to examine their product quality and manufacturing capacity. Before launching new solutions, we conduct thorough examinations of samples and each of their components (including

their technical specifications) at the testing stage to make sure they satisfy the relevant technical requirements. With respect to our existing solutions, our quality control team establishes, communicates and monitors quality standards by solution category.

We typically purchase raw materials, key hardware components and customized parts from suppliers in the market directly such that we can effectively control their quality. These raw materials and key hardware components are delivered to our contract manufacturer's production sites for assembly, we typically conduct our testing on site before project handover. With respect to other components and raw materials, we designate eligible suppliers for our contract manufacturers. Our diversified procurement approaches can reduce the transportation costs of components and raw materials while securing their quality.

We have access to each production facility of our contract manufacturers. Our quality control team continuously monitors the quality of components, raw materials and finished products as well as the production processes of our contract manufacturers' facilities.

PROCUREMENT

Procurement

We procure raw materials and key components from top-tier suppliers for the production of our in-house designed product based upon our production plan and outsource the assembly of our in-house designed products to our contract manufacturers. Apart from in-house designed products, we also collaborate with our partners to jointly design and develop Smart Devices and Other Accessories and our partners supply finished products to us for sale and distribution to our customers.

Suppliers for hardware components and raw materials

Although we engage contract manufacturers to assemble and manufacture our products, we typically purchase raw materials, key hardware components and customized parts from suppliers in the market directly, thereby ensuring the quality of our products. Such hardware components and raw materials are generally of high value and/or require delicate customization, such as integrated circuits, displays, touch panel modules, plastic parts, metal parts, batteries and watchbands. Our key hardware components and raw materials are primarily sourced within the PRC. As of the Latest Practicable Date, our suppliers for key hardware components and raw materials had worked with us for not less than five years.

We typically enter into one-off purchase agreements or framework purchase agreements with their term ranging from one year to five years with suppliers for our key hardware components and raw materials. Under framework purchase agreements, individual purchase orders are separately placed for each purchase. Our purchases are generally made at fixed unit prices prescribed in quotation provided subsequent to entering into the agreements, subject to an upward and downward adjustment upon mutual consent. Our key hardware component and other raw material suppliers generally require us to make full prepayment of the contract price, or grant us credit terms ranging of 30 days. We generally pay our suppliers via wire transfer. Our suppliers are typically responsible for arranging delivery to us at their own costs. We are typically granted a warranty period ranging for 12 months by our suppliers, and we are typically entitled to return or exchange defective supplies.

Contract manufacturers

In line with industry practice, we engage Independent Third Party contract manufacturers to assemble and manufacture our products. This approach allows us to focus our resources on technologies innovation, sales and marketing, and customer service. We select our contract manufacturers based on a variety of criteria, including technological expertise, product quality, manufacturing capacity, market reputation, as well as price and other commercial terms. As of the Latest Practicable Date, we had maintained business relationships with majority of our contract manufacturers for over five years.

We typically enter into cooperation agreements and framework purchase agreements with our contract manufacturers, and we place an individual order for each purchase. Pursuant to such agreements, our contract manufacturers typically assemble and manufacture products in accordance with our design specifications and standards.

With respect to certain key hardware components and raw materials that we directly purchased from suppliers in the market, our contract manufacturers also provide warehouse and inventory management services. We generally pay our contract manufacturers non-recurring engineering fees and purchase price for products, and we are required to make payments in accordance with the payment schedule agreed by both parties. Purchase price of products would normally be fixed in our subsequent purchase orders. Our contract manufacturers normally grant us a warranty period of 12 months. We are normally entitled to return or exchange defective products. In the event of any liability caused by product defects that are attributable to our contract manufacturers, such contract manufacturers are required to compensate us for any damages or losses arising therefrom. All intellectual property rights arising from the assembly, manufacture and supply of products, including the intellectual property rights of customized tooling and finished products, will be owned by us.

Providers of cloud services and servers

We utilize cloud servers provided by cloud service providers. We select our cloud service providers mainly based on their capabilities to provide unique quality cloud services. The cloud service providers are typically responsible for provision of cloud-based host, disk, database as well as maintenance service thereof. In return, we typically pay service fees calculated based on the time or amount of service utilized by us. Besides cloud services provided by cloud service providers, we also purchase servers (i) to build our own IT infrastructure; or (ii) to use such servers to support our solutions. We select our server vendors based on a variety of criteria, including research and development capabilities, service system and quality, history of cooperation and price. The servers we choose to use are selected by our computer scientists after rigorous testing to evaluate capacity and quality. Our purchases of servers are generally made at fixed prices prescribed in the relevant purchase agreements.

Suppliers for data sources

We acquire voice data from third-party professional data sources for training of our algorithms. Pursuant to the agreements between such data source suppliers and us, we were typically granted licenses to access and utilize their voice database, and such data source suppliers are also responsible for maintaining and upgrading their voice database from time to time. In return, we are typically required to pay such data source suppliers license fees calculated based on our usage time of such voice database. The intellectual property rights of voice database remain with our data source suppliers, while we own intellectual property rights of any processed data that we derived from, or any solutions that we developed on, raw data in such voice database.

Providers of warehouse and logistics services

We believe that reliable and timely product delivery is a critical component of providing a compelling shopping experience. We engage third-party warehouse and logistics service providers for storage of our products and shipment of the same to our customers. Our warehouse and logistics service providers are typically responsible for inventory management, sorting, packaging and delivery of our products, as well as dealing with product returns and exchanges. We normally pay service fees calculated based on the type and amount of service that we utilized, subject to a minimum amount of monthly service fees committed by us. In the event of changes in market condition, our warehouse and logistics service providers are typically entitled to adjust their fee quotes accordingly. Although adjusted fee quotes will only be implemented upon our confirmation, our warehouse and logistics service providers are entitled to terminate their services in the event of our rejection. We have developed relationships with such third parties to expand the geographic

coverage of our operations. We are generally able to ship our products to customers located in China within four business days and customers located outside of China within 15 business days after order placement.

We typically strategically aim to source each type of supplies or services from at least two suppliers or providers, in order to ensure supply stability and optimal procurement cost control. For those supplies or services for which we believe we can easily identify substitute suppliers or providers, we may source them from single supplier or provider. Save as disclosed in the paragraph headed "— Procurement" in this section and the sections headed "Financial Information" and "Risk Factors" in this document, we had not experienced any material (i) shortage of, or delay in, the delivery of supplies or in the provision of services; (ii) return or exchange of supplies or services that did not meet our standards; or (iii) loss or damage caused by quality problems with the supplies or services, during the Track Record Period and up to the Latest Practicable Date. In addition, we had not experienced any significant fluctuation in the prices of supplies or services procured by us during the Track Record Period and up to the Latest Practicable Date.

As of the Latest Practicable Date, notwithstanding as discussed herein, we had not experienced experience material business disruptions or operating difficulties due to the COVID-19 outbreak. We believe the COVID-19 outbreak has not materially affected our business or our financial performance as explained above. For details of the risks relating to pandemics and epidemics, please refer to the paragraph headed "Risk Factors — Risks Relating to Our Business and Industry — Pandemics and epidemics, natural disasters, terrorist activities, political unrest, and other force majeure events may disrupt our business operations, which could materially and adversely affect our business, results of operations, financial conditions and business prospects" in this document.

LOGISTICS AND INVENTORY MANAGEMENT

Logistics and warehouse

We engage third-party warehouse and logistics service providers for storage and delivery services. Our contract manufacturers would arrange to deliver finished products that have passed quality inspections to our designated warehouses. The finished products are packaged by our contract manufacturers in accordance with our specifications and standards, we would arrange delivery to locations specified by our customers subsequently.

Inventory management

Our inventory primarily includes finished products, hardware components and other raw materials. We have set up an inventory control policy to monitor our inventory levels and minimize obsolete inventory. Through close coordination with our customers and contract manufacturers, as well as purchases of raw materials from suppliers on an as-needed basis, we are able to carry fewer inventories and lower our inventory risk. However, to avoid any shortage of supplies, we may strategically keep a higher level of stock for certain key hardware components and raw materials to preempt possible industry-wide shortages. In addition, we require third-party warehouse service providers to check and report their inventory to us on a periodical basis in accordance with our agreements with them, thereby ensuring a safe inventory level of our finished products in such third-party warehouses. With a prior written application, we may also enter into third-party warehouses for onsite inspection.

We make provision for inventories based on historical experience and estimation of future market condition and sales, and will adjust the provision where actual net realizable value is higher or lower than previously estimated. For the years ended December 31, 2021, 2022 and 2023, we made provision for impairment loss of our inventories in the amount of RMB6.8 million, RMB6.1 million and RMB17.6 million, respectively.

SEASONALITY

Our business is subject to seasonality, resulting from the seasonal fluctuations in customer purchases and the frequency of marketing and promotional activities. During the Track Record Period, we had generally recorded higher revenue for our solutions for the second half of the year. Our customers usually order more smart devices from us during "Amazon Prime Day" and Black Friday. In addition, we usually experience higher sales volume during marketing and promotional activities held by us or our third-party e-commerce partners, most of which are held in the fourth quarter of the year, for example, "11.11 Shopping festival", "12.12 Shopping Festival", "Amazon Prime Day" and "Black Friday". Although our business is subject to seasonality, the overall impact of seasonality on our business has been relatively mild due to our diversified solution mix. The seasonal trends that we have experienced in the past may not be indicative of our future financial positions and results of operations. For further information, please refer to the paragraph headed "Risk Factors — Our operations are subject to seasonal fluctuations" in this document.

COMPETITION

The AI market we operate in is rapid growing with abundant number of market participants being engaged in this competitive market with various solution offerings.

For the AI market in China, we mainly compete with multinational technology company specializing in internet and AI related services and software solution provider. We believe that we had excelled these competitors as we, according to the CIC Report, ranked the first in terms of revenue derived from AIGC products and services in 2022 and launched the first commercialized AIGC application in China. As of the Latest Practicable Date, our Company ranked the second in terms of the number of commercialized AIGC applications for consumer and content creator usage, while providing the most diverse commercialized modalities of AIGC for users.

For the Smart Devices and Other Accessories market, it consists of a variety of market players with different business focuses and Smart Devices and Other Accessories offerings. Meanwhile, part of the global AI-empowered smart devices market is dominated by several large-sized multinational enterprises and the remaining market is highly fragmented by numerous players. It is expected that the trend for the future development of the consumer Smart Devices and Other Accessories market will be in relation to (i) enhanced software-hardware synergy; (ii) improved interaction based on AGI models; and (iii) products with high-frequency usage. To compete with our competitors, we will strive to take the lead in developing solutions align with the market trend forecast.

For the AI software solution market, the AI software solution market is projected to grow rapidly in the following years. According to the CIC Report, the market size of China's AI software solution market in terms of revenue has grown from RMB13.4 billion in 2018 to RMB55.9 billion in 2022 and expected to reach RMB209.0 billion in 2027. We trust there exists a robust potential for our profit making in this market.

Among other things, we are one of the market players in developing and commercializing AIGC model in Asia. According to the CIC Report, we are one of the market players in Asia with the capabilities of building large language model with multi-modal generative capabilities.

BUSINESS SUSTAINABILITY

We believe our future path in reaching profitability and maintaining positive operating cash flow is supported and demonstrated by the expected rapid growth of the AI and AIGC industries and our improving historical performance.

The industry opportunity

AI has profoundly impacted the global economy and social advancement and has become a global strategic priority. China's AI market is emerging as one of the leaders in the global AI market with its strategic priority of developing AI technologies. According to CIC, the size of the AI market in China in terms of revenue has grown from USD8.0 billion in 2018 to USD27.7 billion in 2022, and is expected to reach USD91.1 billion in 2027.

Furthermore, with the advancement and innovation of AI technology, AIGC has emerged to redefine the very nature of content creation. Although the AIGC industry is currently at an emerging stage, it is expected to undergo exponential growth and has robust market potential. The market size of China's AIGC market is estimated to reach RMB32.6 billion by 2027, representing a CAGR of 136.3% between 2022 and 2027.

As one of the market players in Asia capable of building large language model with multi-modal generative capability, we ranked top five among the major AI companies in terms of the revenue derived from AIGC solutions in 2022 in Asia according to CIC. We believe that we are in a good position to capture the opportunities emerged from this revolutionary technology and industry development.

Improving historical performance

During the Track Record Period, our historical operational and financial performance had been generally improved. Our revenue increased from RMB397.9 million in 2021 to RMB500.2 million in 2022, as we continuously expand our business scale and our solutions offerings. We have also seen improvement in gross profit and gross profit margin in 2021 and 2022, with gross profit increasing from RMB149.2 million in 2021 to RMB336.2 million in 2022, and our gross profit margin increasing from 37.5% to 67.2% for the corresponding years. Our revenue increased from RMB500.2 million in 2022 to RMB507.1 million in 2023, primarily due to the increase in our revenue from AIGC solutions, which was partially offset by the decrease in our revenue from Smart Devices and Other Accessories and AI enterprise solutions. Our gross profit decreased from RMB336.2 million in 2022 to RMB326.1 million in 2023 corresponding to our gross profit margin of 67.2% and 64.3% for the same years, respectively. We recorded an adjusted net loss (non-IFRS measure) of RMB73.4 million in 2021 and an adjusted net profit (non-IFRS measure) of RMB108.9 million in 2022 corresponding to an adjusted net loss margin (non-IFRS measure) of 18.5% in 2021 and an adjusted net profit margin (non-IFRS measure) of 21.8% in 2022, respectively, and an adjusted net profit (non-IFRS measure) of RMB17.5 million in 2023, corresponding to an adjusted net profit margin (non-IFRS measure) of 3.5% for the same years. For details, please refer to the paragraph headed "Financial Information — Year-to-year comparison of results of operations" in this document.

AI Software Solutions — AIGC solutions

Our AIGC solutions allow content creators to improve the efficiency and effectiveness of the content generation process with shortened content output time and reduced costs. In commercializing our prominent technologies, we have captured the prominent market opportunity. We experienced an increase in customers' willingness to pay for our AIGC solutions which was evidenced by the strong increasing trend in our revenue from AIGC solutions from RMB6.8 million in 2021 to RMB39.9 million in 2022 and further to RMB117.6 million in 2023. In providing AIGC solutions, we offer our content creators with content creation platforms including "Moyin Workshop", "DupDub", "Mozhuan Writing", "Qi Miao Wen" and "Weta365". Since the launch of our AIGC solutions in 2020, we had cumulative paying users of approximately 800,000 as of the Latest Practicable Date, demonstrating our ability in retaining existing users and attracting new users. As we are still at a relatively early stage of our monetization efforts in AIGC solutions, we will focus on continuously optimizing our products and technology offerings and expanding our user base. We believe our efforts in growing our user base and innovating our solutions would lay a solid foundation for our long-term success.

AI Software Solutions — AI enterprise solutions

In providing AI enterprise solutions, we offer enterprises customized AI Software Solutions including AI voice interaction solutions, intelligent customer service solutions and virtual character broadcast solutions under various enterprise scenarios. Our revenue generated from AI enterprise solutions amounted to RMB52.7 million, RMB263.0 million and RMB225.6 million for the years ended December 31, 2021, 2022 and 2023, representing 13.3%, 52.6% and 44.5% of our revenue for the corresponding years, respectively, primarily attributable to the increase in revenue from IP rights arrangements, the increase in the number of enterprises we served and engagements in new projects with existing enterprises. Despite a decrease in revenue from IP rights arrangements with Automotive Sub A in between 2022 and 2023, we observed an increase in the number of enterprise customers.

Our historical performance from our AI enterprise solutions was contributed by our ability to utilize our technology and deliver various solutions such as cloud-based solutions, embedded solutions, online-offline integrated solutions and IP rights arrangements. As of the Latest Practicable Date, we had served over 100 enterprises from automotive, finance, TMT and others such as healthcare and retail industries as we continue to expand our client base and services scope.

Smart Devices and Other Accessories

In providing Smart Devices and Other Accessories, we offer various smart devices, such as AI smart watch — TicWatch series and AI smart treadmill — Mobvoi Home Treadmill Incline, to the customer. Our revenue for Smart Devices and Other Accessories amounted to RMB338.4 million, RMB197.3 million and RMB163.8 million for the years ended December 31, 2021, 2022 and 2023. Our gross profit margin decreased from 33.1% in 2021 to 26.4% in 2022 and decreased to 21.5% in 2023, which was largely affected by the progress of development and launching of our products. Our revenue in 2022 and 2023 was impacted by the COVID-19 pandemic which delayed the launch of our new flagship TicWatch product, TicWatch Pro 5, and increased the time interval between two flagship TicWatch products. Upon the lifting of the COVID-19 prevention and control policies by the PRC government in December 2022, we expect such time interval will be reduced and our sales activities will be more active. We experienced an increase in revenue from smart devices upon the launch of our flagship products which was evidenced by a significant increase in our revenue from Smart Devices and Other Accessories between 2020 and 2021, after the launch of our TicWatch Pro 3 in September 2020.

Our path to sustainable profit

We will maintain and further enhance our profitability by (i) expanding our business scale by continuous development in all segments; (ii) enhancing our technology capacity and improving our offerings' overall competitive strength; (iii) geographical expansion; and (iv) maintaining our cost structure leveraging our continuous research and development efforts and enhancing our operational efficiency.

Expanding our business scale by continuous development in all segments

AI Software Solutions — AIGC solutions

(i) Increasing the number of paying users and average revenue per paying user

We intend to further expand our user base in attracting new users, especially paying users, through strengthening selling and marketing efforts, improving branding and expanding the functions and features of our AIGC solutions.

The following table sets forth the numbers of our paying users, registered users and monthly active users for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
Number of paying users *(Note 1) ('000)*	63	237	410
Number of registered users *('000)*	1,454	2,982	4,038
Number of monthly active users *(Note 2) ('000)*	N/A	1,045	1,970

Notes:

1. Paying users refer to users whose payments for subscription, renewal and/or other purchases were made on any of our AIGC platforms during the year indicated. Users whose subscriptions were carried forward from the previous year and expired, without renewing, during the year indicated are excluded.

2 Monthly active users refer to users who access our AIGC platforms monthly. The number of monthly active users is not applicable for the year ended December 31, 2021, as we started to analyze our monthly active users since August 2022 when our user base reached a significant level that justified the cost of analysis.

Since the launch of our AIGC solutions in 2020, our customer base continued to grow as we continuously enhanced our brand awareness to improve positive brand recognition of our solutions. We had approximately 1,000, 63,000, 237,000 and 410,000 paying users for the years ended 2020, 2021, 2022 and 2023, representing a CAGR of 642.9%. The number of registered users increased from approximately 63,000 for the year ended December 31, 2020 to approximately 1,454,000 for the years ended December 31, 2021, and further to approximately 2,982,000 for the year ended December 31, 2022, and further to approximately 4,038,000 for the year ended December 31, 2023. Our growth in revenue from paying users is a key driver in our overall revenue growth and our growing customer base reflects the scalability and strength of our AIGC solutions, and we believe this is crucial to driving revenue growths, and ultimately our ability to achieve profitability.

We strive to (i) retain the core group of loyal and paying users in our solutions and products; (ii) convert more non-paying users into paying users; and (iii) increase the average revenue per paying user in our new pipelines with our gradually advanced technologies and solutions. To further enhance our monetization potential, we will continue to pursue a healthy and high-quality user growth and retain and attract more users through various measures. These measures include:

- Launching new features and functionalities with regard to our AIGC solution matrix

We will continue to develop and enrich features and functions for AI-generated content and video built-in in our AIGC platforms designated for content creators, as well as to expand the variety of application scenarios. With our robust research and development capabilities, we will

continue to enhance and optimize our AIGC solutions with different functions and features in terms of its comprehension, generation and transformation abilities to cover different scenarios and pain points. In order to enrich users' experience and optimize our AIGC platforms, we plan to (i) revolutionize the process of video script planning and creation; and (ii) develop powered tools for artistic painting and animation of video content in "Moyin Workshop". Further, in order to cater to the needs for marketing and training videos of small and medium-sized business, we plan to develop and incorporate (i) AI writing for scripts, (ii) AI painting for text-to-image and image-to-image and (iii) AI video editing for track composing to application scenarios with regard to "Weta365".

We also plan to launch some new and advanced features in "Moyin Workshop", "Weta365", "Qi Miao Wen" and "DupDub". These include: (i) instant voice cloning (i.e. cloning a voice within 10 seconds speech samples and which can be applied to various applications including podcasts); (ii) video localization (i.e. the said solution matrix can analyze lip movements and enable automatic translation of any audio and match them to 40 languages by merely inputting a video); (iii) video shorting (i.e. extracting important segments from a long video based on the audio and visual content automatically, creating multiple shorter videos and it is suitable for tasks like testing material for advertising campaigns); and (iv) text-to-video (i.e. generating video-based on text input by utilizing Sequence Monkey techniques to transform textual content into visually appealing video presentations). Furthermore, as of the Latest Practicable Date, "Moyin Workshop" had launched AI voiceover services with a total of 895 voice actors which offer a diverse range of 1,540 voice styles and tones. We have also collaborated with 40 renounced industry experts and professional, including audiobook narrators, voiceover artists on television and films as well as versatile voice actors. These innovations and developments shall take on significant roles in the creation process of content creators and shall assist them in generating scripts effortlessly at a later stage. We believe the solutions and platforms we offer are highly modularized, which allow us to address users' customized demands effectively and efficiently, and in turn, enable us to achieve operating efficiency whilst attracting more paying users and retaining existing users.

As our user base continues to expand, we are provided with more accurate user portraits, and as such, we are able to tailor and iterate our offerings to better solve content creators' pain point, while we are also able to provide flexible fee-charging schemes to meet various demand. For example, we offer a voice package plan for voiceover users and cross-solutions function to professional video editing enterprises.

- Upgrading our underlying technologies in relation to our multi-modal large language model, "Sequence Monkey"

We plan to continue upgrading our multi-modal large language model, "Sequence Monkey", to enhance its AI development capabilities by (i) collecting and curating additional training data to expand and improve its language understanding capabilities; (ii) fine-tuning and enhancing it on relevant datasets so as to improve its performance for content creators; (iii) incorporating domain-specific knowledge which include industry-specific terminology and context into it; and (iv) gathering high-quality user feedback actively to understand their needs, upgrading the model and addressing any shortcomings. Moreover, we intend to optimize and advance our "Sequence Monkey" by (a) training and optimizing it so as to make it easier to launch new solutions targeted at multi-modal scenarios in the future; and (b) inserting more training data and optimizing by massive volume of data with higher quality. Further, we intend to optimize our "Sequence Monkey" to provide more competitive service capabilities in the areas of image generation, audio generation, text generation, action generation, 3D motion generation and video generation. We believe our robust AI infrastructure does support the constant advancement of "Sequence Monkey", helping us stay at the forefront of technological advancement and deliver innovative AI solutions with strong performance.

- Implementing monetization marketing and promotion strategies

We will start to expand and diversify our revenue streams by a series of marketing efforts. We also plan to invite KOLs to help advertise our solutions domestically, and implement promotion and marketing strategies on social medias and e-commerce platforms in China, such as Taobao, Baidu, Xiaohongshu and Douyin to publicize and promote our solutions. Leveraging our open-platform capabilities, we plan to actively promote our advertising services, through leveraging our large and quality user base, expanding advertising our customer base and introducing more effective and diverse advertising services.

Leveraging our deep understanding of users' interests and preferences, we are well positioned to create more consumption scenarios around users' evolving demands to encourage users to interact on our solution matrix and enhance their willingness to purchase our services, which further increases our sales with regard to AIGC solutions. In particular, we launched a competition for content creators to participate in September 2023 in which we invited our video creators' participants to make use of our AI voiceover solutions to create videos in "Moyin Workshop" and publish on Douyin. The competition had attracted approximately 210 million view counts and around 2.7 million "likes". The top 40 participants with the most "likes" on Douyin won and were awarded with cash prices. Since June 2021 and up to the Latest Practicable Date, we had organized a total of seven competitions with an average prize pool of RMB10,000 in relation to "Moyin Workshop", and each competition held had attracted around 600 talented individuals and there

were signs of increasing participation rate in each event. Such competitions will not only provide a platform for content creators to showcase their skills but will also help building up our brand equity, awareness and exposure and enhance users' loyalty. Through these competitions, we strive to push the boundaries of creativity and foster a thriving community of content creators.

Further, in order to (i) engage more end users including potential content creators and KOLs and (ii) attract and convince potential channel partners, we host regular webinars so as to demonstrate them the uniqueness and capabilities of our AIGC solutions. Through holding such events from time to time, we not only increase our customer base but also expand our marketing channels and establish our expertise and branding while fostering meaningful connections with our end users. In the long run, we aim to forge stable strategic alliances that will allow us to continuously tap into their customer base, leverage their marketing channels and share our common values and resources.

These advertising efforts through both online and offline channels have effectively expanded our reach and heightened our brand awareness, translating into tangible customer acquisition of our solutions. We believe these marketing technical and promotions will help us lead to a larger user scale, greater user engagement, higher paying ratio from active users, an expanded paying user base and increased average spending per user. Our large user base and vibrant community will also attract more high-quality business partners to collaborate with us to explore various monetization opportunities. This will enable us to increase our revenue through enhanced monetization capabilities.

(ii) Exploring collaboration opportunities with reputable business partners

We will continue to regularly promote and optimise strategies to maximize the monetization of users who demonstrate high paying potential and substantial purchasing capability.

As of the Latest Practicable Date, we were in the course of negotiating with three leading enterprise cloud service providers in China, who focused on the cloud computing industry with data intelligence and visual intelligence as its core, and intended to acquire our underlying technologies in our self-developed large language model, "Sequence Monkey'. As these enterprises do not have their own large language model, we will provide them with our advanced underlying technologies in relation to "Sequence Monkey" and they will integrate our underlying technologies with their compute storage and cloud systems to advance their cloud computing services and solutions. They will lease their services and solutions to those major enterprises in the financial industry after the integration. We believe that cooperating with these cloud service providers will become lighthouse cases for our Group's underlying technologies and successful precedents for our Group to market and promote our large language model's business, in particular, opens up the opportunities for our Group to cooperate with other companies from the same industries.

AI Software Solutions — AI enterprise solutions

We strive to ramp up the future average contract value of enterprises and will invest resources in enhancing our AI and NLP technological capabilities to add value in our AI enterprise solutions which serves as an incentive in increasing the purchase intent of enterprises. Meanwhile, we will explore new business opportunities with existing enterprises based on the potent relationship built to maximize the client value.

We will focus on expanding the enterprise client base in industries whereas (i) our AI enterprise solutions can solve pain points of the industries (such as, by reducing cost and increasing efficiency); and (ii) reach potential enterprises with purchasing power, including automotive, finance, TMT and others such as healthcare and retail industries. Moreover, we will continue to explore business opportunities to provide products and services utilizing our accumulated technology and IPs as well as our expertise in large language models. We believe we can capture new revenue opportunities in assisting our enterprise clients in building training and adopting the latest large language model technology.

We intend to leverage our deep industry knowhow and experience from collaborating and serving industry leaders to further establish our advantages in certain industry verticals and acquire more customers. For example, in the electric smart vehicles verticals which has a great market prospect for our AI solutions, we can benefit from our collaboration with Automotive Sub A during the Track Record Period which serves as a lighthouse case for our technology and products and a successful precedent for our Group to market our IP rights arrangement business, in particular, opens up the opportunity for us to cooperate with other companies from the automotive industry. As of the Latest Practicable Date, we had executed an IP rights arrangements agreement with a PRC leading automotive company in providing source coding services. For details of the above IP rights arrangement projects, please refer to the paragraphs headed "— Our Solutions — AI Software Solutions — AI enterprise solutions — IP rights arrangements with Automotive Sub A" and "— IP rights arrangements with a technology development subsidiary of a PRC domestic automotive group" in this section. In addition, we have reached comprehensive technical cooperation agreements with various automotive companies. For instance, we cooperated with another PRC leading automotive company in 2022 to test our large language model and develop its applications. In May 2023, we entered into a technical cooperation framework agreement with a joint venture company established by a few leading PRC domestic automotive companies to develop smart cabin equipped with voice assistant, smart housekeeper and speech recognition and generation technology.

We will also grow our customer base, deepen customer relationships and continue working with customers that are market leaders with deep industry knowledge and abundant scenario data to support model production, with an aim to empower more industry verticals where digitalization is the greatest need. We plan to establish more strategic partnerships with leading companies in different verticals or internet giants and develop tailored marketing strategies to acquire more users. In addition, we will further optimize and enhance the functions of our solutions so that they can be applied in new scenarios and verticals. We have 57 enterprises customers excluding high-value clients for the year ended December 31, 2023, compared with 46 for the year ended December 31, 2022, and are actively in discussion of potential business with over 30 new customers from various industry verticals covering finance, utilities, e-commerce, logistics, artificial intelligence of things, manufacturing and healthcare, and this could help us further diversify our revenue and customer base.

To utilize our accumulated technology and developed IPs, as of the Latest Practicable Date, we had also entered into two IP rights arrangement agreements with a PRC enterprise that sells photography, recording equipment and accessories and a PRC enterprise that designs and sells smart devices, respectively, in which we would be able to utilize the IP rights and technologies that we developed through our IP rights arrangements with Automotive Sub A, bringing the possibility of faster delivery and lower development costs, which also contributes to our healthy gross profit margin for AI enterprise solutions compared with other project-based industry peers.

In addition, we face intense competition in the industry which is likely to remain intense due to the relatively large number of market players. Nevertheless, we generally do not participate in direct price competition (including the adoption of aggressive pricing strategies such as providing price ceiling plans), and our Directors are of the view that direct price competition is not a material risk to our business and profitability but rather differentiates ourselves from our competitors through our proven track record and our strong relationship with our clients. Therefore, we compete effectively through, inter alia, understanding our clients' needs, further enhancing our AI capabilities by regularly upgrading new technologies and commercializing our large language models and further maintaining an efficient and lean cost structure for all our high-end solutions and products. In light of this, our Group has been actively looking for opportunities for commercialization of our large language models. As of the Latest Practicable Date, we were in the course of negotiating with a PRC insurance company and a leading PRC supplier of LED products and system solutions who wish to utilize our large language models to enhance operational efficiency and strengthen selling and marketing efforts. To achieve this, we will apply our large language models to the technical know-how of our clients, which, through continuous professional trainings, is expected to provide intelligent tailor-made solutions to the end customers of our clients, so as to improve interaction experience and reduce operational costs including labor costs. We believe that our extensive experience in working with our past and existing customers, our in-depth understanding of the AI industry as well as possession of

advanced large language model technology have laid a solid foundation for our Group to commercialize our large language models which we believe will be able to bring returns to our Group. We also believe that these projects will become lighthouse cases for our Group's large language model technology and successful precedents for our Group to market our large language model business, in particular, opens up the opportunities for our Group to cooperate with other companies from the same industries. With our competitive strengths as set out in the paragraphs headed "— Business Sustainability — Our path to sustainable profit" and "— Our Strategies" in this section, we consider that we generally compete well against our market peers in Asia.

Moreover, by introducing high-end technologies and robust capabilities, we can enhance our user acquisition efficiency and improve our monetization capabilities and are able to monetize our active user base as well as increase our average revenue per paying users which in turn generates more revenue for our Group. We will continue our efforts in optimizing our AIGC solutions in order to convert more non-paying users to paying users and increase paying users' spending.

We also plan to (i) recruit and retain more experienced AI talents with in-depth industry knowledge to (a) strengthen our launching and marketing team, thereby leveraging our industry-specific sales experiences to expand users and (b) to enhance our research and development capabilities so as to upgrade and optimize our modelling technologies to carry out model training; and (ii) expand and explore new application scenarios with our large language model with multi-modal generative capability, "Sequence Monkey", to cover new industry verticals and to further popularize AGI to all industry verticals. We will also continue to cooperate with other enterprises to enhance the commercial value of our AI technologies by leveraging our AI technologies and offering a wider variety of effective AI-based products and solutions suitable for different business application scenarios other than automotive, finance and TMT, thereby strengthening our market position in the AI enterprise solutions industry in China. For details, please refer to the paragraph headed "— Our Strategies — Continuously improve and enrich our solution matrix — To enterprises: Optimizing the capabilities of AI CoPilot in different application scenarios" in this section.

Smart Devices and Other Accessories

We intend to provide diverse, software-hardware integrated smart devices to worldwide users. Our smartwatch business has been steadily prospering and we have maintained long-term relationship with world-leading chipset companies and software companies. We will be able to stay ahead in the market and launch first flagship products with Semiconductor Corporation A's flagship wearable platforms. In particular, we were the first to launch smart watches with the operating system for wearable devices developed by Technology Corporation A building on leading chipset platform developed by Semiconductor Corporation A.

We have developed and will continue to develop user-friendly software solutions for our smartwatch devices. As of the Latest Practicable Date, we had already brought several software applications to commercialization, such as TimeShow, TicSleep, TicHealth and TicExercise. We will launch new software applications to expand the source for revenue generation and increase the value of our smart devices with a view in boosting the sales revenue with a higher pricing for our Smart Devices and Other Accessories.

We have been consistently introducing new TicWatch models since 2015. Our fifth generation flagship TicWatch Pro 5 was successfully launched in May 2023. The first launched model of our TicWatch Pro 5 series introduced a significant upgrade, particularly in terms of the operating system and the processing performance. The new flagship model showcases enhanced processing efficiency and performance compared to its predecessor, the TicWatch Pro 3 series. This provides the new flagship series with a more solid foundation to incorporate the capabilities developed by us over time.

Looking ahead, we have plans for upcoming TicWatch launches and developments. We focus on expanding the range of software applications available for TicWatch devices. We are also aiming to incorporate generative AI capabilities directly into our TicWatch series. We believe the exciting advancement will enable our TicWatch series to generate personalized content, responses, and recommendations based on user preferences and contextual information. By harnessing the power of generative AI, we aim to enhance the user experience and provide even more intuitive and tailored features within the watch itself. We aim to incorporate health copilot into future models of the TicWatch Pro 5 series through an application, enabling the collection of health-related data and its analysis either locally or through our backend large language model with multi-modal generative capability, "Sequence Monkey". Through utilization of such generative AI capabilities, this empowers the device to provide personalized health insights and guidance to users, thereby enhancing their overall well-being. This integration of generative AI represents our commitment to pushing the boundaries of wearable technology and delivering cutting-edge innovations to our customers.

After the impacts from the COVID-19 pandemic have substantially ended, the development of our smart devices have returned to normal. Since the launch of our flagship TicWatch Pro 5 in late May 2023 and up to December 31, 2023, a total of approximately 41,400 units of TicWatch Pro 5 were sold, with an average selling price of RMB1,953. We expect to launch two new models under the TicWatch Pro 5 series which integrate WearOS during the period between the second quarter of 2024 and the fourth quarter of 2024. These new models are designed as hardware upgrades to the existing TicWatch Pro 5, offering enhanced battery life and superior materials for the screen and watch strap, highlighting their superior quality compared to the existing TicWatch Pro 5 model.

To prolong the lifespan of the TicWatch Pro 5 series and minimize the risk of cannibalization of sales among the same series, we will, by leveraging our experience with the sales of our previous flagship TicWatch Pro 3 series, adopt the following strategies:

(i) Continuous launch of new features

Given that the entire series of TicWatch Pro 5 will adopt the same central processor chipset, we do not anticipate that the launch of new models will cannibalize the sales of older models. Throughout the lifespan of the series, we will continuously introduce new features that can be incorporated into our smart watches through software updates and applications, offering enhanced capabilities in the field of digital health. For instance, we will optimize the refresh rate of our applications to more accurately and frequently reflect health data, particularly during intense sporting activities, thereby providing real-time insights for users. Additionally, we will enable automatic recognition of exercise equipment, including popular machines like elliptical trainers and rowing machines, to gather health data during indoor sporting activities. We will also continue to improve our algorithms to cover a wider range of sports activities and optimize our large language model to enhance the interactive process of providing personalized health insights to our users.

By providing software and application updates, as well as introducing new applications, we can extend the lifespan and functionality of our older models, making them appealing to a broader customer base who may not be ready to upgrade to the latest device but still desire access to new features and improvements. Older models are presented as affordable options to budget-conscious customers who value the overall capabilities of our smart watches.

(ii) Controlled launch time

We will carefully control the launching time of new models of TicWatch Pro 5 series. By strategically planning the launches, we can ensure that each model receives ample attention and market space, thus optimizing customer interest and sales potential, without dilution of sales by excessive competition among the models.

(iii) Complimentary marketing activities

We will promote the entire TicWatch Pro 5 series through an overall brand appeal. Crediting the longevity of our older models, which can be enhanced through software updates and applications, the marketing campaigns surrounding the launch of new models will also benefit the budgeted options that include older models.

By reason of the above, we do not anticipate the release of new models would result in any material cannibalization of sales of the existing TicWatch Pro 5 model or the overall TicWatch Pro 5 series before the launch of any next flagship product.

Furthermore, we are actively exploring opportunities for overseas expansion to solidify our presence in international markets. We have been cooperating with certain large overseas distributors to increase our market exposure and we will continue evaluating potential partnerships and market entry strategies to introduce our smart devices to a wider global audience.

Enhancing our technology capacity and improving our offerings' overall competitive strength

Our Company is one of the market players in Asia possessing the ability to build large language model with multi-modal generative capability. Leveraging paying users' interactive data, we can achieve rapid iteration of our large language model and hence launch competitive AI CoPilot solutions.

We will continue to improve and enrich our solution matrix. In line with our strategy, we will continue to invest in optimizing on capabilities of our "Sequence Monkey", a multi-modal large language model. We intend to utilize the data acquired from various industry verticals during our business operation to accelerate the iteration of "Sequence Monkey" and continuously improve our solutions. Further, we plan to enter into long-term cooperation agreements with leading cloud server companies and continue to work with those market leaders with deep industry knowledge, as such, we will continue to expand our computing power so as to continuously improve and refine the accuracy of our large language model and our AI CoPilot solution matrix, which are expected to empower content creators, enterprises and consumers and improve our competitive strength.

Geographical expansion

We plan to achieve a stronger global footprint through strengthening our launching and marketing capabilities and enhancing strategic partnerships with leading companies and cities in targeted geographies, including but not limited to North America, Europe, Southeast Asia and Greater China. In order to broaden our customer base in the regions abovementioned, we have recently engaged KOLs to promote and advertise our AIGC solutions on various social media and online platforms which are accessible to the public domestically and internationally. We also maintain a list of national and regional KOLs, which is updated from time to time. In the fourth quarter of 2022, we set up an office in Singapore. We will continue to expand domestically and internationally in other regions and expect to increase our global presence in the near future.

On the other hand, we strive to enhance our ability for globalization, in order to grow the purchase intent of overseas content creators, together with our globalized genes accumulated in our Smart Devices and Other Accessories business, we believe that globalization strategy will further contribute to the future growth in our revenue. Specifically, we are committed to an ongoing process of domestic development, as well as regular transformation and globalization of our AIGC solutions. "DupDub" was launched in 2022, marking our entry into the international market. Since the launch of "DupDub", we have been consistently expanding our comprehensive support for language support, which now encompasses 37 languages. We will continue to explore the multilinguality of our platform. As of December 31, 2023, we had created an all-in-one content creation platform in "DupDub", of which all AIGC solution matrix in "Mozhuan Writing" were successfully incorporated in "DupDub" in July 2023 so as to be free from geographical restrictions, tailored and iterated our offerings to meet different users' demand worldwide. Features in "Weta365" such as video editing and AI avatar were also launched and successfully incorporated into "DupDub" in August and September 2023, respectively. Positioned as an all-in-one content creation platform, "DupDub" caters to a diverse range of user groups and offers a seamless user experience for overseas users. The adoption of a unified platform bearing one brand name and covering wider user groups provides a more cost-effective approach to penetrate the overseas market. Additionally, we periodically integrate domestically developed technologies into this unified international platform.

Maintaining our cost structure leveraging our continuous research and development efforts and enhancing our operational efficiency

Controlling and maintaining the gross profit margin

We expect our overall gross profit margin will decrease given that our IP rights arrangements with Automotive Sub A was completed in June 2023. To increase our gross profit margin, our smart devices will focus on overseas market in which our products are more recognized and launching flagship products with higher gross profit margin, enabling us to establish stable win-win relationship with our core suppliers more easily. For our AI Software Solutions, we will take into account the direct costs in determining the pricing for our AIGC solutions and AI enterprise solutions, enabling us to control and maintain our gross profit level.

Effectively managing our cost of sales in revenue-generating activities

Our ability to manage and control our costs and operating expenses is critical to the success of our business and our profitability.

Our cost structure is affected by the revenue mix. We expect our cost of sales as a percentage of revenue will generally decrease in the long term as we will continue to expand our activities in AIGC solutions which are generally of a higher gross profit margin and we will continue to optimize our inventory level and improve demand forecast, in order to avoid overstocking and understocking to minimize avoidable costs, such as storage and obsolescence.

Investing in research and development in a cost-effective way

To lead and stay abreast of the latest development of the ever-evolving AI technologies, it is crucial for us to maintain our market position and expand our source of revenue by developing new technologies, functions and features of our solutions.

We have incurred substantial research and development expenses during the Track Record Period to support launches of our products and solution offerings, which increased from RMB91.5 million in 2021 to RMB118.7 million in 2022 and further to RMB154.7 million in 2023. We expect our research and development expenses to grow alongside our business growth driven by our continual investment in R&D activities on our AI technologies to provide more products and solutions catering to customers' diversified demand across industry verticals. However, our investments in R&D may not immediately generate revenue as they are aimed at creating new revenue streams for long-term business growth. We expect to record an increase in our R&D expenses and the proportion of R&D expenses to our total revenue, which is primarily due to an expected decrease in revenue from our AI enterprise solutions in the short term given the completion of the IP rights arrangements with Automotive Sub A in 2023. For more details of the said IP rights arrangements, please refer to the paragraph headed "— Our Solutions — AI Software Solutions — AI enterprise solutions — IP rights arrangements with Automotive Sub A" in this section.

Further, our R&D expenses are expected to continuous increase as we ramp up investment to enhance our technology competitiveness, for example, we will continue to train our large language model with multi-modal generative capability, "Sequence Monkey", by enhancing our existing computing power to increase its scale, versatility, and computational accuracy. Nevertheless, we believe that our R&D expenses will generally decrease as a percentage of total revenue in the long run due to the following factors:

- we expect to have stronger bargaining power against our suppliers for outsourced research and development services as we scale up, and are thus able to obtain more favorable pricing terms;

- leveraging our large language model's capabilities accumulated in the AI industry, we believe we are able to consolidate various industry data and marketing information from time to time, including customers' preferences and terminologies and case studies from different industries. Further, we will also acquire more comprehensive market data from various industry research groups to strengthen our data analytical capabilities. Through the above processes, we believe we are capable of possessing and accumulating market intelligence, and are well-positioned to provide more comprehensive and cost-efficient AI research and development services to our end users; and

- we plan to continuously upgrade, iterate and optimize our "Sequence Monkey", a multi-modal large language model, to improve the capabilities of our AIGC solutions, and thereby to better adapt to user needs, as disclosed in the below paragraph.

In the future, we will continue to invest resources in our R&D capabilities in a cost-effective manner in line with our strategies. Further, we will continue to train our large language model with multi-modal generative capability, "Sequence Monkey", by enhancing our existing computing power to increase its scale, versatility, and computational accuracy. We will also closely monitor the market trend and content creators' demand, so that we are able to launch new functions, features and solutions to cater for the content creators' needs changing from time to time ahead of the industry and expand our offerings and enhance the competitiveness of our solutions.

Conducting selling and marketing activities efficiently

We will continue to seek out marketing channels which have higher conversion rates and offer higher returns and lower costs in order to replace those underperforming channels which cannot attain the average level of effectiveness.

As of December 31, 2023, our marketing team and our sales team had a total of 21 employees and a total of 37 employees, respectively. The selling and marketing expenses decreased from RMB105.9 million in 2021 to RMB97.1 million in 2022 and increased to RMB150.7 million in 2023, the proportion of the expenses to the total revenue increased from 19.4% for the year ended December 31, 2022 to 29.7% for the year ended December 31, 2023. We will keep monitoring and controlling the advertising budget to achieve precise advertisement investment and hence improving the overall marketing efficiency. In the future, our marketing team will devote resources to promoting our solutions in increasing the visibility of our solutions in overseas market.

We expect that our sales and marketing expenses and the proportion of sales and marketing expenses to our total revenue will increase in the short term and the latter will generally decrease in the long term, due to the following factors:

- we expect our selling and marketing expenses will decrease in the long run as the segment of our AIGC solutions was in its early stage of explosive revenue growth and thus needed more marketing and advertising efforts to educate market and early adopters during the Track Record Period;

- we will constantly monitor the sales and marketing performance of our personnel to ensure they are complying with our cost control measures; and our management will also from time to time communicate with them on their experience of cost control;

- we expect to accumulate a larger user base and higher user stickiness as we continuously solidify our market position. We expect this will enable us to attract and retain users and, in the long-term, reduce spending on promotions and advertisements. Our ability to accumulate a larger user base is evidenced by the rapid increase in the number of our paying users from approximately 1,000 in 2020 to approximately 410,000 in 2023; and

- we expect that, as we are currently in an expansion phase, significant investment in sales and marketing expenses is required to seize market share in the short run. Additionally, we are more inclined to offer terms favorable to our partners during this phase. When our market position becomes more established, we will shift our focus towards optimizing expenses and exploring cooperative approaches that provide higher cost-effectiveness in marketing strategies in the long run.

EMPLOYEES

As of December 31, 2023, we had a total of 394 employees and most of them were based in China. The following table sets forth the number of our employees by category as of December 31, 2023:

Category	Number of employees	Percentage of our employees
Research and development	240	60.9%
Sales and marketing	58	14.7%
Operation	34	8.6%
Customer service	20	5.1%
Procurement	4	1.0%
Management, administration and human resources	38	9.7%
Total	394	100.0%

We primarily recruit our employees through internal referral program and online channels, including our company website and social networking website. We devote management and organizational focus and resource to ensure that our culture and brand remain highly attractive to potential and existing employee. During the Track Record Period, we had not recruited any employees through employment agents.

We highly value our employees and place emphasis on the development of our employees. In order to advance the skills and knowledge of our employees as well as to explore new potential from our workforce, we invest in continuing education and training programs for our management and ordinary staff members to update their skills and knowledge periodically, including on-the-job training on, for instance, information security, technical skills and compliance knowledge, to ensure their awareness and compliance with our policies and procedures, as well as the relevant laws and regulations.

We believe that our success depends on our ability to attract, retain and motivate qualified personnel. As such, to remain competitive in the labor market, we provide various incentives and benefits to our employees including competitive remuneration, performance-based promotion system and other incentives. We also provide meal, travel and other allowances. We generally determine employee remuneration based on factors such as qualifications, positions and years of experience. During the Track Record Period, we did not encounter a shortage of AI experts.

We provide our employees with a pension insurance, medical insurance, unemployment insurance, workplace injury insurance, maternity insurance and housing provident funds. We also provide our employees additional insurance coverage, for example accident insurance. As of the Latest Practicable Date, save as disclosed in the paragraph headed "Legal proceedings and compliance" in this document, we believe we had complied with all applicable laws and regulations relating to social welfare in the PRC in all material respects and have never been penalized for any violation of these laws.

As of the Latest Practicable Date, none of our employees are represented by labor union. We have maintained good working relationships with our employees. During the Track Record Period, no significant labor disputes had occurred which materially and adversely affected our business or were likely to have a material adverse effect on our business.

INSURANCE

As of the Latest Practicable Date, we had maintained insurance policies which we consider to be in line with the market practice and adequate for the operation of our business, including but not limited to accident insurance for employees who are on business trip, transportation insurance for the delivery of products from contract manufactures to our designated locations and credit insurance for trade receivables relating to overseas sales. In line with general market practice, we do not maintain any business interruption insurance, product liability insurance, key-man life insurance or insurance policies covering damages to our IT infrastructure or information technology systems, which is not mandatory under the relevant laws in China. Any uninsured occurrence of business disruption, litigation or natural disaster could expose us to significant costs, which could have a material and adverse effect on our results of operations. For details, please refer to the paragraph headed "Risk Factors — Risks related to our business and industry — Our insurance coverage may not be sufficient to cover all of our potential losses" in this document.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to uphold the principles of corporate social responsibility. We recognize the importance of environmental, social and governance ("**ESG**") matters in all walks of life. As such, we have been in the past, and will continue to be, devoting resources into ESG management.

Environmental protection

During the Track Record Period, due to the nature of our business and that we do not operate in a highly polluting industry, we did not incur material costs in relation to the compliance of relevant environmental laws and regulations. As advised by CIC, our business hardly produce carbon and pollutant emissions in the ordinary course of business as our operations involve neither

significant consumption of fossil fuels nor release of contaminants to the environment. Despite the environmental impact directly caused by us is minimal, our operations may have indirect environmental impacts, such as the greenhouse gas emissions caused by third-party manufacturers, server service providers and logistic service providers during the manufacturing of products, building of our own IT infrastructure and servers to support our solutions, as well as transportation during logistics service providers' delivery of our products, all of which are counted as scope 3 emissions in ESG disclosures.

Carbon emissions may be emitted by service providers while maintaining IT infrastructures and servers; and logistics service providers may use packaging materials during the delivery, which may not be environmental-friendly. To mitigate our indirect impact through third-party service providers, we plan to strengthen our ESG practices and actively research the carbon footprint of our third-party service providers and enlist environmental protection capability as one of our assessment elements when evaluating such service providers to ensure that our service providers are fully competent in carrying out sustainable operations and exerts continuous effort to minimize environmental impact. When screening those service providers in the future, low carbon will be our top priority criteria with evaluation metrics emphasizing environmental impact, energy and resource utilization, use of renewable energy and other innovative means for producing a smaller carbon footprint.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we had not been subject to any fines or other penalties due to non-compliance with environmental regulations. Our Group will comply with the ESG reporting requirements after **[REDACTED]** and the responsibility to publish the ESG Report on an annual basis in accordance with Appendix C2 to the Listing Rules.

Metrics and Targets on ESG-related Risks

Energy Consumption and Waste

During the Track Record Period, we have assessed our environmental performance by understanding the environmental footprint and the most significant energy consumption is the use of electricity and water consumption.

The below table sets forth our electricity consumption analysis for the years indicated:

		For the year ended December 31,		
Indicator	**Unit**	**2021**	**2022**	**2023**
Energy consumption	MWh	294	274	292
Energy Consumption Intensity	MWh per million RMB revenue	0.739	0.548	0.578

The below table sets forth our water consumption analysis for the years indicated:

		For the year ended December 31,		
Indicator	**Unit**	**2021**	**2022**	**2023**
Water Consumption	Ton	191	364	367
Water Consumption Intensity	Ton per million RMB revenue	0.480	0.728	0.726

Although we are not subject to material environmental or climate-related risks, we are dedicated to put in efforts towards environmental protection through implementing a number of policies to reduce energy consumption. As such, we implemented the following measures in the course of our business operations:

- save water at washroom and tea room;
- we encourage our employees to practice "paperless working" by using digital working means as much as possible;
- we keep indoor air-conditioning temperature at 25ºC during summer;
- we purchase and use energy-saving equipment such as LED lightbulbs in all offices;
- our administrative staffs perform regular check in our office daily and turn off lights for unused conference rooms or working areas; and
- we post reminders or memos to our employees in appropriate office settings to encourage employees to act environmental-responsibly.

We keep track of our energy consumption as a mean to evaluate the effectiveness of our environmental protection measures. We will continue to monitor our energy consumption in order to re-evaluate the efficiency of electricity and water consumptions in our operations.

During the Track Record Period, no hazardous waste was generated in view of our Group's business nature. The waste generated by us is non-hazardous in nature, minimal in quantity and mainly from day-to-day work activities. Due to its insignificant amount, our Group does not maintain any waste records. Nevertheless, in order to better implement environmental management, our Group will maintain management strategies such as encouraging recycling resources such as paper and office domestic wastes. We are also committed to minimising such waste generation.

With a sustainable perspective, we will continue to minimize our environmental impact through monitoring our energy consumption. In order to better manage our ESG risks, we have set multiple ESG-related targets, taking into account our existing ESG-related performance indicators and ESG-related measures that will be implemented in the future. These ESG related targets aim at assessing, managing and reducing energy consumption and these primarily include:

(i) striving to reach approximately 50% of installment of LED lighting system in our data centers and offices in the following five years;

(ii) striving to reduce the electricity consumption per revenue generated by us by 5% by 2025 compared to 2023; and

(iii) striving to reduce the water consumption per revenue generated by us by 5% by 2025 compared to 2023.

Social responsibility

Employee caring

We consider employees valuable assets to us, who had made significant contribution to our success. We recognize the importance to have a work-life balance for our employees.

Prior to the COVID-19 pandemic, we held various events to provide a warm and friendly working environment for our employees, such as birthday parties, sports competitions and team dinners. We will resume organizing such events as appropriate. By participating in these leisure events, we believe our employees can maintain good mental and physical health, which is crucial to enhance efficiency at work.

We are obliged to provide a safe working environment for our employees. We have adopted flexible and remote working during COVID-19 pandemic so as to minimize the potential risk of being infected. We also regularly provide fire safety and other work safety trainings so as to promote office safety. During the Track Record Period, we had none fatal work injuries.

Charitable events

As an effort to fulfill our corporate social responsibility, we regularly attend charitable events so as to provide supports to the community. We had participated in charity sale and co-organized charitable events with charity organizations for people with disabilities in the past. We plan to organize and participate in more variety of charitable events in the future.

Governance

ESG governance

To carry out appropriate ESG governance policies, we are in the process of optimizing our corporate structure for the scrutiny of ESG matters. We plan to adopt a comprehensive ESG policy and establish an ESG committee within one year of the **[REDACTED]** to assist the Board to oversee and implement our ESG initiatives. In addition, we intend to set up an ESG task force, which would be responsible for the formulation, implementation and evaluation of our ESG initiatives and report to our ESG committee regularly. Our Directors, together with the ESG committee, will continue to monitor and review our ESG-related policies regularly to ensure the implementation of such policies remains cost-effective and efficient.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance in relation to health, work safety or environment regulations which had materially and adversely affected our business, results of operations and financial conditions. Given that our business does not generate significant pollutants or greenhouse gas emission, we leave limited impact on the environment with a small carbon footprint. In light of such business nature, environmental- related and social-related risks and climate-related issues are not likely to have material negative impacts on our business, strategy and financial performance going forward. During the Track Record Period and up to the Latest Practicable Date, we had not incurred material capital expenditures or compliance costs related to climate and environmental protection. We also do not anticipate to incur material capital expenditures or compliance costs related to climate in the foreseeable future.

RESEARCH AND DEVELOPMENT

As AI technologies continues to evolve rapidly, our ability to develop new technologies, new solutions and enhance existing solutions is critical for maintaining our market position. As such, we have invested significant resources in our research and development activities.

We established an AI lab in Beijing in 2017, which focuses on research and development of cutting-edge AI technologies. Additionally, we also collaborate with labs of leading domestic universities. Our collaborations with such labs include jointly conducting research projects, jointly publishing academic papers, and jointly training PhDs. Since 2018, we had jointly or on our own published at least 12 academic papers in top academic conferences including Interspeech, International Conference on Acoustics, Speech, and Signal Processing (ICASSP), Empirical Methods in Natural Language Processing and International Joint Conference on Natural Language Processing (EMNLP-IJCNLP) and Pattern Recognition and Machine Learning (PRML). In 2023, we have submitted another three academic papers to Interspeech. We believe such engagement can enhance our exposure to advanced technologies, thereby maintaining our market leadership and competency.

Our research and development staff comprise algorithm engineers, software engineers, hardware design engineers, data engineers, product managers, testing engineers, researchers and scientists. As of December 31, 2023, our research and development team consisted of 240 members, accounting for 60.9% of our total number of employees. We incurred RMB91.5 million, RMB118.7 million and RMB154.7 million in research and development expenses for the years ended December 31, 2021, 2022 and 2023, respectively, representing 23.0%, 23.7% and 30.5% of our total revenue during the same years. Our research and development capabilities have been recognized by various levels of the Chinese government and industry associations. For details, please refer to the paragraph headed "— Business — Awards and recognition" in this section.

Research and development process

Our research and development department maintains close interaction with our sales and marketing department to understand specific needs of customers, thereby developing and bringing solution that address such needs in a timely and cost-effective manner. When commencing a research and development project, our research and development department conducts pre-research on AI algorithms and develops a prototype system based on our innovative technologies and customers' needs. Each of our research and development projects is subject to the approval of our senior management team, who reviews the performance of prototype systems and the maturity of relevant technologies, and makes the final decision on whether to initiate a new project. When the project is approved, a project team will be established to further develop technologies as well as to conduct solution design. Our testing team will test the work-in-progress and send it to customers for comment on a regular basis, while our research and development team will continuously optimize the solution to address concerns of our testing team and customers. Our 3D art engine team is responsible for developing and maintaining 3D assets and application engines, providing various graphics rendering and physical simulation functions. Upon final acceptance by customers in a real scenario, our solution will ultimately be launched.

Major research and development project

Subsequent to the Track Record Period, we have launched a development project to upgrade our "UCLAI," which is named as "Sequence Monkey", which is equipped with language-centered and multi-modal generative capabilities. Our "Sequence Monkey" had already possessed natural language understanding, knowledge, logic and reasoning capabilities.

TECHNOLOGIES

AIGC technologies

In 2013, we developed a voice search engine from scratch, which entails the development of ASR, TTS and NLP, being the early form of AI CoPilot. Over the years, we have been creating and applying cutting-edge technologies to drive our development and deployment of AI Software Solutions and Smart Devices and Other Accessories. We employ AIGC technologies into our solutions such as AI voiceover, AI copywriting and AI virtual characters. AI voiceover technologies is mainly based on speech synthesis, voice conversion, and voice cloning. AI copywriting technologies primarily provides content creators with auxiliary platforms for copywriting, such as sketching outlines for short videos and producing marketing copywriting and so on. AI virtual characters technologies extract the bottleneck features of the speaker through ASR model and render 3D facial sequences with facial expression coefficients. We apply our technologies to provide our clients AI CoPilot with voice interaction and content generation technologies.

"UCLAI" and "Sequence Monkey"

We are a market player in China that focuses on large language models. In 2020, we have developed our large language model, "UCLAI". In 2023, we further upgraded our large language model, "UCLAI", to "Sequence Monkey", and started to test internally. "Sequence Monkey" is equipped with multi-modal generative capability. Its language-centered system covers six dimensions, including knowledge, dialogue, mathematics, logic, reasoning and planning. Together with our established vertical modules of sound, dialogue language and image, we are capable of supporting text, image, 3D content, speech generation and speech recognition. As of the Latest Practicable Date, our "Sequence Monkey" had already possessed natural language understanding, knowledge, logic and reasoning capabilities. With the continuous data and algorithm iteration, it is going to become a prominent large language model with multi-modal generative capability in China.

"Sequence Monkey" can be categorized as a multi-modal large language model with a decoder-only network structure. Our R&D team conducted trainings on our "Sequence Monkey" with up to hundreds billions of parameters. The model trainings consist of several stages including (i) pre-training; (ii) fine-tuning under supervision; and (iii) reinforcement learning from human feedback.

Both UCLAI and Sequence Monkey are self-developed and owned by our Company.

WeNet

We introduced WeNet, the end-to-end voice recognition open-source tool, in February 2021. It is committed to bridging the gap among end-to-end model research and solution implementation. We introduced (i) U2, a unified two-pass framework and a built-on runtime to handle both streaming and non-streaming decoding, and (ii) U2++, a two-pass framework with bidirectional attention decoders that consists of a right-to-left attention decode to improve the representative ability and rescoring stage performance. WenetSpeech, the open-source corpus, contains over 10,000 hours of speech data in Chinese for speech recognition.

Within only six months after its release, WeNet has gained over 2,000 stars on Github, one of the world's largest code hosting platforms, becoming the most popular industrial end-to-end voice recognition tool which is being applied across different industries. Apart from granting the enterprises free license to utilize our WeNet, we also provide them with commercialization and technical support.

Though WeNet is self-developed, it is not owned by our Company as it is released as an open-source project on GitHub. WeNet is not-for-profit and does not have any contribution to the Group's financial performance during the Track Record Period.

Voice-enabled end-to-end language technologies

For years, we have devoted ourselves to the research and development of language technologies covering the entire lifecycle of voice interaction, encompassing:

- ***DSP (Digital signal processing)***. Voice signals will be digitalized by specific convertors and then delivered to digital signal processors for further processing, including voice localization, directional capture, signal enhancement, beamforming, echo cancellation, echo residual suppression, noise reduction and dereverberation. By directionally capturing voice signals and effectively processing as well as optimizing the same, our DSP technologies function well in multiple scenarios, and deliver precise voice signals with high quality for subsequent procedures.

- ***Hot words triggering***. Capture hot words and trigger devices through long-term monitoring. We have developed a precise hot-word trigger system with ultra-low power consumption in order to adapt to digital signal processors, micro control units or low-end central processing units.

- ***ASR***. ASR technologies convert voice into text. Focusing on semantic analysis, ASR technologies are typically used for transcription, translation, text extraction and automatic axis printing. In addition, ASR also serves as the training framework for WeNet.

- ***NLU (Natural language understanding)***. The main function of the NLU module is to map the user's natural language input into the user's intention and the corresponding slot value. Our NLU technologies can accomplish a broad range of functions including intention recognition, slot filling, domain classification and normalization.

- ***NLG (Natural language generation)***. NLG technologies convert computerized data into natural language that is grammatically correct and fluent. Relying on end-to-end deep neural network technologies, our NLG technologies can generate multiple languages and dialects including Mandarin, Cantonese and English, and offer a variety of pronunciations as well as tones.

- ***Dialogue management***. Dialogue management technologies comprise dialogue modeling technologies, whereby dialogue status can be closely tracked, and dialogue control technologies, whereby the next actions can be determined. Our dialogue management technologies support multi-round human-machine dialogues in various scenarios, such as task-based scenario, Q&A-based scenario, and chat-based scenario, and enable a free and seamless switch across such scenarios.

- ***TTS (Text-to-speech)***. TTS technologies convert text into a natural voice. Our TTS technologies support both monolingual and multilingual outputs, with appropriate emotion infused. Evidenced by MOS scores of over 4.2 in various scenarios, we are capable to deliver quality voice outputs. MeetHiFiVoice, the Mobvoi End-to-end TTS HiFiVoice System, can generate multi-lingual humanoid voice of various emotions with low latency.

While developing the above AI technologies, we continuously focus on optimizing the following aspects:

- ***Minimize end-to-end response time***

We have achieved near real-time voice search experience through the proprietary integrated and individualized optimization of the end-to-end pipeline, including ASR, NLU and TTS. We also developed a comprehensive end-to-end latency monitoring and tracking system for performance evaluation that allows constantly optimizing the end-to-end response time to improve users' satisfaction rate.

- ***Optimize end-to-end search quality***

User experience depends directly on the end-to-end search quality that measures the percentage of customer satisfaction in user queries. Our dedicated search quality team conducts voice search satisfaction surveys periodically to continuously improve search quality by fixing bugs and adopting new technologies. To better serve user's broad range of queries, we have also connected with over 100 content/service providers who could provide information including weather, hotel, flight, train, restaurant, music.

- ***Optimize for flexibility in extending to new domains and languages***

We have developed a pipeline-based language processing engine with numerous building modules. It is easy to compose these modules dynamically to form an end-to-end solution that satisfies the specific needs of a new application domain. Moreover, the modules are mostly language independent, so extending our language processing engine to a new language involves mainly pre- and post-processing of the input/output data, but not modifying intermediate modules. We also provide visualization tools for non-engineers to easily configure, test, debug, and bugfix the system.

- ***Optimize the embedded platforms***

While our algorithms can run efficiently in the cloud, they have also been ported and highly optimized to run in many embedded platforms. We have spent tremendous research and engineering efforts, including but not limited to optimized data structure, hardware-dependent instructions, and performance profiling, to make our full stack voice interaction technologies (including DSP, hot-word trigger, ASR, NLU and TTS) run on resource-limited onboard devices without needing the Internet.

Our language technologies are self-developed and owned by our Group.

AI-empowered technologies in smart devices

We have developed a diversified set of Smart Devices and Other Accessories, which are usually software-hardware integrated smart devices and accessories. Product mechanics are carefully designed to integrate these components ingeniously with small, thin, lightweight, and elegant appearance and durability. Software and AI modules are designed to make full use of the hardware capabilities. We continually update our technologies to achieve the following common themes of design considerations.

Our AI-empowered technologies involved in our Smart Devices and Other Accessories are self-developed and owned by our Group.

- ***Optimize for AI integration***

  Our Smart Devices and Other Accessories are usually preloaded with our own AI modules, such as voice assistant and TicMotion. To support these computationally heavy AI algorithms with the limited resources on our Smart Devices and Other Accessories, we ported the algorithms into different low-resource chipsets and optimized their performance using special architecture and instruction sets from the chipsets. We also developed a dual-system solution where light-weight algorithms run continuously on the low-resource but minimum-power-consuming chipsets, such as the sensor hub, and heavy-weight algorithms run on-demand on the resource-rich but high-power-consuming chipsets. In addition, to more efficiently support the voice assistant, we developed a proprietary Bluetooth protocol (instead of the common HFP protocol) to minimize the latency between wearables and their connected Mobile phone.

- ***Digital health enabling technologies***

  We believe that digital health is the next wave of technology innovation; therefore, we have been continuously investing in this area and built up our technology niche in health wearables. Heart rate is one of the most important vital signals. We developed our own heart rate monitoring solution based on the High-definition Photoplethysmography (HD PPG) technologies, achieving accuracy comparable with the traditional chest strap heart rate monitor and well acknowledged by users. We also developed our own blood oxygen monitoring technologies, and successfully deployed it on our launched smart devices. We have also developed a series of other digital health technologies such as HRV (Heart Rate Variability) for stress monitoring, breath rate measurement and sleep tracking.

- ***Minimize power consumption***

Efficient power consumption of AI smart devices is vital to customer satisfaction. It is a known obstacle to wearables due to their thin and slim appearance, which limits the battery size and hence capacity. To overcome the challenge of offering long battery life on small devices, we work closely with our battery suppliers to develop high-density battery technology, which can provide maximum battery capacity in a limited space. We also work closely with many key component providers to minimize power consumption.

We have developed our own patented dual-layer display and dual system to solve this problem. Display is a major contributor to power consumption of smart watches. Our dual-layer display solution reduces power consumption without compromising user experience. Specifically, we integrate two displays (AMOLED and FSTN) into one module. The FSTN display (top layer) is a transparent liquid-crystal display (LCD) with low power consumption, high visibility in direct sunlight and high transparent quality when the display is not turned on, meaning the brightness and colors of the organic light-emitting diode (OLED) display, which is the bottom layer, aren't compromised when in use. The power to switch between the two displays and their related "modes" allows the users to achieve unprecedented battery life and control over their battery usage. We developed a smart algorithm that supports seamlessly automatic switching between the two display modes when needed, namely the Smart Mode and Essential Mode.

- ***2G/3G/4G related technologies for independent usage scenarios of smart watches***

A growing usage need for smart watches is to be independent of a mobile phone or even partly replace it in many usage scenarios. It then demands smart watches constantly connected with the cellular network. We have accumulated extensive experiences in cellular technologies for wearables, with many models of TicWatch support 2G/3G/4G voice call and data connection.

A key technical challenge in supporting 2G/3G/4G on smart watches is antenna design due to the size and appearance limitation of smart watches. We have developed a patented antenna technologies, which cleverly leverages essential mechanical parts to improve the antenna performance. Metal deco in our TicWatch flagship products is not only an appearance part, but also a cellular antenna. The specific solution improves LTE over-the-air (OTA) performance. Meanwhile the metal deco antenna enhances Right Hand Circular Polarization (RHCP) electro-magnetic wave, thereby increasing positioning performance.

Another important innovation related to 2G/3G/4G is the eSIM. We developed our own local profile assistant (LPA) solution for eSIM provisioning, the LPA solution is fully GSMA compatible, by which the eSIM that uses the Global System for Mobiles (GSM) network, and has been certified by tier one operators.

INTELLECTUAL PROPERTY

We regard our copyrights, trademarks, patents and other intellectual property rights as critical to our business operations. We rely on a combination of copyrights, patents, trademarks, domain name and contractual rights, such as confidentiality agreement, to protect our intellectual property rights. During the Track Record Period, we had entered into employment agreements with our employees with confidentiality clause incorporated which cover any confidential information obtained during the course of employment.

As of the Latest Practicable Date, we had 88 registered copyrights, 593 patents, 804 trademarks and 20 domain names. For details, please refer to the paragraph headed "Statutory and General Information — B. Further information about our business — 2. Intellectual property rights" set out in Appendix IV to this document.

We may, from time to time, be involved in intellectual property disputes where third parties claimed that our products have infringed their IP rights resulting from our external services embedded in our products. During the Track Record Period and up to the Latest Practicable Date, there were 751 lawsuits filed against our Group which were due to disputes over the external value-added services embedded in our products. Subsequently, the relevant parties in such lawsuits reached a consensus on settlement. As of the Latest Practicable Date, the series of IP infringement lawsuits had all been settled and the details of the lawsuits are set out below.

In 2017, our Group had signed a cooperation agreement with an associated company of a Chinese multinational technology and entertainment conglomerate ("**Company A**"), in which we agreed to provide users of Company A with our self-developed smart speakers and Company A agreed to provide us with the subscription of its exclusive music albums. In 2019, an associated company of a Chinese multinational technology company specializing in e-commerce, retail, Internet, and technology ("**Company B**") filed 10 lawsuits against our Group alleging that we had infringed their rights to network dissemination of information of music copyrights that they own ("**IP Infringement Lawsuits**") in respect of certain music our Group sourced from Company A that could be played in our Group's smart speakers. To resolve the dispute, our Group, Company A and Company B entered into mediation at the instruction of the court, and pursuant to the civil mediation letter reflecting the outcome of such mediation issued by the court, Company A agreed to pay a settlement fee of RMB116,400 to Company B, and our Group was not liable to pay any of the aforesaid settlement fee.

In 2020, Company B filed another 741 IP Infringement Lawsuits against both Company A and our Group due to the same reason above. Company A entered into civil mitigation with Company B and full settlement was reached. Neither Company A nor our Group had to pay any settlement fees on the IP Infringement Lawsuits, and as such, we believe the lawsuits abovementioned are immaterial to our Group as a whole.

As advised by our PRC Legal Advisor, based on the civil mediation letter and the settlement agreement entered into among relevant parties in the aforesaid lawsuits, taking into consideration of our implemented internal control measures, all these lawsuits had been settled and the Group was not exposed to any liability of compensation. Our Directors are of the view that these lawsuits did not have any material adverse impact on our Group's business operations and financial performance. Further, during the Track Record Period and up to the Latest Practicable Date, save as the above, there had not been pending or threatening material claims made against us, nor had there been material claims made by us against third parties, with respect to the infringement of IP rights owned by us or third parties.

On the basis of the PRC Legal Advisor's above and the independent due diligence work conducted by the **[REDACTED]**, including but not limited to, (i) reviewing the civil mediation letter and the settlement agreement entered into among the relevant parties in the aforesaid lawsuits made available to the **[REDACTED]**; (ii) interview with the attorney of our Group in relation to the series cases; (iii) conducting background searches and litigation searches to our Group; (iv) discussing with our Company and the PRC Legal Advisor to understand, among others, the background, the reasons for our Group's involvement, and the latest status of the IP infringement litigations; and (v) reviewing and discussing with our internal control consultant (the "**Internal Control Consultant**") in relation to our Group's internal control measures to avoid infringement of third-party's IP right, nothing has come to the attention of the **[REDACTED]** that would cause the **[REDACTED]** to disagree with the views of the Directors and the PRC Legal Advisor.

As regards our AIGC solutions, a user can produce contents with our AIGC solutions by using (i) the content creating resources (including audio, images, text, voice of voice actors and the virtual voice model) that we make available to users on the relevant platforms; and/or (ii) self-provided images or voices of the user. For content creating resources we make available to users, our Group would execute agreements to obtain the IP rights of or licence to use the content creating resources from their original owners, and therefore, neither our Group or the user will infringe third parties' rights when using the relevant resources Our Group will also constantly monitor and review our content creating resources to ensure that they are lawfully obtained and used. For users' self-provided images or voices, the user will retain the IP rights of his or her own image or voice, and our Group would require the user to confirm and undertake the legality of the use of his or her own image or voice. For training data sourced from the Internet, we only source

data from open-source websites, following their platform governance rules and licensing provisions (where applicable). The open-source websites we rely on are commonly used for AIGC enterprises and allow the utilization of resources for commercial purposes. We filter out personal information present in the data source from the Internet by pattern matching technology, ensuring the prevention of any infringement on personal information rights. In addition, we prioritize the protection of intellectual property rights by establishing a comprehensive framework, including the "Intellectual Property's Legal Dispute Handling Control System" (《知識產權法律糾紛處理控制制度》), "Intellectual Property's Risk Control System" (《知識產權風險管控制度》), "Intellectual Property Maintenance Management System" (《知識產權維護管理制度》) and "Intellectual Property Application Management System" (《知識產權申請管理制度》). These systems are designed to effectively manage and control the risks associated with intellectual property infringement. This rigorous process ensures the proper authorization and legality of the training data we use. Furthermore, we maintain a stringent focus on data quality by a series of measures. Specifically, we (i) filter out websites with sensitive information through URL filtering; (ii) filter out content with navigation bar, social media and advertisements through line-wise filtering rules; (iii) filter out articles with any sensitive words through document-wise filtering rules; (iv) score the training data to filter the low-quality resources; and (v) implement text deduplication through URL deduplication, checksum deduplication and other fuzzy duplication such as MinHash[(1)] and SimHash[(2)]. For training data obtained from training data providers, we obtain explicit legal permission through contracts with training data providers. These agreements ensure that the data resources used for training our AI models are legally authorized and comply with all applicable legal requirements. The data suppliers will indemnify us for any breaches that they cause for which we may be held liable pursuant to the agreements we entered into with the data suppliers.

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, none of the resources used, contents created or training data employed by our Group and our users have infringed or potentially infringed third party intellectual property rights resulting in any material complaints, litigations and claims initiated by the corresponding intellectual property owners.

Our PRC Legal Advisor advised that, during the Track Record Period and up to the Latest Practicable Date, there had been no material litigation or other proceedings arising from or in relation to any infringement of third party intellectual property rights.

Notes:

(1) A specific type of Locality Sensitive Hashing (LSH), a class of algorithms that is a popular tool for measuring document similarity.

(2) An algorithm that determines the similarity between data sets.

Our Group has also adopted a comprehensive set of internal control measures with an aim to protect our intellectual property rights and to avoid infringement of third-party's intellectual property rights, including the following:

- we have adopted policies such as "Intellectual Property's Legal Dispute Handling Control System" (《知識產權法律糾紛處理控制制度》), "Intellectual Property's Risk Control System" (《知識產權風險管控制度》), "Intellectual Property Maintenance Management System" (《知識產權維護管理制度》) and "Intellectual Property Application Management System" (《知識產權申請管理制度》);

- the intellectual property department of our Group ("**IP Department**") perform searches and analysis on related intellectual property rights to make sure our intellectual property rights will not be challenged or being registered by third parties;

- our IP Department files trademarks and patents with the relevant authorities to ensure we are authorized to use the relevant intellectual property. Our IP Department would from time to time monitor the registration of trademarks and the related legal documents so as to ensure the validity of our intellectual property rights;

- in case of any suspected infringement of third-party's intellectual property rights, our IP Department shall immediately seek advice from our legal department and our external legal adviser from time to time, as and when needed to avoid any infringement;

- during the selection process of our suppliers and business partners, through a combination of due diligence and independent investigation by our Group, we strictly assess whether or not the suppliers and/or business partners have legal intellectual property rights or licensed rights over the products they supply and/or provide, in order to mitigate the risk of exposing our Group to any intellectual property infringement claims of components sourced from third parties. We also require both our suppliers and business partners to avoid infringement of intellectual property rights of other third parties; and

- in case of any updates of intellectual property's regulations, our IP Department will provide trainings to relevant personnels so as to ensure they are working in compliance with the latest intellectual property's regulations.

Our Group has engaged the Internal Control Consultant to perform a review over selected areas of our internal control. Based on the Internal Control Consultant's review, they have not identified any significant internal control deficiencies in relation to our Group's internal control measures after the follow up review. Our Directors and the Internal Control Consultant are also of

the view that, assuming we continue to adopt and implement the above internal control measures, the Group has in place adequate and effective internal control procedures and policies to identify and mitigate any material risks related to the infringement of third-party's rights.

In addition, the Internal Control Consultant reviewed our Group's implementation of the requirements set forth under the Interim Measures for the Administration of AIGC Services and no material deficiencies were identified. For the requirements implemented, please refer to the paragraph headed "Regulatory Overview — Government Policy related to AI Industry" in this document.

Based on the currently available information and the independent due diligence work conducted by the **[REDACTED]**, including but not limited to, (i) discussing with the Company to understand its business nature and internal control policies on intellectual properties; (ii) discussing with the PRC Legal Advisor of the Company and the **[REDACTED]** and the data security counsel; (iii) reviewing the legal opinions issued by the PRC Legal Advisor of the Company and the data security report issued by the data security counsel; (iv) discussing with the Internal Control Consultant and reviewing the internal control report issued by the Internal Control Consultant; and (v) conducting background searches and litigation searches to our Group, nothing has come to the **[REDACTED]** attention that would cause them to disagree with the Directors' views above.

Save as disclosed above, we had not been subject to any material disputes or claims for infringement upon third parties' intellectual property rights during the Track Record Period and up to the Latest Practicable Date.

PROPERTIES

Leased properties

As of the Latest Practicable Date, we had leased six properties with an aggregate gross floor area of 4,527.8 sq.m. in China, which were used as offices and research and development purposes. Among such leased properties, the lessors of one leased property failed to provide us with the building title certificates or other valid title documents for such leased properties or proof of lawful authorization from the owners for leasing such properties.

Pursuant to the applicable PRC laws and regulations, lease agreements must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we had only registered three of our leased properties. We did not register one of our leased properties because the lessor was in the process of obtaining the building ownership certificate, but he has the rights to lease the property to us according to Administrative

Committee of Nanjing Economic and Technological Development Zone's confirmation, which is the competent authority to issue such confirmation as advised by our PRC Legal Advisor. We also did not register the other three leased properties although we have obtained the property ownership certificates, as the lessors were not willing to cooperate with the lease filing procedures. Our PRC Legal Advisor have advised us that the lack of registration of the lease agreements will not affect their validities under the PRC laws, and have also advised us that a maximum penalty of RMB10,000 for non-registration may be imposed for each lease. The estimated total maximum penalty is RMB40,000. During the Track Record Period and up to the Latest Practicable Date, we had not been ordered by any authorities to register any of the lease agreements. For details, please refer to the paragraph headed "Risk Factors — We may be liable for failure to register and file our lease agreements in accordance with applicable laws and regulations, which may subject us to administrative penalties." in this document.

In relation to the leased properties described above, our Directors confirm that no significant time or costs is expected to be required to identify or relocate our operations to comparable alternative properties, given the availability of comparable alternative properties in the market. Our Directors further confirm that should relocation be required, such relocation will not materially affect the operation and financial conditions of our Group.

As of the Latest Practicable Date, we did not have any single property carrying an amount of 15% or more of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provision) Notice, this document is exempted from the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance to include any interest in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

LICENSES, PERMITS AND APPROVALS

As of the Latest Practicable Date, we had obtained all material licenses and permits required for our business operations (which mainly consists of business licenses of our subsidiaries), and such business licenses had remained in full effect.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

We may become a party to legal, arbitral or administrative proceedings arising in the ordinary course of our business operation. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, none of the legal, arbitral or administrative proceedings to

which we were a party, individually or in aggregate, would have a material and adverse effect on our business, financial conditions or results of operations, and we had not experienced any material legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material and adverse effect on our business, financial conditions and results of operations.

Non-compliance incidents

Social insurance and housing provident funds non-compliance

During the Track Record Period, two of our PRC subsidiaries had engaged third-party human resources agencies to pay social insurance and housing provident funds for two of our employees. The non-compliance incident took place mainly because such employees work in city where we did not have legal entity to pay social insurance premium or housing provident funds for them locally.

Pursuant to the agreements entered into between the third-party agents and our relevant PRC subsidiaries, the third-party agents have the obligation to pay social insurance and housing provident funds for our relevant employees. As of the Latest Practicable Date, none of the third-party agents being engaged had failed to pay or delayed in paying, any social insurance or housing provident funds for such employees. We ceased to engage third-party agents to make statutory contributions to the social insurance and housing provident funds for our employees since 2022. As such, the social insurance and housing provident funds non-compliance was fully rectified as of the Latest Practicable Date.

According to the PRC laws and regulations, (i) if we fail to pay the full amount of social insurance as required, the relevant PRC authorities may demand us to pay the outstanding social insurance within a stipulated deadline and we may be liable for a late payment fee that equals to 0.05% of the outstanding amount of social insurance for each day of the delay. If we fail to make such payments within the stipulated deadline, we may also be liable to a fine from one to three times of the amount of the outstanding amount of social insurance contributions; and (ii) in respect of outstanding housing provident fund, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period. If the payment is not made within such time limit, an application may be made to PRC courts for compulsory enforcement. Although the third-party agents we engaged with had paid the employees on behalf of our relevant subsidiaries, the relevant government authorities may determine that such agency arrangement does not satisfy with the requirements under the relevant PRC laws and regulations. Thus we may be subject to additional contributions, late payment fees and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social insurance and

housing provident funds as an employer or be ordered to rectify. However, as advised by our PRC Legal Advisor, if we make the outstanding payment to the relevant authorities in time, the likelihood of us being subject to fines by the relevant government authorities is low.

Our Directors are of the view that such non-compliance would not have a material adverse effect on our business and results of operations, considering that: (i) as advised by our PRC Legal Advisor, paying social insurance premium or housing provident funds through third-party agencies does not harm the benefits of our employees; (ii) the total amount involved is insignificant and such non-compliance will not have any impact on our financial condition or business operation as a whole; (iii) based on our knowledge and the confirmations issued by the competent government authorities, we had not been subject to any administrative penalties in relation to the agency arrangements during the Track Record Period; (iv) as of the Latest Practicable Date, we had not received any notification from the relevant government authorities requiring us to pay any shortfalls or imposing any penalties with respect to social insurance and housing provident funds; and (v) we were neither aware of any employee complaints had filed against us nor we had involved in any labor disputes with our employees with respect to the payment of social insurance or housing provident funds through third-party agents during the Track Record Period and up to the Latest Practicable Date.

Labor dispatch non-compliance

According to the relevant PRC laws and regulations, an employer must control the use of dispatched workers, and the number of dispatched workers must not exceed 10% of the total number of its workers, where the total number of workers refers to the sum of the number of employees who have entered into labor contracts with the employer and the number of dispatched workers used by the employer.

During the Track Record Period, the number of dispatched staff of three of our PRC subsidiaries exceeded the threshold of 10% as required by the relevant PRC laws and regulations. Nevertheless, there is no substantial difference in the salary standards, social insurance and housing funds coverage between the dispatched workers and the employees with whom the relevant subsidiary entered into standard labor contracts. We reduced the number of dispatched workers of relevant subsidiary to below the 10% legal limit since 2021. As such, the labor dispatch non-compliance had been fully rectified as of the Latest Practicable Date.

As of the Latest Practicable Date, no administrative action had been initiated against, and no fine or penalty had been imposed on, us by the relevant government authorities with respect to this non-compliance incidence, nor had any order been received by us to rectify such non-compliance.

Our PRC Legal Advisor is of the opinion that the risk of the relevant subsidiary being penalized for its labor dispatch non-compliance during the Track Record Period was remote, given that the issue had been rectified in a timely manner.

Having considered the above, our Directors believe, that the non-compliance in relation to labor dispatch is not a material non-compliance, that has or is expected to have a material financial or operational impact on our Company, or a systemic non-compliance whose recurring nature may reflect negatively on our Company's or our directors'/senior management's ability or tendency to operate in a compliant manner: (i) we had rectified such non-compliance by terminating the contract with the third-party agency and as advised by our PRC Legal Advisor, we are in compliance with the applicable laws and regulations relating to labor dispatch in all material respects in the PRC as of the Latest Practicable Date; (ii) we had not received any notice of rectification in relation to its labor dispatch activities from any governmental authorities; (iii) there was no record of administrative penalties against the subsidiary during the Track Record Period and up to the Latest Practicable Date; and (iv) as advised by our PRC Legal Advisor, the likelihood of that subsidiary being penalized due to its labor dispatch activities during the Track Record Period and up to the Latest Practicable Date was remote.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established, and maintained, risk management and internal control systems consisting of policies and procedures which we consider appropriate for our business operations. We are dedicated to continually improving these systems. We adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as information security and data privacy, financial reporting, compliance, and human resources. Our Board is responsible for the establishment and updating of our internal control systems, while our senior management monitors the daily implementation of the internal control procedures and measures with respect to each subsidiary and functional departments.

Information security and data privacy

We attach the greatest importance to data security and protection. We have adopted our standard protective measures including confidentiality management, access control and personal information deidentification to prevent unauthorized access, leakage, improper use or modification of, damage to or loss of data and personal information. We obtain appropriate consents from our customers to access data from them and their end users. We prioritize transparency and maintain comprehensive records of consent obtained, ensuring compliance with privacy laws and regulations.

We have adopted both technical and organizational measures to protect data security and privacy. For technical measures, we deploy a data backup mechanism, which automatically distributes data to multiple data center environments for backup purposes. Different app key IDs distinguish and separate data from different clients and projects, ensuring that data within different business domains is stored in isolated environments. We have also adopted vulnerability management tools and network attack detection mechanisms. For organizational measures, we have published and implemented a comprehensive set of personal information protection policies and employed an account and permission management system to ensure data security. Specifically, we implement account authorization management for our staff, as well as a multi-factor authentication mechanism. We ensure that only authenticated users have access to their own accounts, and authorized staff only could access users' personal information when it is necessary for service provision or upon user request. These measures involve the implementation of multiple layers of protection to safeguard the integrity and confidentiality of data.

We have allocated substantial resources to establish a data compliance system to ensure full compliance with the PRC Personal Information Protection Law and other related regulations. Our data compliance team, algorithmic security committee and science and technology ethics review committee attend to our compliance policies in relation to data privacy and personal information protection. We have built up a comprehensive personal information management system and formulated a series of internal rules and policies to ensure data and personal information security throughout their life cycle.

Data sources

In the course of our business operation, we collect data from (i) sources with direct authorization to us (including content creators, enterprises, our employees and consumers and users of our solutions); (ii) limited amount of voice data purchased from third-party vendors in relation to the provision of our AIGC solutions. The data we purchased from third-party vendors during the Track Record Period had been provided to us pursuant to the relevant agreements with such vendors containing the legitimacy statement or contract clause. We hold the IP rights to the content creating resources of our Group. The IP rights of self-provided sources and content created by the users are owned by the respective users. We acknowledge the ownership of these IP rights through user agreements. To ensure the legality and proper authorization of the resources used, we establish user agreements requiring users to provide resources only if they have the necessary rights, permissions or licenses. We strictly adhere to these agreements, using user-provided content within the agreed service scope. Any utilization or distribution of user-created content beyond the necessary scope requires explicit permission from the users.

In respect of training data, we obtain explicit permission through contracts with training data providers as required by applicable laws. These contracts ensure that the data resources used for training our AI models are legally authorized and comply with all applicable legal requirements.

Furthermore, we place significant emphasis on the protection of data acquired during our business operations and development of AI models. We have established data privacy policies to ensure that our collection of data is conducted in accordance with applicable laws and regulations and that the collection is for legitimate purposes. We believe it is crucial that customers and end users understand what information and data we collect and how we handle their information and data so that they can make fully-informed choices in deciding how such information and data is collected, used, stored and shared. To this end, we collect personal information and data from customers and end users only with their prior consent, and we offer them opt-out or opt-in options. We also require written confirmation from our third-party vendors that they have acquired data from legitimate source and that they have obtained the authorizations and rights to use such data for the purpose specified in the agreements. We apply our data protection requirements equally to all types of data, regardless of their sources.

We have entered into agreements with suppliers which allow us to legally use their resources. Before purchasing content created by third parties, clauses in the supplier agreement are reviewed in order to ensure the ownership and rights of use of the resources and authorization is obtained from the relevant right holder prior to using any third-party resources. The agreements are reviewed by our finance department, legal department, chief executive officer and chief operating officer. Once infringement risks are discovered, relevant information is delivered to the intellectual property department for investigation. The investigation result will be reported to our chief executive officer or chief operating officer for discussion regarding follow-up action.

Data collection

We collect data on an as-needed basis for different purposes and products under specific circumstances. These include instances where it is necessary to provide requested services, address customer inquiries or complaints, and ensure the overall security and integrity of our systems. We implement strict access controls and guidelines to ensure that data is accessed only by authorized personnel for legitimate purposes. Moreover, we access customers' data on the legal basis of their consent through privacy notice or for the performance of contracts on a customized AI development model.

For AI Software Solutions, we collect data, including but not limited to mobile phone numbers, for account registration and login purposes after obtaining users' explicit consent to the privacy policy through a pop-up window. Users voluntarily upload or input the data and voluntarily enable the necessary permissions. In the course of provision of our services, the type of

data we collect includes user-uploaded content, such as text, images, voice, videos and user-created works. For example, when content creators utilize the AI writing feature, we collect and process the textual content they actively upload for the purpose of generating the written output. When users purchase membership services, we collect order information including customers' contact information to provide post-sales support.

For Smart Devices and Other Accessories, we collect consumers' data, including but not limited to mobile phone numbers and email addresses, for account registration after obtaining consent to the privacy policy through a pop-up window. In the course of provision of our services, the type of data we collect includes, but not limited to, voice data recorded for voice interaction function, usage data of audio content and location data. Besides, to monitor users' health status, we collect sports data, sleep data and device usage data through smart devices after obtaining explicit consent from the user through a separate pop-up window, and state our data collection in the privacy policy as well.

The ownership of personal information collected in AI Software Solutions and Smart Devices and Other Accessories belongs to the end users. For voice data purchased from data providers, we own all intellectual property rights to the data generated under the contracts.

Data processing

We process data with specific and reasonable purpose, and limit our data processing work to the minimum scope for achieving the purpose. We engage in data processing to enable us to provide customers with relevant products and service or to comply with relevant requirements under applicable laws and regulations.

We forbid our employee to use data for any other purpose irrelevant to such purpose. To achieve such goals, we have implemented our uniform data processing requirements across different business lines. For customer data processing, we adopt appropriate level of authorization for the staff who may contact end users' personal data, and regularly check the logs of visitors and access. We have also established approval mechanisms for the access and processing of data. For example only the security administrators can access archived data. Our database systems is isolated among different business lines.

We process customer data for (i) provision of real-time data processing services; and (ii) development of AI models:

- ***(i) Provision of real-time data processing services:*** We process data from our customers, which involve their end users' data containing personal information, in the course of providing real-time data processing services. The personal information we

may collect includes: (i) contact information (such as name, mobile phone number, delivery address and profile photo); (ii) biometrics information; (iii) location information; (iv) search and browse records; and (v) conversation records.

- ***(ii) Development of AI models:*** We do not have ownership over the data from our customers and only process such data on an as-needed basis to fulfill the purposes of development of our AI models. We will only use users' data for training our models in the case of a customized AI development contract that is concluded between a specific user and us. We may retain end users' data for a limited period of time, as specified in the development contracts for AI models, unless a longer storage period is required by law. Typically, the development period for customized AI models is one year.

Data usage

During the Track Record Period and up to the Latest Practicable Date, we took significant measures to ensure the legitimacy of data usage in our business operations and the development of our AI models.

The contracts we entered into with suppliers, customers or users clearly outline our rights to access data for service provision, explicitly stating that the contractual counterparties, namely, suppliers, customers and users, have the responsibility to verify the legality of data sources. These contractual agreements serve as a basis to ensure compliance with data usage and protection.

Following the enforcement of the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) in 2021, we have proactively sought legal grounds for processing personal information from suppliers, customers and users, in accordance with the provisions set forth in Article 13 of the law. This approach considers the specific processing circumstances, taking into account the different types of data and the purposes for which they are processed.

Unless consent is waived by the Personal Information Protection Law of the PRC, we obtain explicit consent from suppliers, customers, users and end-users through various means, including offline authorization contracts and online consent boxes.

By implementing these measures, we demonstrate commitment to maintaining a robust and compliant framework for data usage, ensuring that proper and explicit consent is obtained from all relevant parties involved in our business operations and AI model development.

We have adopted and implemented relevant internal policies and management system based on relevant rules and regulations in relation to data privacy and protection. We have applied various encryption technologies at software and hardware levels to ensure the secured transmission

of data and prevent unauthorized users or personnel from accessing or using our data for unintended purposes. Data is categorized in accordance with its level of confidentiality, and de-identified and anonymized before it is processed by our personnel. Use and retrieval of data are subject to assessment and approval procedures based on data categorization. We have implemented comprehensive employee confidentiality policies, data usage approval procedures and data tracking mechanisms to ensure the security of our database. We have engaged an external legal counsel who is specialized in data compliance to review and evaluate our data security compliance status and no material non-compliance issues for data security had been identified during the Track Record Period. In addition, we have not engaged in any outbound cross-border data transfers.

We have adopted and implemented relevant policies and management system in relation to data privacy and protection, and the relevant contracts with third party data vendors include the representations and warranties made by relevant third parties in relation to compliance with relevant laws and regulations, and the relief and indemnification clauses as well as dispute resolution mechanism that we can resort to in the event of the breach by such data providers. To the best knowledge of the Group, during the Track Record Period and up to the Latest Practicable Date, there had been no material investigation, penalty or litigation relating to personality rights infringement or violation of data privacy and protection against the Group that would materially and adversely affect the Group's business. Based on the foregoing and the public search conducted by our PRC Legal Advisor and as confirmed by the Company, our PRC Legal Advisor advised that, during the Track Record Period and up to the Latest Practicable Date, there had been no material litigation or other proceedings arising from or in relation to any infringement of personality rights or data protection, and hence the Group had not violated relevant PRC laws and regulations in relation to personality rights and data protection that would impose material and adverse effect to our business.

We request our customers to confirm that they have acquired such data from legitimate sources and obtained the rights to use such data, with their end users' consent for the purposes specified in our agreements. We only use data for purposes explicitly authorized by our customers, such as identity verification, record-keeping and statistics, and do not use data for purposes without prior approval and consent. We also adopt technology measures, such as the use of firewalls, anti-malware, network security protection applications and various encryption technologies at both software and hardware levels, to protect data privacy and securely store such data. To minimize the risk of data loss or leakage, we conduct regular data backup and data recovery tests. If we find any server operating system with any security loopholes, we will upgrade the security protection to ensure the security of all server systems and application.

Data storage

We store our data in the facilities of our cloud service providers in China and U.S. Our server systems are protected with heightened levels of security, and we conduct audit of our data security compliance status regularly by our in-house internal control team. We had not found material non-compliance issues for data security during the Track Record Period. We have formulated a cybersecurity contingency plan and conduct training and safety drills regularly in preparation for any emergency cybersecurity incidents. In the event that our security measures are compromised, we will report to the competent authority in accordance with relevant laws and regulations, and promptly inform impacted users. We follow a careful approach when it comes to retaining end users' data. The cache data such as user identities and usage records are automatically deleted within a stringent 24-hour timeframe. For comprehensive data exceeding one year and health and exercise records retained for over three years, we employ a robust archival system to store these data. Additionally, we will securely delete our customers' data within seven working days once they deregister their account or withdraw their consent for data processing. The determination of this reasonable period is based on applicable laws, regulatory requirements and industry best practices.

Data sharing

Solely for automotive pre-installed voice interaction solutions in cars, although we are the one to directly collect, store and process voice data from end users, automotive manufacturers own such data.

Therefore we do not own such data.

In addition, we may access personal information and data from users of our AIGC solutions, AI enterprise solutions and end users of Smart Devices and Other Accessories that operate on the Chinese version of the operating system for wearable devices developed by a third-party tech company, to the extent necessary for normal operations of our relevant AI solutions with relevant data stored in a secure cloud computing service platform.

We have implemented adequate technical and organizational security measures to prevent unauthorized usage of, as well as other potential risks relating to, the relevant data, to ensure our strict compliance with applicable data privacy and protection laws and regulations. To prevent any unauthenticated access to data stored in our solutions, we have adjusted our registration procedure and relevant webpage to ensure that any bugs in the authentication mechanism are fixed. For instance, an identity verification code is only valid for 10 minutes.

Save as disclosed above, we typically do not have access to and do not seek to access, any personal information or data of users while providing other solutions.

Data Destruction

The Company had established internal policies regarding the deletion and destruction of data. We delete data according to such policies, when the data collected had been completely utilized for the purpose of collection, or when such data are retracted by individual users. In addition, we generally delete relevant human-machine interaction generated once a user deletes his own account. For information that is required to be maintained in accordance with relevant laws and regulations, we do not delete such information unless permitted by relevant laws and regulations, but we generally do not use such data in our operations.

Compliance and intellectual property risk management

In order to effectively manage the compliance of our business operations with the relevant rules and regulations and legal risk exposures, we have adopted strict internal procedures to ensure the compliance of our business operations with the applicable rules and regulations, as well as the protection of our intellectual property rights. In accordance with these procedures, our in-house legal department performs the basic function of reviewing and updating the form of contracts we enter into with our customers, partners and suppliers. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations our business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

Our in-house legal department is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities, within the prescribed regulatory timelines.

Our intellectual property department is responsible for preparing documents for applying intellectual property rights of contents created by our Company. Application for intellectual property rights is reviewed and approved by our research and development director, intellectual property manager, chief executive officer and chief operating officer. Third-party intellectual property service agency will submit the relevant application documents to the intellectual property regulatory authorities to ensure that our Group uses relevant intellectual property rights with authorization. A list of intellectual properties is maintained and updated by our intellectual property department to monitor the expiry dates of the intellectual properties. When the intellectual property rights need to be renewed, the application is reviewed and approved by our

finance department, chief executive officer and chief operating officer, and our intellectual property department will then execute the renewal procedure. Web searches are conducted to prevent unauthorized use of intellectual properties within our Group.

We continuously improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We undertake compliance management over various aspects of our operations and employee activities. We have also established an accountability system in respect of employees' violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

We have an employee code of conducts in place, which contains internal rules and guidelines regarding basic working rules, work ethics, confidentiality, negligence, anti-bribery and anti-corruption. We provide our employees with regular training and resources to explain the guidelines contained in the employee code of conducts.

Financial reporting risk management

We have a set of policies in connection with our financial reporting risk management, such as financial system management, assets protection management, budget management, and operation analysis management. We also have procedures in place to implement such policies, which our financial department follows when reviewing our management accounts. In addition, we provide regular training to our financial department staff to ensure that they understand our accounting policies and procedures.

Internal control risk management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. To ensure the effectiveness of our internal control, our business department works closely with our operational departments (which are, legal and compliance, finance, and procurement department). Our internal control team would also conduct regular reviews to monitor the status and effectiveness of our risk management procedures and policies, to ensure the effectiveness and adequacy of our procedures and policies in place.

AWARDS AND RECOGNITION

The table below sets forth an indicative list of some of the awards and recognition we had received as of the Latest Practicable Date.

Award/Recognition	Year	Awarding body
Lingxuan Award (Excellence in Automobile Software category) (鈴軒獎 (車用軟件優異獎))	2022	China Auto Supply Chain Summit (中國汽車供應鏈峰會)
2022 China Unicorn Enterprise (2022中國獨角獸企業)	2022	Great Wall Enterprise Institute (長城戰略諮詢)
The sixth batch of 2021 "Specialized and New" SME of Beijing (北京2021年度第六批「專精特新」中小企業)	2022	Beijing Municipal Bureau of Economy and Information Technology (北京市經濟和信息化局)
Wu Wenjun Artificial Intelligence Science and Technology Progress Award (Enterprise Technology Innovation Engineering Projects) (吳文俊人工智能科技進步獎(企業技術創新工程項目))	2020	Chinese Association for Artificial Intelligence (中國人工智能學會)
Vitality List of 50 Emerging Enterprises with Science and Technology Innovation Potential (2020科創潛力新興企業活力榜50)	2020	EqualOcean Intelligence (億歐智庫)
2020 Best Smart Watch Award (2020年度最佳智能手錶獎)	2020	Android Central.com
Top 60 of Best Growing New Infrastructure Start-ups (最具成長性新基建創業公司TOP60)	2020	36Kr (36氪)
Best Technology Trendy Product Award (科技潮物獎)	2020	CYZone (創業邦)

Award/Recognition	Year	Awarding body
AI Breakthrough Award — Best Natural Language (人工智能突破獎-最佳自然語言)	2019	AI Breakthroughs
2017 Best 30 Global AI Start-ups (2017年度全球三十大AI創業公司)	2018	Jiqizhixin/Synced China (機器之心)
2018 AI 100 List (2018年度AI 100榜單)	2018	CB Insights
Leading AI Revolutionary Enterprise (領先AI革命公司)	2017	Fortune Magazine (財富雜誌)
Beijing Zhongguancun Frontier Technology Enterprise (北京中關村前沿技術企業)	2017	Zhongguancun Science Park Management Committee (中關村科技園區管理委員會)

OVERVIEW

Prior to the **[REDACTED]**, we entered into a transaction with a party who will, upon the **[REDACTED]**, become a connected person of the Company. Details of such continuing connected transaction of the Company following the **[REDACTED]** are set out below.

CONNECTED PERSON

We entered into a transaction with the following connected person, which will constitute our continuing connected transaction upon the **[REDACTED]** pursuant to Chapter 14A of the Listing Rules:

Connected Person	Connected Relationship
Beijing Xiaowen	As of the Latest Practicable Date, Beijing Xiaowen was directly wholly-owned by Ms. Li, our executive Director. Pursuant to Rule 14A.07(4) of the Listing Rules, Beijing Xiaowen was an associate of our Director and therefore a connected person of our Company.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTION

We have entered into the following transaction which, as our Directors expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.03 of the Listing Rules, this transaction will be subject to the reporting, annual review and announcement under Chapter 14A of the Listing Rules.

Service Agreement with Beijing Xiaowen

Principal terms

On May 16, 2023, Shanghai Mobvoi and Beijing Xiaowen entered into a service agreement with a term commencing on May 16, 2023 and expiring on December 31, 2025. On March 30, 2024, the parties entered into an amended and restated service agreement (the "**Service Agreement**") to extend the term of the aforesaid service agreement to December 31, 2026, with effect from the **[REDACTED]**. The material terms of the Service Agreement are set forth as follows:

Service scope: In relation to the Group's AI Software Solutions and Smart Devices and Other Accessories, Beijing Xiaowen shall provide operating agent services, which include accounts maintenance, operations monitoring, marketing, advertising, promotion and data analysis services, through operating various applications and digital platforms for the Group. Pursuant to the Service Agreement, Beijing Xiaowen shall establish and manage an operational team to perform the above-mentioned agent services and shall provide relevant operational supports to ensure normal operation of such applications and digital platforms, including (1) WeChat applications of "Moyin Workshop," "Mozhuan Writing," "Weta365" and "Physical Fitness"; (2) the "Moyin Workshop"

application and the "TimeShow" application; (3) websites such as moyin.com and yuan365.com; and (4) electronic sales platforms such as Watch Interface e-Shop on TimeShow application and Xiaowen e-Shop on TicWatch.

Term: The term of the Service Agreement will commence on the **[REDACTED]** and will expire on December 31, 2026 (the "**Expiration Date**").

Fee arrangement: Shanghai Mobvoi shall pay Beijing Xiaowen a fixed annual service fee in the amount of RMB5.5 million, RMB6.0 million and RMB6.5 million for the years ending December 31, 2024, 2025 and 2026, respectively, for the services provided by Beijing Xiaowen. For sales of the Group's solutions derived from the aforesaid applications and digital platforms, customers shall make direct payment to Shanghai Mobvoi.

Renewal mechanism: Upon Expiration Date, the term of the Service Agreement will be automatically extended for 90 calendar days (the "**Extension Period**") if no objection is raised by either party. The Service Agreement may be renewed during the Extension Period upon mutual agreement, subject to compliance with all applicable laws and regulations and the Listing Rules.

Pricing Policy

The service fees to be paid by our Group to Beijing Xiaowen shall be determined after arm's length negotiations between the parties with reference to the prevailing market rate in respect of similar services provided by other independent service providers and taking into account various other factors such as the services operation capabilities and competency in the field of AI Software Solutions and Smart Devices and Other Accessories, understanding of our solutions, relationship and mutual trust with the Group.

The transaction contemplated under the Service Agreement has been and will be entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better. The service fees payable by us to Beijing Xiaowen are fair and reasonable and no less favorable to us than the prevailing market rates for similar services.

Reasons for and benefits of the transactions

Beijing Xiaowen was previously a consolidated affiliated entity to our Group by virtue of a series of contractual arrangements, which were terminated for the purpose of streamlining our Group's business scope. For details, please see the paragraph headed "History, Reorganization and Corporate Structure — Corporate Reorganization — 1. Termination of historical contractual arrangements with Beijing Xiaowen" in this document.

Beijing Xiaowen specializes in the Operation and Promotion Business and has abundant experience in operating and conducting marketing on applications and online platforms. Beijing Xiaowen possesses a deep understanding of our Group's solutions and strong capability in terms of

operation of online platforms and customer development. Considering the competitive strengths of Beijing Xiaowen and in order for our Group to focus on its core business, we engaged Beijing Xiaowen to provide the above-mentioned services.

As of the Latest Practicable Date, Beijing Xiaowen was wholly owned by Ms. Li, our executive Director. Based on the assessment on the various factors including the services operation capabilities and competency in the field of AI Software Solutions and Smart Devices and Other Accessories, understanding of our solutions, relationship and mutual trust with the Group and the prevailing market price or quotations from other independent service providers, we engaged Beijing Xiaowen to provide such marketing and promotion services on certain channels as detailed above to support our business operations.

Historical figures, annual caps and basis of caps

We incurred RMB2.8 million for the year ended December 31, 2023 for the operating agent services provided by Beijing Xiaowen. The annual caps of the transactions contemplated under the Service Agreement for the years ending December 31, 2024, 2025 and 2026 are determined based on the annual service fee payable by Shanghai Mobvoi to Beijing Xiaowen and are RMB5.5 million, RMB6.0 million and RMB6.5 million, respectively.

In arriving at the amounts of the annual service fees, the Directors have considered, among other things, the following factors:

(i) the historical costs attributable to the provision of similar services by Beijing Xiaowen;

(ii) the expected increase in our demand due to potential growth of sales and potential expansion of solution matrix; and

(iii) the prevailing market price or quotations from other independent service providers.

Listing Rule Implications

Beijing Xiaowen is an associate of Ms. Li and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transaction contemplated under the Service Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the **[REDACTED]**. As the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules is expected to be more than 0.1% but less than 5% on an annual basis, the transaction contemplated under the Service Agreement will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but will be exempt from circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

WAIVER APPLICATION FOR PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTION

Under Rule 14A.76(2) of the Listing Rules, the transaction under the paragraph headed "Partially Exempt Continuing Connected Transaction" will constitute our continuing connected transactions subject to those requirements under Chapter 14A of the Listing Rules upon the **[REDACTED]**.

As those partially exempt continuing connected transactions are expected to continue on a recurring and continuing basis and have been fully disclosed in this document, our Directors consider that the announcement requirement thereof immediately after the **[REDACTED]** would be impractical and unduly burdensome, and would lead to unnecessary administrative costs to us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], waivers exempting us from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in the paragraph headed "— Partially Exempt Continuing Connected Transaction" in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this document, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the partially exempt continuing connected transaction as set out above is in our ordinary and usual course of business and on normal commercial terms, and is fair and reasonable and in the interest of our Company and Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and Shareholders as a whole.

CONFIRMATION FROM THE [REDACTED]

Based on the documentation and data provided by the Company and participation in the due diligence and discussion with the Company, the **[REDACTED]** are of the view that the partially exempt continuing connected transaction as set out above is in the ordinary and usual course of business of our Company and on normal commercial terms, and is fair and reasonable, and in the interests of our Company and Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and Shareholders as a whole.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Our Controlling Shareholders, Dr. Li, Ms. Li and Dr. Lei and their respective wholly-owned investment holding companies (namely, Mobvoi Limited, Mobvoi AGI Limited, AGI Limited, AGI Management Limited, CMWW Limited, CMWW AGI Limited, Wen&Hui Limited, W&H Management Limited and Amberlei Limited), is a group of persons and entities acting in concert with each other. Dr. Li is the founder of our Company and Ms. Li is a co-founder. Ms. Li is a friend of Dr. Li and Dr. Lei is Dr. Li's ex-colleague. Over the course of our business history, Dr. Li, Ms. Li and Dr. Lei have, in exercising and implementing the management and operation of our Group, been acting in concert with each other. These arrangements were not formalized in writing prior to December 1, 2019, and each of our Controlling Shareholders had no disagreement with these arrangements based on their personal relationships, as well as the trust and confidence they have in each other. On December 1, 2019, Dr. Li, Ms. Li, Dr. Lei, Mobvoi Limited, CMWW Limited and Amberlei Limited entered into an acting-in-concert agreement (the "**AIC Agreement**"), pursuant to which the Controlling Shareholders undertake, among other things, that they will be acting in concert with each other in respect of the matters of our Group until the date when the AIC Agreement is amended or terminated by mutual consent of the parties thereto. On 21 December 2023, Dr. Li, Ms. Li, Dr. Lei, Mobvoi Limited, Mobvoi AGI Limited, AGI Limited, AGI Management Limited, CMWW Limited, CMWW AGI Limited, Wen&Hui Limited, W&H Management Limited and Amberlei Limited further executed an acting-in-concert supplemental agreement, pursuant to which the Controlling Shareholders reaffirm and undertake the aforesaid acting-in-concert arrangements.

As of the Latest Practicable Date, the Controlling Shareholders collectively were interested in 32.74% of the total issued share capital of our Company, comprising (i) Shares representing 26.72% of the issued share capital of our Company directly held by Mobvoi AGI Limited; (ii) Shares representing 3.02% of the issued share capital of our Company directly held by CMWW AGI Limited; and (iii) Shares representing 3.00% of the issued share capital of our Company directly held by Amberlei Limited.

Following the completion of the **[REDACTED]** (assuming that (i) the **[REDACTED]** is not exercised; and (ii) each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme), the Controlling Shareholders will be interested in **[REDACTED]**% of the enlarged issued share capital of our Company, comprising (i) Shares representing **[REDACTED]**% of the issued share capital of our Company directly held by Mobvoi AGI Limited; (ii) Shares representing approximately **[REDACTED]**% of the issued share capital of our Company directly held by CMWW AGI Limited; and (iii) Shares representing **[REDACTED]**% of the issued share capital of our Company directly held by Amberlei Limited.

For more details of the members of our Controlling Shareholders, please refer to the sections headed "History, Reorganization and Corporate Structure" and "Directors and Senior Management" of this document.

NO COMPETITION AND CLEAR DELINEATION OF BUSINESS

Each of our Controlling Shareholders confirms that, as of the Latest Practicable Date, he/she/it did not have any interest in a business, apart from the business of our Group, which competed or was likely to compete, directly or indirectly, with our business or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group is capable of carrying on our business independently from our Controlling Shareholders and/or their respective close associates after the **[REDACTED]**, based on the following factors:

Management Independence

Our business is managed and conducted by our Board and senior management. Our Board comprises of two executive Directors and three independent non-executive Directors. For more information, please refer to the section headed "Directors and Senior Management." Notwithstanding that our executive Directors, Dr. Li and Ms. Li, are members of our Controlling Shareholders, our Directors are of the view that our Company is capable of maintaining management independence due to the following reasons:

(a) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a director and his/her personal interests;

(b) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;

(c) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) is required to declare the nature of such interest and abstain from voting at the relevant Board meetings of our Company in respect of such transactions;

(d) Our Board has a balanced composition of executive Directors and independent non-executive Directors which ensures the independence of the Board in making decisions affecting our Company. Specifically, (i) our independent non-executive Directors are not associated with our Controlling Shareholders or their respective close associates; (ii) our independent non-executive Directors account for more than half of the Board; and (iii) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience and will be able to provide professional and experienced advice to our Company. In conclusion, the Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole; and

(e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For details, please refer to the paragraph headed "— Corporate governance measures" in this section.

Based on the above, our Directors are satisfied that they are able to perform their managerial roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the **[REDACTED]**.

Operational independence

We have full rights to make business decisions and to carry out our business independently from our Controlling Shareholders and their respective close associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and their respective close associates after the **[REDACTED]**:

(a) we are in possession of all key technologies and intellectual properties relating to our Group's business;

(b) we are the holder of all relevant licenses material to the operation of our business;

(c) we have independent access to our customers and suppliers;

(d) we have sufficient capital, facilities, devices and employees to operate our business independently from our Controlling Shareholders;

(e) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and

(f) none of our Controlling Shareholders or their respective close associates have any interests in any business which competes or is likely to compete with the business of our Group.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders and currently do not expect there will be transactions between our Group and our Controlling Shareholders following the **[REDACTED]**.

Financial independence

Our Directors are of the view that we are financially independent of our Controlling Shareholders and/or their close associates for the following reasons:

(a) we have an independent financial reporting system and make financial decisions according to our Group's own business needs independently. We have internal control and accounting systems and an independent finance department for discharging the treasury function; and

(b) we have sufficient capital to operate our business independently. As of the Latest Practicable Date, there was no outstanding loan, guarantee or other forms of collateral or security provided by, or granted to, our Controlling Shareholders. We are capable of obtaining, if necessary, financing from Independent Third Parties banks without relying on any guarantee or security provided by our Controlling Shareholders and/or their close associates.

Based on the above, our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders and/or their close associates and there will not be any financial dependence on our Controlling Shareholders and/or any of their respective close associates upon the **[REDACTED]**.

CORPORATE GOVERNANCE MEASURES

We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(a) our Articles of Association provides that a Director who is in any way materially interested in an actual or proposed contract or arrangement with the Company shall declare the nature of his or her interest at the earliest meeting of the Board at which he or she may practically do so;

(b) our Articles of Association also provide that, subject to certain exceptions, a Director shall not vote (nor be countered in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which such Director or any of his or her close associates has a material interest, and if such Director does so, his or her vote shall not be counted, nor shall such Director be counted in the quorum for that resolution;

(c) our Company has established internal control mechanisms to identify connected transactions. Upon the **[REDACTED]**, if our Company enters into connected transactions with a Controlling Shareholders or any of his or her close associates, our Company will comply with the applicable Listing Rules;

(d) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholder;

(e) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;

(f) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;

(g) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses;

(h) we have established our Audit Committee, Nomination Committee and Remuneration Committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Governance Report in Appendix C1 to the Listing Rules; and

(i) we have appointed Altus Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and Listing Rules including various requirements relating to directors' duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient and effective measures have been put to manage conflicts of interests that may arise between our Group and our Controlling Shareholders and that we are able to operate independently from our Controlling Shareholders.

SUBSTANTIAL SHAREHOLDERS

So far as was known to our Directors or chief executive officer as of the Latest Practicable Date, immediately following the completion of the **[REDACTED]** and assuming that (i) the **[REDACTED]** is not exercised; and (ii) each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme, the following persons are expected to have an interest and/or short positions in our Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

		As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised; and (ii) each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the [REDACTED] Share Option Scheme)	
Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage in our Company	Number of Shares	Approximate percentage in our Company
Dr. Li[(2)]	Interest in controlled corporation/ Interest of concert parties	460,643,777	32.74%	**[REDACTED]**	**[REDACTED]**%
Ms. Li[(3)]	Interest in controlled corporation/ Interest of concert parties	460,643,777	32.74%	**[REDACTED]**	**[REDACTED]**%
Dr. Lei[(4)]	Interest in controlled corporation/ Interest of concert parties	460,643,777	32.74%	**[REDACTED]**	**[REDACTED]**%
Mobvoi Limited[(2)]	Interest of concert parties	460,643,777	32.74%	**[REDACTED]**	**[REDACTED]**%
AGI Management Limited[(2)]	Interest in controlled corporation/Interest of concert parties	460,643,777	32.74%	**[REDACTED]**	**[REDACTED]**%
AGI Limited[(2)]	Interest in controlled corporation/Interest of concert parties	460,643,777	32.74%	**[REDACTED]**	**[REDACTED]**%
Mobvoi AGI Limited[(2)]	Beneficial owner/ Interest of concert parties	460,643,777	32.74%	**[REDACTED]**	**[REDACTED]**%

		As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised; and (ii) each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the [REDACTED] Share Option Scheme)	
Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage in our Company	Number of Shares	Approximate percentage in our Company
CMWW Limited[3]	Interest of concert parties	460,643,777	32.74%	**[REDACTED]**	**[REDACTED]**%
W&H Management Limited[3]	Interest in controlled corporation/Interest of concert parties	460,643,777	32.74%	**[REDACTED]**	**[REDACTED]**%
Wen&Hui Limited[3]	Interest in controlled corporation/Interest of concert parties	460,643,777	32.74%	**[REDACTED]**	**[REDACTED]**%
CMWW AGI Limited[3]	Beneficial owner/ Interest of concert parties	460,643,777	32.74%	**[REDACTED]**	**[REDACTED]**%
Amberlei Limited[4]	Beneficial owner/ Interest of concert parties	460,643,777	32.74%	**[REDACTED]**	**[REDACTED]**%
Suntera Corporate Trustees (Hong Kong) Limited[2][3]	Trustee/Interest in controlled corporation	460,643,777	32.74%	**[REDACTED]**	**[REDACTED]**%
SIG I [5]	Beneficial owner/ Interest of concert parties	239,613,768	17.03%	**[REDACTED]**	**[REDACTED]**%
SIG III[5]	Beneficial owner/ Interest of concert parties	239,613,768	17.03%	**[REDACTED]**	**[REDACTED]**%
Google[6]	Beneficial owner	186,593,844	13.26%	**[REDACTED]**	**[REDACTED]**%
HongShan[7]	Beneficial owner	153,683,583	10.92%	**[REDACTED]**	**[REDACTED]**%
GoerTek (HongKong)	Beneficial owner	141,053,024	10.03%	**[REDACTED]**	**[REDACTED]**%
Weifang GoerTek Trading Co., Ltd.[8]	Interest in controlled corporation	141,053,024	10.03%	**[REDACTED]**	**[REDACTED]**%
Goertek Inc.[8]	Interest in controlled corporation	141,053,024	10.03%	**[REDACTED]**	**[REDACTED]**%

Notes:

(1) All interests stated are long positions.

(2) Mobvoi AGI Limited is held as to 99% by AGI Limited, which is wholly-owned by AGI Management Limited, and as to 1% by Mobvoi Limited, which is wholly-owned by Dr. Li. AGI Management Limited is entirely held by Suntera Corporate Trustees (Hong Kong) Limited, the trustee of Dr. Li Family Trust, which was established by Dr. Li as the settlor and protector with Mobvoi Limited as the beneficiary. By virtue of the SFO, Dr. Li is deemed to be

interested in all the 375,862,577 Shares held by Mobvoi AGI Limited. On the other hand, as Dr. Li, Ms. Li and Dr. Lei have been acting in concert since December 1, 2019, Dr. Li, Mobvoi Limited, AGI Management Limited, AGI Limited and Mobvoi AGI Limited are deemed to be interested in all the 42,505,195 Shares and 42,276,005 Shares in which Ms. Li and Dr. Lei are interested, respectively.

(3) CMWW AGI Limited is held as to 99% by Wen&Hui Limited, which is wholly-owned by W&H Management Limited, and as to 1% by CMWW Limited, which is wholly-owned by Ms. Li. W&H Management Limited is entirely held by Suntera Corporate Trustees (Hong Kong) Limited, the trustee of Ms. Li Family Trust, which was established by Ms. Li as the settlor and protector with CMWW Limited as the beneficiary. By virtue of the SFO, Ms. Li is deemed to be interested in all the 42,505,195 Shares held by CMWW AGI Limited. On the other hand, as Dr. Li, Ms. Li and Dr. Lei have been acting in concert since December 1, 2019, Ms. Li, CMWW Limited, W&H Management Limited, Wen&Hui Limited and CMWW AGI Limited are deemed to be interested in all the 375,862,577 Shares and 42,276,005 Shares in which Dr. Li and Dr. Lei are interested, respectively.

(4) Amberlei Limited is beneficially owned as to 100% by Dr. Lei. By virtue of the SFO, Dr. Lei is deemed to be interested in all the Shares held by Amberlei Limited. As Dr. Li, Ms. Li and Dr. Lei have been acting in concert since December 1, 2019, Dr. Lei and Amberlei Limited are deemed to be interested in all the 375,862,577 Shares and 42,505,195 Shares in which Dr. Li and Ms. Li are interested, respectively.

(5) Each of SIG I and SIG III is a Delaware limited liability limited partnership. SIG I was established on January 10, 2018. SIG III was incorporated on January 10, 2012. As of the Latest Practicable Date, SIG Pacific Holdings, LLLP was the limited partner holding 80% of the partnership interest in each of SIG I and SIG III. SIG China Investments GP, LLC was the general partner holding 20% of the partnership interest in each of SIG I and SIG III. SIG Asia Investment, LLLP, a Delaware limited liability limited partnership, is the investment manager of both SIG I and SIG III. Heights Capital Management, Inc., a Delaware Corporation, is the investment manager of SIG Asia Investment, LLLP. Each of SIG I, SIG III, SIG Pacific Holdings, LLLP and SIG China Investments GP, LLC is ultimately beneficially owned by Mr. Jeffrey Yass, an Independent Third Party who is a US citizen. SIG I and SIG III have been acting in concert with each other and by virtue of SFO, SIG I and SIG III are deemed to be interested in the Shares held by each other, representing **[REDACTED]** of the entire issued share capital of the Company upon the **[REDACTED]**.

(6) Google is a wholly-owned indirect subsidiary of Alphabet Inc., a company listed on NASDAQ (stock code: GOOGL).

(7) HongShan is wholly owned by HSG CV IV Senior Holdco, Ltd. and is ultimately controlled by Mr. Neil Nanpeng Shen.

(8) GoerTek (HongKong) is beneficially owned as to 100% by Weifang GoerTek Trading Co., Ltd., which is in turn beneficially owned as to 100% by Goertek Inc.. By virtue of SFO, each of Weifang GoerTek Trading Co., Ltd. and Goertek Inc. is deemed to be interested in all the Shares held by GoerTek (HongKong), representing **[REDACTED]** of the entire issued share capital of the Company upon the **[REDACTED]**.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the **[REDACTED]**, have any interest and/or short positions in our Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company.

DIRECTORS

Upon the **[REDACTED]**, our Board will consist of five Directors, including two executive Directors and three independent non-executive Directors. The functions and duties of our Board include, but are not limited to, determining our Group's business and investment plans, convening general meetings and reporting on the Board's work at these meetings, implementing the resolutions passed at these meetings, formulating our Group's annual financial budget and final accounts, formulating our Group's proposals for distributions of profit, as well as exercising other powers, functions and duties conferred by our Articles of Association. We entered into service contracts with our executive Directors and appointment letters with our independent non-executive Directors. Our executive Directors and senior management are responsible for the day-to-day management and operation of our Group's business. The following table sets forth certain information regarding our Directors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Executive Directors						
Dr. Li Zhifei (李志飛)	47	Founder, Chairman of the Board, executive Director and chief executive officer	August 31, 2012	August 31, 2012	Overseeing the overall management and business operation, board affairs, formulating strategies and operation plans particularly on AI research and development, making major business decisions of our Group	None
Ms. Li Yuanyuan (李媛媛)	40	Co-founder, executive Director and chief operating officer	February 8, 2013	February 8, 2013	Overseeing the overall management and business operation, board affairs, formulating strategies and operation plans particularly on sales, marketing and business development, making major business decisions of our Group	None
Independent non-executive Directors						
Mr. Chen Yilyu (陳億律)	48	Independent non-executive Director	**[REDACTED]**	May 17, 2023 (with effect from the **[REDACTED]**)	Providing independent judgment on our Group's strategy, performance and standard of conduct	None
Prof. Lu Yuanzhu (盧遠矚)	46	Independent non-executive Director	**[REDACTED]**	May 23, 2023 (with effect from the **[REDACTED]**)	Providing independent judgment on our Group's strategy, performance and standard of conduct	None

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. YANG Zhe (楊喆).	40	Independent non-executive Director	**[REDACTED]**	March 30, 2024 (with effect from the **[REDACTED]**)	Providing independent judgment on our Group's strategy, performance and standard of conduct	None

Executive Director

Dr. Li Zhifei (李志飛), aged 47, is our founder, Chairman of our Board, executive Director and chief executive officer of our Company. Dr. Li served as a director and chief executive officer of our Company since August 2012 and was re-designated as our executive Director in May 2023. He is primarily responsible for overseeing the overall management and business operation, board affairs, formulating strategies and operation plans particularly on AI research and development, making major business decisions of our Group.

Dr. Li has over 13 years of experience in AI industry. Prior to starting our Group, Dr. Li served as a research scientist of Google Inc. (now known as Google LLC) from May 2010 to August 2012, where his primary responsibility was working on research and development of algorithms for its language translation model.

Dr. Li obtained a bachelor's degree in Thermal Engineering from Nanjing University of Science and Technology (南京理工大學) in Nanjing, China in July 1999, a master's degree in Computer Application Technology from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in Nanjing, China in April 2002, a PhD degree in Computer Science from Nanyang Technological University (南洋理工大學) in Singapore in July 2005 and a PhD degree in Computer Science from Johns Hopkins University (約翰霍普金斯大學) in the United States in May 2010.

Ms. Li Yuanyuan (李媛媛), aged 40, is our co-founder, executive Director and chief operating officer. Ms. Li served as a director of our Company since February 2013 and was re-designated as an executive Director in May 2023. She is primarily responsible for overseeing the overall management and business operation, board affairs, formulating strategies and operation plans particularly on sales, marketing and business development, making major business decisions of our Group.

Ms. Li has over 14 years of experience in software development industry. Prior to joining our Group, Ms. Li has taken up various positions in MicroStrategy Services, Corp. with her last position as a senior product support manager from July 2008 to October 2012.

Ms. Li obtained a bachelor's degree in Software Engineering from Wuhan University (武漢大學) in Wuhan, China in June 2006 and a master's degree in Information Management from University of Maryland (馬里蘭大學) in the United States in May 2008.

Independent non-executive Director

Mr. Chen Yilyu (陳億律), aged 48, was appointed as our independent non-executive Director on May 17, 2023, with effect from the **[REDACTED]**. He is primarily responsible for providing independent judgment on our Group's strategy, performance and standard of conduct.

Mr. Chen has over 26 years of experience in auditing, investment banking, venture capital and technology industry. In his various capacities, Mr. Chen served as an assistant audit manager at KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)) from 1997 to 2000. From 2000 to 2014, Mr. Chen successively served as an assistant general manager of the investment banking division of Southern Securities Co., Ltd. (南方證券有限公司), a vice president of Changjiang BNP Paribas Peregrine Securities Co., Ltd. (長江巴黎百富勤証券有限公司) and an executive director of Goldman Sachs Gao Hua Securities Limited (高盛高華証券有限公司). From 2014 to 2016, Mr. Chen successively served as an executive director of Fosun Kinzon Capital (復星昆仲資本) and the chief financial officer of Jia.com (齊家網). In December 2016, Mr. Chen joined Rong360 Inc. as the chief financial officer and has been successively serving as the chief financial officer of Jianpu Technology Inc. (簡普科技公司) ("**Jianpu**", stock code: OTC: AIJTY, a company spun off from Rong360 Inc.) since October 2017 and concurrently serving as a director of Jianpu Technology Inc. since May 2019, where he is primarily responsible for overseeing daily operations of the company and strategy, financial, legal and compliance, and internal control functions.

Mr. Chen obtained a bachelor's degree in Business Management (International Accounting major) from Shanghai University of International Business and Economics (上海對外經貿大學) in Shanghai, China in July 1997.

As of the Latest Practicable Date, Mr. Chen is a non-practicing member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Mr. Chen had been named as one of the defendants in his capacity as the chief financial officer of Jianpu in a securities class action lawsuit filed in the U.S. District Court for the Southern District of New York (the "**U.S. Court**") in 2021. The plaintiffs in the case alleged, in sum and substance, that certain of Jianpu's quarterly reports and other public statements contained material misstatements and omissions in violation of the Securities Exchange Act of 1934, resulting in an overstatement of Jianpu's revenue and costs and expenses for the fiscal years 2018 and 2019. In 2021, the plaintiffs filed a first amended class action complaint and in 2022, the U.S.

Court granted Jianpu's motion to dismiss the first amended complaint, with leave for the plaintiffs to amend. The motion-to-dismiss briefing on the second amended complaint was completed in April 2023 and in August 2023, the Court dismissed the second amended complaint with prejudice and denied leave to amend.

As of the Latest Practicable Date, to our best knowledge, (a) there was no specific allegation raised against Mr. Chen individually; and (b) Mr. Chen had never been served in respect of the alleged class action.

Prof. Lu Yuanzhu (盧遠矚), aged 46, was appointed as our independent non-executive Director on May 23, 2023, with effect from the **[REDACTED]**. He is primarily responsible for providing independent judgment on our Group's strategy, performance and standard of conduct.

Prof. Lu has nearly 17 years of experience in the education industry. From September 2006 to July 2020, Prof. Lu successively served as an assistant professor, an associate professor and a professor of Central University of Finance and Economics (中央財經大學), where his research fields included economics and management. From August 2020 to February 2022, Prof. Lu served as a professor of Sun Yat-sen University (中山大學), where his research fields include economics and management. Prof. Lu has been serving as a professor at University of Science and Technology Beijing (北京科技大學) since March 2022, where his research fields include economics and management.

Prof. Lu has been an independent non-executive director of Beijing Global Safety Technology Co., Ltd (北京辰安科技股份有限公司) (stock code: 300523.SZ) and Beijing Tianyishangjia New Material Corp., Ltd (北京天宜上佳高新材料股份有限公司) (stock code: 688033.SH) since December 2018. Prof. Lu has previously served as an independent non-executive director of eFuture Holding Inc. (北京富基融通科技有限公司) (stock code: NASDAQ: EFUT) from March 2016 to January 2017 and an independent non-executive director of Guolian Securities Co., Ltd (國聯證券股份有限公司) (stock code: 601456.SH; 1456.HK) from March 2017 to October 2022.

Prof. Lu was selected into the New Century Excellent Talents Support Program by the Ministry of Education of the PRC in December 2011. In January 2015, Prof. Lu was awarded with the third prize of the Young Teacher Award for Higher Institutions by the Huo Yingdong Education Foundation (霍英東教育基金會). In September 2017, Prof. Lu was named as an Outstanding Teacher of Beijing by the Beijing Municipal Education Commission (北京市教育委員會).

Prof. Lu obtained a dual bachelor's degree in Applied Chemistry and Economics from Peking University in Beijing, China in July 1999, a master's degree in Industrial Economics from Peking University in Beijing, China in July 2002, and a PhD degree in Economics from National University of Singapore (新加坡國立大學) in Singapore in April 2007.

Mr. Yang Zhe (楊喆), aged 40, was appointed as our independent non-executive Director on March 30, 2024, with effect from the **[REDACTED]**. He is primarily responsible for providing independent judgment on our Group's strategy, performance and standard of conduct.

Mr. Yang has nearly 18 years of experience in financial industry. Mr. Yang consecutively served as a rotational intern, an assistant manager of the operation management department, an assistant manager and manager of the investor relations department at the head office of Bank of China (中國銀行) (stock code: 601988; SH: 3988.HK) from June 2006 to April 2016. Since April 2016, Mr. Yang has been serving as a manager of research of a subsidiary insurance company of Bank of China (中國銀行).

Mr. Yang obtained a double bachelor degree in Literature and Economics from Beijing Foreign Studies University (北京外國語大學) in Beijing, China in July 2006, a master's degree in Economics from Renmin University of China (中國人民大學) in Beijing, China in January 2013, a master's degree in Business Administration from Chinese University of Hong Kong in Hong Kong in November 2017.

SENIOR MANAGEMENT

Our senior management is responsible for day-to-day management of our business. The following table provides information about members of our senior management:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a member of senior management	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Sun Junbo (孫君博)	35	Chief financial officer and joint company secretary	January 1, 2023	January 1, 2023	Overseeing our Group's financial and internal audit	None
Dr. Lin Shih-Hsiang (林士翔)	41	Vice president	June 1, 2018	June 1, 2018	Overseeing the research and development and business operations of our Group's AIGC solutions segment	None
Ms. Wu Yujin (吳玉錦)	50	Vice president	May 16, 2016	June 18, 2018	Overseeing the research and development and business operations of our Group's Smart Devices and Other Accessories segment	None

Mr. Sun Junbo (孫君博), aged 35, is our chief financial officer and joint company secretary. Mr. Sun joined our Group in January 2023 and served as a chief financial officer since then. He is primarily responsible for overseeing our Group's financial and internal audit.

Prior to joining our Group, Mr. Sun worked in investment banking department of BOC International Holdings Limited (中銀國際控股有限公司) between February 2014 and January 2020, where his last position was associate and he was responsible for advising clients on investment banking services such as loans and financing. From January 2020 to August 2022, he served as a vice president in investment banking department of CMB International Capital Corporation Limited (招銀國際金融有限公司), where he was primarily responsible for advising clients in the telecommunication, media and technology industry on investment banking services, acting as financial advisor and overseeing public market financing projects.

Mr. Sun obtained a bachelor's degree in Chemical Engineering and Technology from Zhejiang University (浙江大學) in Zhejiang, China in June 2010 and a master's degree in Chemical Engineering from North Carolina State University (北卡羅來納州立大學) in the United States in May 2011.

Dr. Lin Shih-Hsiang (林士翔), aged 41, is our vice president. Dr. Lin joined our Group in June 2018 and has served as a vice president since then. He is primarily responsible for overseeing the research and development and business operations of our Group's AIGC solutions segment.

Dr. Lin has over 10 years of experience in software development industry. Prior to joining our Group, Dr. Lin served as principal engineer of Delta Electronics, Ltd. (台達電子工業股份有限公司) (stock code: 2308.TW) from February 2011 to February 2016, where he was primarily responsible for research and development of voice recognition, natural language processing and knowledge management. From March 2016 to May 2018, he served as associate manager of FIH Co., Ltd. (富智康國際股份有限公司), where he was primarily responsible for analyzing data from mobile and industrial production line.

Dr. Lin obtained a bachelor's degree in information management from National Taipei Business Technology School (國立台北商業技術學院) (now known as National Taipei University of Business (國立台北商業大學)) in June 2004, a master's degree in Information and Education from National Taiwan Normal University (國立台灣師範大學) in June 2007 and a PhD degree in Information Engineering from National Taiwan Normal University (國立台灣師範大學) in June 2011.

Ms. Wu Yujin (吳玉錦), aged 50, is our vice president. Ms. Wu joined our Group in May 2016 and has been serving as a vice president since June 2018. She is primarily responsible for overseeing the research and development and business operations of our Group's Smart Devices and Other Accessories segment.

Ms. Wu has over 27 years of experience in computing science industry. Prior to joining our Group, Ms. Wu served as an engineer of the 631 Research Institute of China Aviation Industry (中國航空工業第六三一研究所) from July 1996 to January 2001, where she was responsible for conducting research and development on computing technology. From February 2001 to February 2004, Ms. Wu served as the manager of platform department of Destiny (Beijing) Technology Limited (德星(北京)科技有限公司) where she was responsible for research and development of computing technologies. From January 2004 to February 2007, Ms. Wu worked in the research and development department of Siemens Investment (China) Limited (西門子(中國)投資有限公司) where she was responsible for research and development of mobile technologies. From March 2007 to November 2015, Ms. Wu served as the senior leader in the management team of Nokia (China) Investment Company Ltd. (諾基亞通訊投資(中國)有限公司) (currently known as Microsoft Mobile Investment (China) Co., Ltd. (微軟移動(中國)投資有限公司)).

Ms. Wu obtained a bachelor's degree in Computer Application from Northwest University (西北大學) in Xi'an, China in July 1996.

JOINT COMPANY SECRETARIES

Mr. Sun Junbo (孫君博), aged 35, is our chief financial officer and joint company secretary. For details of his biography, please refer to the paragraph headed "— Senior management" in this section.

Ms. Lam Chi Ching Cecilia (林芷晴) is a solicitor qualified to practice in Hong Kong. Ms. Lam is an associate of Zhong Lun Law Firm LLP, specializing in corporate finance work including initial public offerings, mergers and acquisitions and post-listing compliance matters. Ms. Lam received her LLB degree from University of Birmingham, United Kingdom in July 2017. Ms. Lam graduated from Chinese University of Hong Kong with a Master of Laws in International Economic Law in November 2019 and Postgraduate Certificate in Laws in August 2020, respectively.

BOARD COMMITTEES

As of the Latest Practicable Date, our Company has three committees under the Board, which are the Audit Committee, the Remuneration Committee and the Nomination Committee. These committees operate in accordance with their respective terms of reference established by the Board.

Audit Committee

Our Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code. The Audit Committee consists of three Directors, being Mr. Chen Yilyu, Prof. Lu Yuanzhu and Mr. Yang Zhe. The chairperson of the Audit Committee is Mr. Chen Yilyu, being our independent non-executive Director with the appropriate professional accounting or related financial management expertise required under Rule 3.10(2) of the Listing Rules. The primary duties of the Audit Committee include, among others:

- reviewing our compliance, accounting policies and financial reporting procedures;
- supervising the implementation of our internal audit system;
- advising on the appointment or replacement of external auditors;
- liaising between our internal audit department and external auditors; and
- other responsibilities as authorized by our Board.

Remuneration Committee

Our Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the Corporate Governance Code. The Remuneration Committee consists of three Directors, being Prof. Lu Yuanzhu, Ms. Li and Mr. Chen Yilyu. The chairperson of the Remuneration Committee is Prof. Lu Yuanzhu. The primary duties of the Remuneration Committee include, among others:

- making recommendations to the Board on our policy and structure concerning remuneration of our Directors and members of the senior management;
- making recommendations to the Board on the specific remuneration package of each Director and members of the senior management;
- reviewing and approving compensations payable to executive Directors and members of senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

- reviewing and approving compensation arrangements relating to dismissal or removal of any Director for his or her misconduct to ensure that such arrangements are consistent with contractual terms and are otherwise reasonable and appropriate; and

- other responsibilities as authorized by our Board.

Nomination Committee

Our Company has established the Nomination Committee with written terms of reference in compliance with paragraph B.3 of the Corporate Governance Code. The Nomination Committee consists of three Directors, being Dr. Li, Mr. Chen Yilyu and Mr. Yang Zhe. The chairperson of the Nomination Committee is Dr. Li. The primary duties of the Nomination Committee include, among others:

- reviewing the structure, size and composition of the Board annually, and advising on any changes of the Board proposed in accordance with the strategies of our Company;

- identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorships;

- making recommendations to the Board on relevant matters relating to the appointment and re-appointment of our Directors;

- assessing the independence of independent non-executive Directors; and

- other responsibilities as authorized by our Board.

REMUNERATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of senior management receive remuneration from our Company in the form of salaries and other emoluments, discretionary bonuses, share-based payments and retirement scheme contributions.

The aggregate amount of remuneration (including salaries and other emoluments, discretionary bonuses, share-based payments and retirement scheme contributions) of our Directors for the years ended December 31, 2021, 2022 and 2023 were RMB2.8 million, RMB3.1 million and RMB13.0 million, respectively.

It is estimated that remuneration equivalent to approximately RMB12.4 million (including salaries and other emoluments, discretionary bonuses, share-based payments and retirement scheme contributions) in aggregate will be paid to the Directors by our Company for the year ending December 31, 2024, based on the arrangements in force as of the date of this document.

The aggregate amount of remuneration (including salaries and other emoluments, discretionary bonuses, share-based payments and retirement scheme contributions) of the five highest paid individuals for the years ended December 31, 2021, 2022 and 2023 were RMB7.5 million, RMB7.1 million and RMB27.1 million, respectively.

No remuneration was paid by our Company to the Directors or the five highest paid individuals as inducement to join or upon joining the Company or as a compensation for loss of office during the Track Record Period. Furthermore, none of the Directors had waived or agreed to waive any remuneration during the Track Record Period.

RESIGNATION OF FORMER DIRECTORS DURING THE TRACK RECORD PERIOD

Set forth below are details of our former Directors who had resigned during the Track Record Period:

Name of former Director	Reason for resignation	Identity of Shareholder(s) represented
Mr. Soh Wei Ming. . . .	On March 1, 2021, Mr. Soh resigned as a Director due to his intention to concentrate on the pursuit and development of his other business activities and the vacancy was filled by Mr. Bernd Averes.	Volkswagen Finance Luxemburg S.A.
Mr. Bernd Averes	On September 28, 2022, Mr. Averes resigned as a Director due to his other business commitments and following the exit of Volkswagen Finance Luxemburg S.A. from the shareholding of the Company.	Volkswagen Finance Luxemburg S.A.
Ms. Katherine Mieko Kozuki	On April 21, 2023, Ms. Kozuki resigned as a Director due to her other time commitments and that she would not have the capacity to take up the responsibilities of a listed company director concurrently.	Google

Name of former Director	Reason for resignation	Identity of Shareholder(s) represented
Ms. Wang Qiong (王琼).	On May 12, 2023, Ms. Wang resigned as a Director as she would like to devote more time and attention to her other work duties, and as such, she was of the view that she would not have the capacity to take up the responsibilities of a listed company director concurrently.	SIG Entities
Mr. Bai Da (白達). . . .	On May 16, 2023, Mr. Bai resigned as a Director due to his personal career development, and as such, he was of the view that he would not have the capacity to take up the responsibilities of a listed company director concurrently.	GoerTek (HongKong)
Mr. Zheng Qingsheng (鄭慶生)	On May 22, 2023, considering his personal career development, Mr. Zheng resigned as a Director as he was of the view that he would not have the capacity to take up the responsibilities of a listed company director concurrently.	HongShan

To the best knowledge of our Company, each of the above resigned Directors had no disputes or disagreements with our Company, the Board or the senior management of our Company and no other matters in relation to his or her resignation that need to be brought to the attention of our Shareholders or the Stock Exchange.

SHARE INCENTIVE SCHEMES

As a means to reward and encourage our employees for their contributions in the development of our Group and to attract and retain talents for future development of our Group, we have adopted the **[REDACTED]** Share Option Scheme on October 19, 2015 and conditionally adopted the **[REDACTED]** RSU Scheme on March 30, 2024. For details, please refer to the paragraph headed "Statutory and General Information — D. Share Incentive Schemes" in the Appendix IV to this document.

CORPORATE GOVERNANCE

Pursuant to code provision C.2.1 in the Corporate Governance, the roles of chairman of the board and chief executive officer should be separate and should not be performed by the same individual.

Dr. Li is serving as the chairman of the Board as well as the chief executive officer of our Company. As Dr. Li has been managing our Group's business and overall strategic planning for several years, our Directors consider that vesting the roles of chairman and chief executive officer in Dr. Li is beneficial to the business prospects and management of our Group by ensuring consistent leadership within our Group. Taking into account all the corporate governance measures that we are going to implement upon the **[REDACTED]**, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Accordingly, our Company had not segregated the roles of its chairman and chief executive officer. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at an appropriate time if necessary, taking into account the circumstances of our Group as a whole.

Saved as disclosed above, as of the Latest Practicable Date and to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, our Directors were not aware of any deviation from provisions in the Corporate Governance Code.

DIRECTORS' INTEREST

Except as disclosed above, each of our Directors and members of the senior management (i) had no other relationship with any of the Directors and senior management as of the Latest Practicable Date; and (ii) did not hold any other directorships in listed companies in the three years prior to the Latest Practicable Date. For the Directors' interests in the Shares within the meaning of Part XV of the SFO, see "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interests — (ii) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of SFO" in Appendix IV to this document.

Except as disclosed above, there are no other matters in respect of each of our Directors and the members of our senior management that are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other material matters relating to our Directors and the members of our senior management that need to be brought to the attention of our Shareholders.

Except as disclosed in the section headed "Relationship with Our Controlling Shareholders" in this document, none of the Directors is interested in any business, apart from our business, which competes or is likely to compete, either directly or indirectly, with our business under Rule 8.10(2) of the Listing Rules.

CONFIRMATION FROM DIRECTORS

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in March 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his appointment.

BOARD DIVERSITY

We have adopted a board diversity policy which sets out the approach to achieve diversity on our Board and to ensure an appropriate balance of competencies, experience and perspectives to enhance the effective functioning of our Board and to maintain a high standard of corporate governance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience and qualifications, skills, knowledge and length of service, and any other factors as our Board may consider relevant and applicable from time to time. The ultimate decision shall be based on merit and contribution that the selected candidates will bring to the Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, AI technologies knowledge, investment and financing, accounting and financial management. They obtained degrees in various majors, including in, electrical engineering, economics, computer science and international business management. We have three independent non-executive Directors with different industry backgrounds, representing more than half of the Board. In addition, our Board has a wide range of age, ranging from 40 years old to 48 years old.

We will continue to take steps to promote gender diversity at all levels of our Company. Our Board has one female member and will take opportunities to increase the proportion of female members of the Board when selecting and recommending suitable candidates for Board appointments to help ensure gender diversity in accordance with stakeholder expectations and

recommended best practices with the ultimate goal of bringing our Board to gender parity. Our Company also intends to promote gender diversity when recruiting staff at the mid to senior level so that our Company will have a pipeline of female senior management. Taking into account our existing business mode and specific needs as well as the different background of our Directors, we are of the view that the composition of our Board satisfies our board diversity policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board. After the **[REDACTED]**, our Nomination Committee will review the board diversity policy from time to time to ensure its continuous effectiveness and will report annually, in the corporate governance report, on the Board structure size, composition under diversified perspectives and monitor the implementation and effectiveness of our board diversity policy.

COMPLIANCE ADVISOR

We have appointed Altus Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where our Company proposes to use the **[REDACTED]** of the **[REDACTED]** in a manner that is different from that detailed in this document or where our business activities developments or results deviate from any forecasts, estimates or other information in this document; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares, the possible development of a false market in the Shares or any other matters.

The initial term of the appointment of our compliance advisor will commence on the **[REDACTED]** and is expected to end on the date when the Company distributes the first annual report of its financial results for the full financial year commencing after the **[REDACTED]**.

SHARE CAPITAL

As of the Latest Practicable Date, the authorized and issued share capital of our Company was as follows:

Authorized Share Capital:		***US$***
2,968,160,889	ordinary Shares of US$0.0000479889 each	142,438.78
194,010,340	Series A Preferred Shares of US$0.0000479889 each	9,310.34
208,383,500	Series A-1 Preferred Shares of US$0.0000479889 each	10,000.09
50,426,440	Series A-2 Preferred Shares of US$0.0000479889 each	2,419.91
141,053,024	Series B Preferred Shares of US$0.0000479889 each	6,768.98
182,740,760	Series C Preferred Shares of US$0.0000479889 each	8,769.53
288,779,294	Series D-1 Preferred Shares of US$0.0000479889 each	13,858.20
134,076,184	Series D-2 Preferred Shares of US$0.0000479889 each	6,434.17
4,167,630,431		200,000.00

Issued Share Capital:		***US$***
626,458,334	ordinary Shares of US$0.0000479889 each	30,063.05
194,010,340	Series A Preferred Shares of US$0.0000479889 each	9,310.34
208,383,500	Series A-1 Preferred Shares of US$0.0000479889 each	10,000.09
50,426,440	Series A-2 Preferred Shares of US$0.0000479889 each	2,419.91
141,053,024	Series B Preferred Shares of US$0.0000479889 each	6,768.98
182,740,760	Series C Preferred Shares of US$0.0000479889 each	8,769.53
3,853,084	Series D-2 Preferred Shares of US$0.0000479889 each	184.91
1,406,925,482		67,516.81

Immediately following the completion of the **[REDACTED]** and assuming (i) the **[REDACTED]** is not exercised; and (ii) each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme, the authorized share capital of our Company will be 4,167,630,431 Shares of US$0.0000479889 each, and the issued share capital of our Company will be as follows:

Issued share capital		US$	Approximate percentage of issued share capital
			(%)
1,406,925,482	Shares in issue immediately before the **[REDACTED]**	67,516.81	**[REDACTED]**
[REDACTED]	Shares to be issued under the **[REDACTED]** (excluding any Shares which may be issued under the **[REDACTED]**)	**[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares in total	**[REDACTED]**	100.00

Immediately following the completion of the **[REDACTED]** and assuming (i) the **[REDACTED]** is exercised in full; and (ii) each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme, the authorized share capital of our Company will be 4,167,630,431 Shares of US$0.0000479889 each, and the issued share capital of our Company will be as follows:

Issued share capital		US$	Approximate percentage of issued share capital
			(%)
1,406,925,482	Shares in issue immediately before the **[REDACTED]**	67,516.81	**[REDACTED]**
[REDACTED]	Shares to be issued under the **[REDACTED]** and the **[REDACTED]**[*(Note 1)*]	**[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares in total	**[REDACTED]**	100.00

Note:

(1) Assuming a total of **[REDACTED]** Shares will be issued upon the exercise of the **[REDACTED]** in full.

RANKING

The **[REDACTED]** will rank pari passu in all respects with all Shares currently in issue or to be issued as mentioned in this document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on our Shares on a record date which falls after the date of this document.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which general meeting and class meeting are required

Pursuant to the Cayman Companies Act and the terms of our Memorandum and Articles of Association, our Company may by ordinary resolution of Shareholders: (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may, subject to the provision of the Cayman Companies Act, reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, please refer to the paragraph headed "Summary of the constitution of the Company and Cayman Companies Act — Summary of the constitution of the Company — Articles of Association — 2.5 Alteration of capital" in Appendix III to this document.

Subject to the Cayman Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares for the time being issued may (unless otherwise provided for by the terms of issue of the shares of that class) be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. For details, please refer to the paragraph headed "Summary of the constitution of the Company — Articles of Association — 2.4 Variation of rights of existing shares or classes of shares" in Appendix III to this document.

[REDACTED] Share Option Scheme

We adopted the **[REDACTED]** Share Option Scheme. For further details, please see the section headed "Appendix IV — Statutory and General Information — D. Share Incentive Schemes — 1. **[REDACTED]** Share Option Scheme" in this document.

[REDACTED] RSU Scheme

We conditionally adopted the **[REDACTED]** RSU Scheme. For further details, please see the section headed "Statutory and General Information — D. Share Incentive Schemes — 2. **[REDACTED]** RSU Scheme" in this document.

General mandate to issue Shares

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of our Shares in issue immediately following completion of the **[REDACTED]**; and

- the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed "— General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

Please refer to the paragraph headed "Statutory and General Information — A. Further information about our Group — 5. Resolutions of the Shareholders passed on March 30, 2024" in Appendix IV to this document for further details of this general mandate to allot, issue and deal with Shares.

General Mandate to repurchase Shares

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the **[REDACTED]**.

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are **[REDACTED]** (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Statutory and General Information — A. Further Information about our Group — 5. Resolutions of the Shareholders passed on March 30, 2024" in Appendix IV to this document.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

For details of the repurchase mandate, please refer to the paragraph headed "Statutory and General Information — A. Further Information about our Group — 5. Resolutions of the Shareholders passed on March 30, 2024" in Appendix IV to this document.

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2021, 2022 and 2023 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We provide AI software and AI software embedded hardware solutions with generative AI and voice interaction technologies at the core of our business, including AIGC solutions, AI enterprise solutions, smart devices and accessories. According to the CIC Report, we ranked third in the field of AI voice technologies in China in terms of revenue recognized in 2022. Furthermore, in the rapid growing area of AIGC, we are one of the market players in Asia capable of self-building our large language model, "Sequence Monkey", which is equipped with multi-modal generative capability and has an ability to understand and generate humanized text, audios, images and videos. We generated the largest amount of revenue from AIGC solutions among other market players in China in 2022.

Since our establishment, we have accumulated AI solutions and expertise in the field of NLP and ASR, which enable us to develop and expand our innovative solutions over the years. With the integration of our AI technologies and modules into consumer devices, we have launched our Smart Devices and Other Accessories, such as our AI smart watch — TicWatch series and AI smart treadmill — Mobvoi Home Treadmill Incline, offering consumers with voice-based human-machine interaction. Our TicWatch series has proven the successful application and achievement in commercialization of our AI technologies. Furthermore, we have also extended the application of our AI technologies and introduced AI enterprise solutions to enterprises. Over the

years, we have been developing and expanding the application scenarios of our AI enterprise solutions to cover intelligent pre-installed automotive voice interaction solutions as well as other solutions for enterprises in different industry verticals. Leveraging our prominent underlying AI voice technological structure, algorithm and solution integration capabilities and globalized genes accumulated in our Smart Devices and Other Accessories and AI enterprise solutions business, we are one of the first market players in commercializing AIGC technologies in the industry according to CIC. Since 2020, we have been carrying out rapid iteration and optimization of our AIGC solution matrix and continued to embark on the next generation of human-machine interaction. Our AIGC solutions have proven track record in the market and are widely accepted by customers, especially content creators. Our rapid development, iteration and upgrade of large language model has enabled us to lead in the commercialization of our AIGC technologies and to build our AIGC solutions, such as "Moyin Workshop," "DupDub," "Mozhuan Writing", "Weta365" and "Qi Miao Wen", to assist content creators in the entire content creation process.

As of the Latest Practicable Date, our AIGC solutions has successfully attracted approximately 840,000 cumulative paying users and achieved more than one million payments since its launch. Meanwhile, we had pre-installed voice assistants in over two million vehicles, served over 100 enterprises and cumulative sales of over one million pieces of our smart devices since 2020 and up to the Latest Practicable Date. Our revenue grew rapidly from RMB397.9 million for the year ended December 31, 2021 to RMB500.2 million for the year ended December 31, 2022, and further to RMB507.1 million for the year ended December 31, 2023. We recorded an adjusted net loss (non-IFRS measure) of RMB73.4 million for the year ended December 31, 2021 while we recorded adjusted net profits (non-IFRS measure) of RMB108.9 million and RMB17.5 million for the year ended December 31, 2022 and 2023, respectively. For details, please refer to the paragraph headed "— Non-IFRS measure" in this section.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"), which collective term includes all applicable individual international Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board.

The preparation of our consolidated financial information in conformity with IFRS requires the use of certain critical judgments, estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial information are disclosed in note 3 to the Accountants' Report in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations have been and are expected to be continuously affected by a number of key factors, including the followings:

- the overall economic growth in China and around the globe;
- the development of AI technologies;
- the market growth and competitive landscape of the AI industry; and
- the governmental regulations, policies, initiatives and incentives affecting the AI industry in China.

In addition to the general factors mentioned above, we believe that our results of operations are more directly affected by the following specific factors:

Our ability to attract content creators and enterprises for our AI Software Solutions

Our ability to maintain long-term revenue growth and improve profitability largely depends on our ability to attract content creators and enterprises. With our AI CoPilot strategy, we have been persistently improving and enriching our solution matrix to meet the diverse and evolving needs of content creators and enterprises.

During the Track Record Period, paying users for our AIGC solutions continually increased. As of the Latest Practicable Date, we had attracted approximately 840,000 cumulative paying users since the launch of our AIGC solutions. As of the same date, we had attracted over nine million of cumulative registered users since 2020. We believe that our ability in providing content creators with AIGC solutions enabled us to attract content creators over the globe.

Leveraging our strong software-hardware integration capability and voice interaction technologies, we are able to customize AI enterprise solutions for enterprises. Since 2020, we have served over one hundred enterprises from various industries, including automotive, finance, TMT and others such as healthcare and retail industries. We believe that our ability in developing and expanding the application scenarios of our AI enterprise solutions is crucial for attracting new enterprises around the globe in achieving revenue growth.

We believe that our ability to attract new content creators and enterprises will highly depend on our ability to continue to improve, enhance and expand the functionality, performance, features and/or application scenarios of our AIGC solutions and AI enterprise solutions. We expect that our

strategic focus on innovations will further reinforce our competitive edge and enable us to capture additional market shares, which in turn enabling us to further increase our revenue and strengthen our financial performance.

Our ability to infuse and roll out Smart Devices and Other Accessories with the latest technologies

Leveraging our strong software-hardware integration capabilities to integrate our AI technologies and AI modules into smart hardware devices, we have successfully commercialized through our Smart Devices and Other Accessories. We have launched various Smart Devices and Other Accessories, including AI smart watch — TicWatch series and AI smart treadmill — Mobvoi Home Treadmill Incline, offering consumers with voice-based human-machine interaction and have gradually applied advanced AI technology in the three major human-machine interaction scenarios, namely, "wearable, automotive and smart homes." Benefiting from our long-term strategic cooperation on multiple projects with international leading technology companies, such as Semiconductor Corporation A, our technical level and solution capabilities have been effectively improved. We are also capable of carrying out constant optimization and efficient iteration based on the human-machine interaction, empowering us to meet our customers' needs. For details, please refer to the paragraph headed "Business — Our strategic collaboration" in this document.

During the Track Record Period, we have launched various AI-empowered flagship smart devices including our new TicWatch flagship product in late May 2023. For details, please refer to the paragraph headed "Business — Business Sustainability — Our path to sustainable profit — Expanding our business scale by continuous development in all segments — Smart Devices and Other Accessories" in this document.

Our ability to continuously develop our model and technologies and innovate our offerings

In the past years, we have invested significant resources in our research and development activities, in particular, model training, to constantly develop and upgrade our technologies and solutions.

We are a market player in China that focuses on large language model with multi-modal generative capability. Since 2020, we have been exploring large language model trainings in "UCLAI" and "Sequence Monkey" and we will continue to extend our offerings and accelerate the iteration of our large language model in order to cater for the needs of content creators.

Leveraging our voice interaction capability and our large language model with multi-modal generative capability, "Sequence Monkey", we provide AI CoPilot through various software and hardware solutions to content creators, enterprises and consumers around the globe. We believe

that our continuous investments in technological advancements have enabled us to develop innovative AIGC platforms and further strengthen our competitive advantage and our market position in the industry. For the years ended December 31, 2021, 2022 and 2023, we incurred research and development expenses amounted to RMB91.5 million, RMB118.7 million and RMB154.7 million, respectively, representing 23.0%, 23.7% and 30.5% of our total revenue during the same years, respectively.

Our ability to manage our relationships with customers, distributors, suppliers and strategic collaboration partners to identify new business opportunities

Our customers primarily consist of end users, online and offline distributors and enterprises, whereas our suppliers primarily consist of suppliers of hardware components and raw materials, contract manufacturers, cloud services and servers providers, data sources suppliers and warehouse and logistic services providers. During the Track Record Period, we depended on effective sales networks to deliver smart devices to consumers by engaging online and offline distributors across the globe. For details, please refer to the paragraphs headed "Business — Our customers," "Business — Our suppliers" and "Business — Sales and distribution network — Distribution model" in this document. Our competitiveness and growth depends significantly on our ability to manage our relationships with core customers and suppliers. With the aid of our strong software-hardware integrated capability, voice interaction technologies and engineering capability, we have expanded our application scenarios to enterprise verticals. Leveraging our experiences accumulated from serving enterprises across multiple industry verticals over the years, we have achieved diverse coverage in the enterprise market. As of the Latest Practicable Date, we had served over 100 enterprises from various industries, including automotive, finance, TMT and others such as healthcare and retail industries.

Capitalizing on our industry expertise, we will continue to cultivate and expand our presence in the existing and new industry verticals and we intend to serve and collaborate with more core customers and suppliers while continuously focusing on managing our relationships with existing ones.

Our ability to enhance operational efficiency

We believe that an effective cost management is critical for improving our profitability. Leveraging our experiences accumulated over the years together with our capabilities in expanding the application scenario of our solutions, we can expand our customer base more efficiently benefiting from the economies of scale and the spread of overhead costs as our business expands. In addition, we have effective sales networks covering online and offline channels across the globe. Our selling and marketing expenses for the years ended December 31, 2021, 2022 and 2023 amounted to RMB105.9 million, RMB97.1 million and RMB150.7 million, respectively,

representing 26.6%, 19.4% and 29.7% of our revenue for the same years, respectively. We will continue to seek out marketing channels which have higher conversion rates and offer higher returns and lower costs in order to replace those underperforming channels which cannot attain the average level of effectiveness.

MATERIAL ACCOUNTING POLICY INFORMATION AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements with IFRS. These significant accounting policies are set forth in note 2 to the Accountants' Report in Appendix I to this document, which are important for an understanding of our financial conditions and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in note 3 to the Accountants' Report in Appendix I to this document. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There had not been any material deviation from our management's estimates or assumptions and actual results, and we had not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements.

Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by our Group. Our Group controls an entity when it is exposed, or has rights, to variable returns from our involvement with the entity and has the ability to affect those returns through our power over the entity. When assessing whether our Group has power, only substantive rights (held by our Group and other parties) are considered.

Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of our Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as of the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (please refer to note 2(j) to the Accountants' Report set out in Appendix I to this document).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Inventories and other contract costs

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

A right to recover returned goods is recognized for the right to recover products from customers sold with a right of return. It is measured in accordance with the policy set out in note 2(u)(i)(b) to the Accountants' Report set out in Appendix I to this document.

Our Group takes advantage of practical expedient in paragraph 94 of IFRS 15 and recognize the incremental costs of obtaining a contract as an expense if the amortization of the asset is less than one year.

Share capital

Ordinary shares are classified as equity, except for those with redemption features, which are classified as contingently redeemable ordinary shares. For details on accounting policy on contingently redeemable preferred shares and ordinary shares, please refer to note 2(aa) to the Accountants' Report set out in Appendix I to this document.

Share-based payments

The fair value of share options granted to employees is recognized as an employee cost with corresponding increase in share-based payment reserve. The fair value is measured at grant date using the Binomial option pricing model ("**Binomial Model**"), taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based payment reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of

the Company's shares. The equity amount is recognized in the share-based payment reserve until either the option is exercised (when it is included in the amount recognized in share capital and share premium for the shares issued) or the option expires (when it is released directly to retained profits).

Revenue Recognition

Revenue from contracts with customers

Sales of our Group's electronics products are recognized as follows:

Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

(a) AI software solutions

AI software solutions include AIGC solutions and AI enterprise solutions.

AIGC solutions

Our Group uses AI technologies to assist users to generate content, such as voice over clips, news articles, social media posts and marketing materials. The revenue of AIGC solutions is recognized at a point in time when the customers accept the deliverables, or is recognized over time as our Group provides continuing services to the users during the member subscription period. The proceeds from member subscription fees are initially recorded as contract liabilities and are recognized as revenue ratably over the member subscription period.

AI enterprise solutions

Our Group provides AI enterprise solutions to customers, including the design of AI solution, delivery of software products, software licensing and integration of products and software. The revenue of AI enterprise solutions is recognized at a point of time when the customers accept the deliverables. A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue.

(b) Sale of Smart Devices and Other Accessories

Revenue is recognized when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers. Our Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less. Our Group offers warranties for its products for 12 to 24 months from the date of sale. A related provision is recognized in accordance with the policy set out in note 2(t)(i) to the Accountants' Report set out in Appendix I to this document.

Our Group typically offers customers of Smart Devices and Other Accessories that are not made-to-order rights of return for a period of 7 or 30 days upon customer acceptance. It also offers retrospective volume rebates to certain major customers of electronic products when their purchases reach an agreed threshold. Such rights of return and volume rebates give rise to variable consideration. Our Group uses an expected value approach to estimate variable consideration based on our Group's current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of smart devices, our Group recognizes revenue after taking into account adjustment to transaction price arising from returns and rebates as mentioned above. A right to recover returned goods (included in finished goods of inventories, for details, please refer to note 17 to the Accountants' Report set out in Appendix I to this document) and corresponding adjustment to cost of sales are also recognized for the right to recover products from customers. This right to recover returned goods is measured at the former carrying amount of the inventory less any expected costs to recover goods (including potential decreases in the value of the returned goods).

If the products are a partial fulfillment of a contract covering other goods and/or services, then the amount of revenue recognized is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis except when a variable consideration is allocated to a specific performance obligation in the contract. Generally, our Group establishes standalone selling prices with reference to the observable prices of products or services sold separately in comparable circumstances to similar customers.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognized as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortized cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (which is, gross carrying amount net of loss allowance) of the asset (for details, please refer to note 2(j)(i) to the Accountants' Report set out in Appendix I to this document).

(b) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them. Grants that compensate our Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate our Group for the cost of an asset are recognized as deferred income and subsequently recognized in profit or loss on a systematic basis over the useful life of the asset.

Intangible Assets

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and our Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable (please refer to note 2(w) to the Accountants' Report in Appendix I to this document). Capitalized development costs are stated at cost less accumulated amortization and impairment losses (please refer to note 2(j) to the Accountants' Report in Appendix I to this document). Other development expenditure is recognized as an expense in the period in which it is incurred.

Other intangible assets that are acquired by our Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (please refer to note 2(j) to the Accountants' Report in Appendix I to this document). Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

Software	1–5 years

Both the period and method of amortization are reviewed annually.

Intangible assets are not amortized while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite lives as set out above.

Leased Assets

At inception of a contract, our Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), our Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, our Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When our Group enters into a lease in respect of a low-value asset, our Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate.

After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (please refer to notes 2(g) and 2(j)(ii) to the Accountants' Report in Appendix I to this document).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortized cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in our Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether our Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 "Leases". In such cases, our Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

Impairment of assets

Our Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses ("**ECLs**"), which is calculated using a provision matrix. As our Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between our Group's different customer bases.

Our Group recognizes a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortized cost (including cash and cash equivalents, trade receivables and other receivables which are held for the collection of contractual cash flows which represent solely payments of principal and interest);

The provision of ECLs is sensitive to changes in estimates. The information about the ECLs is disclosed in note 33(a) of the Accountant's Report in Appendix I to this document.

According to CIC, our industry consultant, the ECL rates as of the end of each period comprising the Track Record Period were in line with the industry overall trend.

Other financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (which is, the difference between the cash flows due to our Group in accordance with the contract and the cash flows that our Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to our Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that our Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Trade receivables

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost, using the effective interest method and including an allowance for credit losses (please refer to note 2(j)(i) to the Accountants' Report in Appendix I to this document). Please also refer to notes 18 and 34(a) to the Accountants' Report in Appendix I to this document for further information about our Group's accounting for trade receivables and description of our Group's impairment policies.

Discontinued operations

A discontinued operation is a component of our Group's business, the operations and cash flows of which can be clearly distinguished from the rest of our Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned. Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss and other comprehensive income, which comprises:

- the post-tax profit or loss of the discontinued operation; and

- the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Contingently redeemable preferred shares and ordinary shares

Our Company issued several series of redeemable preferred shares to investors. The instrument holders have the right to require our Company to redeem some or all of the preferred shares held by the holders upon certain redemption events, which are not all within the control of our Company. Our Company also became obliged to buy back our ordinary shares upon the occurrence of certain specified contingent events which are not within our control in 2020. Our Company recognized the financial liabilities for our obligations to buy back our ordinary shares and preferred shares upon the occurrence of contingent events.

The financial liabilities arising from the redemption obligations are measured at the present values of the redemption amounts. Any changes in the carrying amounts of the contingently redeemable preferred shares and ordinary shares for redemption obligations, except for those changes arising from transactions between our Company and our shareholders in their capacity as owners, were recognized in profit or loss as "changes in the carrying amount of contingently redeemable preferred shares and ordinary shares".

The contingently redeemable preferred shares and ordinary shares were classified as current liabilities as some of the redemption events could occur anytime. Upon the closing of a qualified **[REDACTED]** of our Company, the redemption obligation related to the financial liabilities will expire and the redeemable preferred shares will be automatically converted into ordinary shares of our Company. The financial liabilities will be reclassified from liabilities to equity with no gain or loss.

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has curtailed the movement of people, goods and services, causing an impact on general economic conditions, including but not limited to the temporary closures of many businesses and reduced consumer spending.

During the COVID-19 pandemic, our business operations had been affected to a certain extent. Our shipment was affected as a result of (i) the decrease in consumers' spending as a whole; and (ii) interrupted delivery schedules for some of our Smart Devices and Other Accessories. Normally, it takes on average two and eight days, respectively, from the receipt of customer orders to the delivery of our Smart Devices and Other Accessories domestically and internationally. With the spread of COVID-19 during the Track Record Period, on average 10 and 49 days, respectively, were needed before we were able to deliver our products domestically and internationally. At the same time, due to transportation disruptions and pandemic prevention policies, the solution developing and launching schedules with our business partners were delayed. For example, the revenue attributable to our Smart Devices and Other Accessories dropped from RMB338.4 million for the year ended December 31, 2021 to RMB197.3 million for the year ended December 31, 2022 due to a delay in launching our new flagship products. Regarding our business of AI enterprise solutions business, the implementation of part of our scheduled activities and the provision of technical support were suspended. Both our delivery schedule for smart devices and other accessories and deployment of AI enterprise solutions returned to normal in January 2023 following the global economic recovery. Apart from the above-mentioned impacts, our scheduled business plans, on-site meetings and commercial cooperations were also temporarily affected.

As of the Latest Practicable Date, however, COVID-19 did not impose any material adverse impact on our research and development, daily operation, supply chain and regulatory affairs. We have promptly taken various measures to mitigate the impact of the COVID-19 pandemic on our business operations, such as (i) organizing our employees to work remotely and closely monitoring their health and wellness status; (ii) providing necessities to our employees to accommodate their living needs; (iii) designating separate venues for quarantine purposes; and (iv) conducting routine sanitization and requiring regular negative COVID-19 PCR test result to prevent the resurgence. Given that the PRC government has substantially lifted its COVID-19 prevention and control policies since December 2022, our Directors are of the view that it is unlikely that the COVID-19 pandemic will have a material adverse impact on our business going forward. For details of the risks relating to pandemics and epidemics, please refer to the paragraph headed "Risk Factors — Risks relating to our business and industry — Pandemics and epidemics, natural disasters, terrorist activities, political unrest, and other force majeure events may disrupt our business operations, which could materially and adversely affect our business, results of operations, financial conditions and business prospects" in this document.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets out a summary of our results of operations for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Continuing operations			
Revenue	397,914	500,194	507,060
Cost of sales	(248,718)	(164,043)	(180,981)
Gross Profit	149,196	336,151	326,079
Research and development expenses	(91,505)	(118,663)	(154,746)
Selling and marketing expenses	(105,938)	(97,120)	(150,711)
Administrative expenses	(48,701)	(55,169)	(88,987)
Other incomes and losses, net	35,650	7,584	24,708
Impairment losses recognized on trade receivables	(461)	(1,195)	(3,885)
(Loss)/profit from operations	(61,759)	71,588	(47,542)
Finance costs	(1,008)	(1,003)	(253)
Share of losses of a joint venture	(18,567)	(9,362)	—
Gain on disposal of interest in a joint venture/a subsidiary	—	28,999	773
Changes in fair value of financial assets	—	1,179	—
Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares	(98,893)	(775,084)	(753,785)
Loss before taxation from continuing operations	(180,227)	(683,683)	(800,807)
Income tax	(1,753)	(1,296)	(1,795)
Loss for the year from continuing operations	(181,980)	(684,979)	(802,602)
Discontinued operations			
(Loss)/profit for the year from discontinued operations	(94,316)	15,174	—
Loss for the year	(276,296)	(669,805)	(802,602)
Other comprehensive income for the year (after tax):			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements	35,877	(195,647)	(38,803)
Item that may be reclassified subsequently to profit or loss:			
Changes in the fair value of financial assets measured at fair value through other comprehensive income	—	—	1,783
Exchange differences on translation of financial statements of overseas subsidiaries	35,272	(120,100)	(27,821)
Other comprehensive income for the year	71,149	(315,747)	(64,841)
Total comprehensive income for the year attributable to equity shareholders of the Company	(205,147)	(985,552)	(867,443)

Non-IFRS measure

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net (loss)/profit (non-IFRS measure) as additional financial measure, which are not required by, or presented in accordance with, IFRS. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company and provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net (loss)/profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial conditions as reported under IFRS.

We define "adjusted net (loss)/profit" (non-IFRS measure) as loss for the year from continuing operations excluding changes in the carrying amount of contingently redeemable preferred shares and ordinary shares, share-based compensation and **[REDACTED]** expenses. We have made adjustments to the following items consistently during the Track Record Period:

- Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares, which are affected primarily by the changes in the redemption price of the preferred shares and ordinary shares. We do not expect to record such changes as our contingently redeemable preferred shares and ordinary shares will be automatically converted into equity upon completion of the **[REDACTED]**;

- Share-based compensation, which represents the non-cash employee benefit expenses incurred. It relates to the share rewards we offered to our employees under the **[REDACTED]** Share Option Scheme, which is a non-cash expense; and

- **[REDACTED]** expenses relating to the **[REDACTED]**.

The following table sets out a reconciliation of our non-IFRS financial measure for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Loss for the year from continuing operations	**(181,980)**	**(684,979)**	**(802,602)**
Adjusted for:			
Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares	98,893	775,084	753,785
Share-based compensation	9,648	17,322	41,698
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Adjusted net (loss)/profit (non-IFRS measure)	(73,439)	108,891	17,535

Primarily attributable to our historical investment in research and development of our technologies and our talents as well as our selling and marketing expenses incurred, we recorded an adjusted net loss (non-IFRS measure) in 2021. Due to the increase in our revenue and the overall gross profit margin, we recorded adjusted net profits (non-IFRS measure) in 2022 and 2023.

Revenue

The following table sets out a breakdown of our revenue by segments for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
AI Software Solutions	59,519	15.0	302,888	60.6	343,247	67.7
— AIGC solutions	6,822	1.7	39,857	8.0	117,605	23.2
— AI enterprise solutions	52,697	13.3	263,031	52.6	225,642	44.5
Smart Devices and Other Accessories	338,395	85.0	197,306	39.4	163,813	32.3
Total	**397,914**	**100.0**	**500,194**	**100.0**	**507,060**	**100.0**

Our revenue grew rapidly from RMB397.9 million in 2021 to RMB500.2 million in 2022. Such increase was generally in line with the growth in AI Software Solutions contributed by (i) the increase in revenue from AIGC solutions due to the increase in the number of paying users for our AIGC solutions; and (ii) the increase in revenue from AI enterprise solutions primarily due to the IP rights arrangements with Automotive Sub A for sharing certain copyrights, patents and know-how matters in relation to backend technology for automotive speech dialogue system, which was partially offset by the decrease in revenue from Smart Devices and Other Accessories affected by the delay in launching of new flagship products. The delay in the launch of new flagship products was primarily caused by the pandemic prevention policies under which transport of the testing machines used for the co-development projects among us, Semiconductor Corporation A and Technology Corporation A in relation to the new flagship products was hindered. In addition, the travel restrictions had restricted our physical interactions with Semiconductor Corporation A's experts and Technology Corporation A's technical staff. The growth in our revenue from RMB500.2 million in 2022 to RMB507.1 million in 2023 was relatively modest, primarily due to the increase in revenue from our AIGC solutions due to an increase in the number of paying users of our AIGC solutions, partially offset by (i) the decrease in revenue from AI enterprise solutions primarily due to a decrease in revenue from the IP rights arrangements with Automotive Sub A; and (ii) the decrease in revenue from our Smart Devices and Other Accessories considering most of the products sold during the first half of 2023 were old models, which entered into the later stage of product life cycle.

AI Software Solutions — AIGC solutions

As one of the market players in development and commercialization of AIGC in Asia, we have accumulated profound cutting-edge large language model technologies which enabled us to stay ahead of the industry. As of the Latest Practicable Date, we had built our AIGC CoPilot solution matrix and created content creation platforms which include, "Moyin Workshop" — our AI voiceover assistant, "Mozhuan Writing" — our AI writing assistant and "Weta365" — our AI avatar. For details, please refer to the paragraph headed "Business — Our solutions — AI Software Solutions — AIGC solutions" in this document.

In 2021, 2022 and 2023, revenue from our AIGC solutions amounted to RMB6.8 million, RMB39.9 million and RMB117.6 million, respectively, representing 1.7%, 8.0% and 23.2% of our revenue in the same years, representing an increase of 4.9 times from 2021 to 2022 and 2.0 times from 2022 to 2023, primarily attributable to the increase in the number of paying users and enterprise customers.

AI Software Solutions — AI enterprise solutions

We offer innovative AI-based solutions primarily to enterprises, aiming at solving their pain points and maximizing value for them. As of the Latest Practicable Date, we had established an extensive solution matrix specifically for a particular or across multiple industry verticals, such as automotive, finance, TMT and others such as healthcare and retail industries. For details, please refer to the paragraph headed "Business — Our solutions — AI Software Solutions — AI enterprise solutions" in this document.

In 2021, 2022 and 2023, revenue from our AI enterprise solutions amounted to RMB52.7 million, RMB263.0 million and RMB225.6 million, respectively, representing 13.2%, 52.6% and 44.5% of our revenue in the same years, primarily attributable to the increase in revenue from IP rights arrangements, increase in the number of enterprises we served and engagements in new projects with existing enterprises, including the IP rights arrangements with Automotive Sub A. Despite a decrease in revenue from IP rights arrangements with Automotive Sub A between 2022 and 2023, we observed an increase in the number of enterprise customers.

Smart Devices and Other Accessories

Ever since our inception in 2012, we have been committed to enhancing human-machine interaction. To this end, we have sedulously strived to infuse our proprietary AI-based, end-to-end language technologies into our self-developed solutions. Leveraging our strong software-hardware integration capabilities, we have successfully carried out deployment in our Smart Devices and Other Accessories. As of the Latest Practicable Date, we had marketed and sold a various Smart Devices and Other Accessories, primarily comprising consumer smart devices.

In 2021, 2022 and 2023, revenue from our Smart Devices and Other Accessories amounted to RMB338.4 million, RMB197.3 million and RMB163.8 million respectively, representing 85.0%, 39.4% and 32.3% of our total revenue in the same years. Our revenue from Smart Devices and Other Accessories was largely affected by the progress of development and launching of products.

Cost of sales

Our cost of sales primarily consists of cost of inventories, fulfillment related expenses and staff costs. The following table sets forth our cost of sales by nature for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Cost of inventories	184,821	74.3	121,567	74.1	121,258	67.0
Fulfillment related expenses	36,787	14.8	21,608	13.2	15,563	8.6
Staff costs	10,499	4.2	4,297	2.6	11,643	6.4
Impairment losses and obsolete inventories	11,219	4.5	9,630	5.8	21,974	12.1
Technical service fees	4,993	2.0	6,854	4.2	10,476	5.8
Others *(note)*	399	0.2	87	0.1	67	0.0
Total	**248,718**	**100.0**	**164,043**	**100.0**	**180,981**	**100.0**

Note: Others mainly include outsourcing development fee and office expenses.

In 2021, 2022 and 2023, our cost of sales amounted to RMB248.7 million, RMB164.0 million and RMB181.0 million, respectively, primarily due to the fluctuation in cost of inventories and fulfillment related expenses which is generally in line with the fluctuation in our revenue from Smart Devices and Other Accessories and AI enterprise solutions. Our impairment losses and obsolete inventories remained relatively stable for the years ended December 31, 2022. It increased by 128.2% from RMB9.6 million for the year ended December 31, 2022 to RMB22.0 million for the year ended December 31, 2023, primarily due to (i) the longer time interval between the launch of new flagship products which resulted in a decline in the value of older models at the later stages of their life cycle; and (ii) the introduction of new products in May 2023 which further reduced the competitiveness of older models. Our staff costs increased by 1.7 times from RMB4.3 million in 2022 to RMB11.6 million in 2023, primarily attributable to the staff costs in connection with our AI enterprise solutions.

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin, by segments for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	Gross Profit RMB'000	*Gross Profit Margin %*	*Gross Profit RMB'000*	*Gross Profit Margin %*	*Gross Profit RMB'000*	*Gross Profit Margin %*
AI Software Solutions	37,351	62.8	284,148	93.8	290,901	84.7
— AIGC solutions	4,695	68.8	35,094	88.0	108,384	92.2
— AI enterprise solutions	32,656	62.0	249,054	94.7	182,517	80.9
Smart Devices and Other Accessories	111,845	33.1	52,003	26.4	35,178	21.5
Total	**149,196**	**37.5**	**336,151**	**67.2**	**326,079**	**64.3**

In 2021, 2022 and 2023, our gross profit amounted to RMB149.2 million, RMB336.2 million and RMB326.1 million, corresponding to gross profit margin of 37.5%, 67.2% and 64.3%, respectively. For details, please refer to the paragraph headed "— Year-to-year comparison of results of operations" in this section.

Research and development expenses

Our research and development expenses primarily consist of (i) staff expenses associated with our research and development staff; (ii) technical services fee in relation to data and cloud services; and (iii) depreciation and amortization expenses. For the years ended December 31, 2021, 2022 and 2023, our research and development expenses amounted to RMB91.5 million, RMB118.7 million and RMB154.7 million, respectively, in (i) developing and upgrading our content creator platforms and adopting different languages in our AIGC solutions; (ii) iterating and optimizing our AI enterprise solutions, including upgrade of automotive AI assistant and upgrade of bank intelligent customer services with dialogue; and (iii) equipping our Smart Devices and Other Accessories with AI CoPilot technologies and developing our human-machine interaction model.

The following table sets out a breakdown of the major components of our research and development expenses for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff expenses	76,337	83.4	100,217	84.5	121,979	78.8
Technical services fee	7,642	8.3	7,859	6.6	25,773	16.7
Depreciation and amortization expenses	2,794	3.1	2,840	2.4	3,593	2.3
Others[(Note)]	4,732	5.2	7,747	6.5	3,401	2.2
Total	**91,505**	**100.0**	**118,663**	**100.0**	**154,746**	**100.0**

Note: Others mainly include outsourcing research and development expenses and other overhead costs.

Selling and marketing expenses

Our selling and marketing expenses primarily consist of (i) promotion and advertising expenses primarily incurred for the promotion and advertisement of our Smart Devices and Other Accessories and AIGC solutions; (ii) channel fees resulting from a type of promotional activities in which certain institutions promoted our solutions and smart devices in their own business activities; and (iii) staff expenses associated with our sales and marketing staff. For the years ended December 31, 2021, 2022 and 2023, our selling and marketing expenses amounted to RMB105.9 million, RMB97.1 million and RMB150.7 million, respectively.

The following table sets forth a breakdown of the major components of our selling and marketing expenses for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Promotion and advertising expenses	46,901	44.3	28,858	29.7	36,861	24.5
Channel fees	30,853	29.1	36,246	37.3	75,534	50.1
Staff expenses	23,465	22.1	28,746	29.6	33,946	22.5
Others[(Note)]	4,719	4.5	3,270	3.4	4,370	2.9
Total	**105,938**	**100.0**	**97,120**	**100.0**	**150,711**	**100.0**

Note: Others mainly include office expenses and expenses related to our after-sales service.

Administrative expenses

Our administrative expenses primarily consist of (i) staff expenses associated with our administrative staff; (ii) professional service fees primarily including consulting fees and audit fees; (iii) depreciation and amortization expenses; and (iv) **[REDACTED]** expenses. For the years ended December 31, 2021, 2022 and 2023, our administrative expenses amounted to RMB48.7 million, RMB55.2 million and RMB89.0 million, respectively. The following table sets out a breakdown of the major components of our administrative expenses for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff expenses	33,762	69.3	37,928	68.8	47,099	52.9
Professional services fee	2,921	6.0	2,720	4.9	4,207	4.7
Depreciation and amortization expenses	5,042	10.4	4,870	8.8	4,466	5.0
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Office expenses	3,677	7.6	3,398	6.2	3,231	3.6
Business tax and surcharges	919	1.9	1,493	2.7	1,360	1.5
Recruitment expenses	46	0.1	963	1.7	876	1.0
Bank charges	878	1.8	579	1.0	645	0.7
Others *(Note)*	1,456	3.0	1,754	3.2	2,449	2.9
Total	**48,701**	**100.0**	**55,169**	**100.0**	**88,987**	**100.0**

Note: Others mainly include other overhead costs and non-operating expenses such as non-refundable deposits.

Other income and losses, net

Our other income and losses, net primarily consist of (i) government grants primarily representing the funding support from the Nanjing Municipal Government; and (ii) interest income. For the years ended December 31, 2021, 2022 and 2023, our other income amounted to RMB35.7 million, RMB7.6 million and RMB24.7 million, respectively.

Our government grants from the Nanjing Municipal Government primarily consist of subsidies on our operation and research and development which had a significant impact on our Group's financial performance during the Track Record Period. Part of the subsidies were granted upon satisfactions of certain conditions, including, among others, (i) establishment of our Group's HQ Enterprise at the Nanjing Economic and Technological Development Zone upon completion of the statutory procedures with the local industry and commerce authorities and (ii) achieving certain level of revenue. Our tenancy expenses in relation to office and research and development bases,

accommodations for our talents and purchase price of land for the HQ Enterprise were also subsidized. The subsidies are further subject to continuing fulfillment of certain ongoing conditions, which primarily include the Group's continuous engagement in its principal business and the use of subsidy funds in accordance with the purposes specified by the Nanjing Municipal Government.

Impairment losses recognized on trade receivables

We recorded impairment losses on trade receivables of RMB0.5 million, RMB1.2 million and RMB3.9 million for the years ended December 31, 2021, 2022 and 2023, respectively, which was primarily due to the increase in the amount and aging of trade receivables. For details, please refer to note 34(a) to the Accountants' Report in Appendix I to this document.

Finance Costs

Our finance costs primarily comprise interest on bank loans and other borrowings and interest on lease liabilities. We recorded finance costs of RMB1.0 million, RMB1.0 million and RMB0.3 million for the years ended December 31, 2021, 2022 and 2023, respectively.

Share of losses of joint venture

We have established a joint venture company — Mobvoi JV, with Automotive Sub A in 2017. Share of losses of joint venture represents our shares in Mobvoi JV. We initially held 50% equity interest in Mobvoi JV and subsequently disposed of all our equity interest in 2022 as agreed with Automotive Sub A. Mobvoi JV was primarily engaged in the provision of in-vehicle AI technologies. During the Track Record Period, we had provided in-vehicle AI solutions to Mobvoi JV. We recorded share of losses of a joint venture of RMB18.6 million, RMB9.4 million and nil for the years ended December 31, 2021, 2022 and 2023 respectively.

Gain on disposal of interest in a joint venture/a subsidiary

Gain on disposal of interest in a joint venture of RMB29.0 million for the year ended December 31, 2022 was derived from the disposal of Mobvoi JV during the same year. Gain on disposal of interest in a subsidiary of RMB0.8 million for the year ended December 31, 2023 was derived from the disposal of Beijing Xiaowen during the same year.

Changes in fair value of financial assets through profit or loss

We recorded changes in fair value of financial assets of RMB1.2 million for the year ended December 31, 2022.

Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares

Our Company issued several series of redeemable shares to investors. During the Track Record Period, we had issued and repurchased redeemable preferred shares and ordinary shares. We recorded changes in the carrying amount of contingently redeemable preferred shares and ordinary shares of negative RMB98.9 million, negative RMB775.1 million and negative RMB753.8 million for the years ended December 31, 2021, 2022 and 2023, respectively. For details, please refer to note 29 to the Accountants' Report set out in Appendix I to this document.

Income tax

We recorded income tax of RMB1.8 million, RMB1.3 million and RMB1.8 million for the years ended December 31, 2021, 2022 and 2023, respectively. For details, please refer to note 7(a) to the Accountants' Report in Appendix I to this document.

Taxation

PRC

Under the PRC Income Tax Laws, an enterprise which qualifies as a High and New Technology Enterprise ("**HNTE**") is entitled to a preferential tax rate of 15% provided it continues to meet HNTE qualification standards on an annual basis.

Beijing Yushanzhi and WWZN IT qualify as an HNTE and are entitled for a preferential tax rate of 15% from 2020 to 2025. Mobvoi IT qualifies as an HNTE and is entitled for a preferential tax rate of 15% from 2021 to 2023. Mobvoi Innovation qualifies as an HNTE and is entitled to a preferential tax rate of 15% from 2022 to 2024.

Cayman Islands

Our Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability under the Companies Act, and is not subject to tax on income or capital gain. In addition, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

The provision for Hong Kong Profits Tax for the Track Record Period is calculated at 16.5% of the estimated assessable profits for the year, except for two subsidiaries of our Group which are under the two-tiered profits tax rate regime, i.e. the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

United States

Our subsidiary incorporated in United States is subject to U.S. corporate income tax on its taxable income at a rate of up to 24.53% during the Track Record Period.

Taiwan

Our subsidiary incorporated in Taiwan is subject to corporate income tax of Taiwan on its taxable income at a rate of up to 20% during the Track Record Period.

Profit/(loss) and adjusted net (loss)/profit (non-IFRS measure) for the year from continuing operations

As a result of the foregoing, for the years ended December 31, 2021, 2022 and 2023, we recorded net losses of RMB182.0 million, RMB685.0 million and RMB802.6 million, representing net loss margins of 45.7%, 136.9% and 158.3%, respectively. We recorded an adjusted net loss (non-IFRS measure) of RMB73.4 million for the year ended December 31, 2021, corresponding to an adjusted net loss margin (non-IFRS measure) of 18.4% for the same year. We recorded adjusted profit (non-IFRS measure) of RMB108.9 million and RMB17.5 million for the years ended December 31, 2022 and 2023, respectively, corresponding to adjusted net profits margins (non-IFRS measure) of 21.8% and 3.5% for the same years.

(Loss)/profit for the year from discontinued operations

In 2021, we have disposed part of our interests in two subsidiaries. As such, the relevant results of our Group's operations were presented as discontinued operations in our consolidated financial statements, which amounted to loss of RMB94.3 million, profit of RMB15.2 million and profit of nil for the years ended December 31, 2021, 2022 and 2023, respectively. For details of our acquisition and disposal of shares in Geekstar and Zhixue, please refer to the paragraphs headed "History, Reorganization and Corporate Structure — Major acquisitions, disposals and mergers — 1. Acquisition of Geekstar and subsequent disposal of shares in Geekstar" and "History, Reorganization and Corporate Structure — Major acquisitions, disposals and mergers — 2. Acquisition of Zhixue and subsequent disposal of shares in Zhixue" in this document.

For details, please refer to note 11 to the Accountants' Report in Appendix I to this document.

Exchange differences on translation of financial statements

Our exchange differences on translation of financial statements refer to exchange difference of the Company that will not be reclassified to profit or loss and amounted to RMB35.9 million, negative RMB195.6 million and negative RMB38.8 million for the years ended December 31, 2021, 2022 and 2023, respectively. The fluctuations in exchange differences on translation of financial statements during the Track Record Period were primarily due to the appreciation and depreciation of our foreign currency positions as a result of fluctuations of the exchange rates of RMB against the U.S. dollar.

Changes in fair value of financial assets through other comprehensive income

We recorded changes in fair value of financial assets through other comprehensive income of negative RMB1.8 million for the year ended December 31, 2023.

Exchange differences on translation of financial statements of overseas subsidiaries

Our exchange differences on translation of financial statements of overseas subsidiaries refer to exchange difference of overseas subsidiaries that may be reclassified subsequently to profit or loss and amounted to RMB35.3 million, negative RMB120.1 million and negative RMB27.8 million for the years ended December 31, 2021, 2022 and 2023, respectively. The fluctuations in exchange differences on translation of financial statements during the Track Record Period were primarily due to the appreciation and depreciation of our foreign currency positions as a result of fluctuations of the exchange rates of RMB against the U.S. dollar.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Below sets forth our year-to-year comparison of results of operations from continuing operations.

Year ended December 31, 2022 compared to year ended December 31, 2023

Revenue

Our total revenue increased by 1.4% from RMB500.2 million for the year ended December 31, 2022 to RMB507.1 million for the year ended December 31, 2023, primarily due to the increase in our revenue from AIGC solutions, which was partially offset by the decrease in our revenue from Smart Devices and Other Accessories and AI enterprise solutions.

AI Software Solutions — AIGC solutions: Our revenue from AIGC solutions increased by 2.0 times from RMB39.9 million for the year ended December 31, 2022 to RMB117.6 million for the year ended December 31, 2023, primarily due to the growth in number of paying users from approximately 237,000 in 2022 to approximately 410,000 in 2023 resulting from the launch of "Weta365" in March 2022, "DupDub" in July 2022 and "Mozhuan Writing" in September 2022 of which all were available throughout the year ended December 31, 2023, as compared to "Weta365" only being available for nine months in 2022. Additionally, our average revenue per paying user increased from RMB150 for the year ended December 31, 2022 to RMB248 for the year ended December 31, 2023, primarily attributable to an increase in the number of paying users subscribing for multiple AIGC platforms, and the addition of more features and add-ons that the paying users could purchase on top of their subscriptions on the AIGC platforms. There was also a growth in our business with enterprise customers primarily attributable to (i) the significant growth and expansion of the AIGC market in 2023; and (ii) the increasing maturity of our "Weta365"" launched in March 2022 of which targeted customers include enterprises.

AI Software Solutions — AI enterprise solutions: Our revenue from AI enterprise solutions decreased by 14.2% from RMB263.0 million for the year ended December 31, 2022 to RMB225.6 million for the year ended December 31, 2023, primarily due to the decrease in revenue from IP rights arrangements in relation to the use of our in-vehicle AI technologies with Automotive Sub A, offset by an increase in the number of enterprise customers (excluding high-value clients) from 46 for the year ended December 31, 2022 to 57 for the year ended December 31, 2023 following the implementation of a more structured and expanded in-house sales team, as well as increased marketing efforts, as reflected in an increase in our selling and marketing expenses for the year ended December 31, 2023, compared to 2022.

Smart Devices and Other Accessories: Our revenue from Smart Devices and Other Accessories decreased by 17.0% from RMB197.3 million for the year ended December 31, 2022 to RMB163.8 million for the year ended December 31, 2023, primarily due to a decrease in the number of devices sold for our TicWatch series, partially offset by an increase in the average selling price for our TicWatch series and an increase in the number of devices sold for our Home Treadmill series. The number of devices sold for our TicWatch series decreased from approximately 169,000 for the year ended December 31, 2022 to approximately 109,000 for the year ended December 31, 2023, primarily due to the delay of new product launch which affected the sales volume before May 2023. Meanwhile, the new product launch increased their average selling price rose from RMB933 to RMB1,129 for the same years. The number of devices sold for our Home Treadmill series increased from approximately 16,000 for the year ended December 31, 2022 to approximately 22,000 for the year ended December 31, 2023 due to the launch of a new model in late 2022 while their average selling price decreased from RMB2,121 to RMB1,926 for the same years as there was price reduction on older models upon the launch of new model.

Cost of Sales

Our cost of sales increased by 10.3% from RMB164.0 million for the year ended December 31, 2022 to RMB181.0 million for the year ended December 31, 2023. The increase was primarily attributable to a significant increase in impairment losses and obsolete inventories resulting from (i) the longer time interval between the launch of new flagship products which resulted in a decline in the value of older models at the later stages of their life cycle; and (ii) the introduction of new products in May 2023 which further reduced the competitiveness of older models. Additionally, we recorded a significant increase in our staff costs between 2022 and 2023 in connection with our AI enterprise solutions.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by 3.0% from RMB336.2 million for the year ended December 31, 2022 to RMB326.1 million for the year ended December 31, 2023, and our gross profit margin decreased from 67.2% to 64.3% for the same years.

AI Software Solutions — AIGC solutions: Our gross profit for AIGC solutions increased from RMB35.1 million for the year ended December 31, 2022 to RMB108.4 million for the year ended December 31, 2023, primarily due to the increase in our revenue and gross profit margin for AIGC solutions. Our gross profit margin for AIGC solutions increased from 88.0% for the year ended December 31, 2022 to 92.2% for the year ended December 31, 2023, primarily attributable to the benefits of economies of scale as our costs mainly consist of technical service fees which would not increase in proportion to the increment of the number of our paying users.

AI Software Solutions — AI enterprise solutions: Our gross profit for AI enterprise solutions decreased from RMB249.1 million for the year ended December 31, 2022 to RMB182.5 million for the year ended December 31, 2023, which was primarily due to the decrease in our revenue and gross profit margin for AI enterprise solutions. Our gross profit margin for AI enterprise solutions decreased from 94.7% for the year ended December 31, 2022 to 80.9% for the year ended December 31, 2023, primarily due to the increase in business activities related to quantity-based AI enterprise solutions which in generally have lower profit margins and decrease in revenue from project-based enterprise solutions.

Smart Devices and Other Accessories: Our gross profit for Smart Devices and Other Accessories decreased from RMB52.0 million for the year ended December 31, 2022 to RMB35.2 million for the year ended December 31, 2023, which was generally in line with the decrease in revenue from our Smart Devices and Other Accessories. Our gross profit margin for Smart Devices and Other Accessories decreased from 26.4% for the year ended December 31, 2022 to 21.5% for

the year ended December 31, 2023, primarily due to the increase in impairment losses and obsolete inventories upon the new product launch in May 2023, partially offset by an increase in their average selling price.

Research and development expenses

Our research and development expenses increased by 30.4% from RMB118.7 million for the year ended December 31, 2022 to RMB154.7 million for the year ended December 31, 2023, primarily due to the increase in number of staff in research and development function in relation to our solutions and the increase in technical service fees for the development of our large language model which are in line with our Group's strategies to enrich our solution matrix and optimize capabilities of our "Sequence Monkey", a multi-modal large language model.

Selling and marketing expenses

Our selling and marketing expenses increased by 55.2% from RMB97.1 million for the year ended December 31, 2022 to RMB150.7 million for the year ended December 31, 2023 primarily due to (i) the increase in channel fees in connection with our AIGC platforms resulting from a type of promotional activities in which certain institutions promoted our AIGC memberships in their own business activities and charged us based on successful conversions into our paying users; and (ii) the increase of user traffic to our AIGC platforms during the year ended December 31, 2023. Our selling and marketing expenses represented 19.4% and 29.7% of our revenue for the years ended December 31, 2022 and 2023, respectively, primarily attributable to the decline in revenue from AI enterprise solutions and Smart Devices and Other Accessories, while our selling and marketing expenses increased by 55.2%.

Administrative expenses

Our administrative expenses increased by 61.3% from RMB55.2 million for the year ended December 31, 2022 to RMB89.0 million for the year ended December 31, 2023, primarily due to the increase in staff expenses, professional service fees and **[REDACTED]** expenses. Our administrative expenses represented 11.0% and 17.5% of our revenue for the years ended December 31, 2022 and 2023, respectively.

Other incomes and losses, net

Net other incomes and losses increased by 2.26 times from RMB7.6 million for the year ended December 31, 2022 to RMB24.7 million for the year ended December 31, 2023, primarily due to an increase in government grants for the year ended December 31, 2023.

Impairment losses recognized on trade receivables

We recorded impairment losses on trade receivables of RMB1.2 million and RMB3.9 million for the years ended December 31, 2022 and 2023, respectively.

Finance costs

Our finance costs were relatively stable at RMB1.0 million and RMB0.3 million for the years ended December 31, 2022 and 2023, respectively.

Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares

Our loss from changes in the carrying amount of contingently redeemable preferred shares and ordinary shares decreased by 2.7% from RMB775.1 million for the year ended December 31, 2022 to RMB753.8 million for the year ended December 31, 2023, primarily due to the lower rate of valuation growth of our Group during the year ended December 31, 2023, as compared to 2022.

Income tax

Income tax increased from RMB1.3 million for the year ended December 31, 2022 to RMB1.8 million for the year ended December 31, 2023.

Loss and adjusted net profit (non-IFRS measure) for the year

As a result of the foregoing, we recorded loss of RMB669.8 million and loss of RMB802.6 million for years ended December 31, 2022 and 2023, respectively. We recorded adjusted net profits (non-IFRS measure) of RMB108.9 million and RMB17.5 million for the years ended December 31, 2022 and 2023, respectively, corresponding to adjusted net profit margins (non-IFRS measure) of 21.8% and 3.5%, respectively.

Year ended December 31, 2022 compared with year ended December 31, 2021

Revenue

Our total revenue increased by 25.7% from RMB397.9 million for the year ended December 31, 2021 to RMB500.2 million for the year ended December 31, 2022, primarily due to the increase in our revenue from AIGC solutions and AI enterprise solutions which was partially offset by the decrease in our revenue from Smart Devices and Other Accessories.

AI Software Solutions — AIGC solutions: Our revenue from AIGC solutions increased by 4.9 times from RMB6.8 million for the year ended December 31, 2021 to RMB39.9 million for the year ended December 31, 2022, primarily due to the increase in number of paying users from approximately 63,000 in 2021 to approximately 237,000 in 2022 resulting from the launch of our "Weta365" in March 2022, "DupDub" in July 2022 and "Mozhuan Writing" in September 2022. Additionally, our average revenue per paying user increased from RMB104 in 2021 to RMB150 in 2022, attributable to the fact that all the solutions newly launched in 2022 have subscription fees higher than "Moyin Workshop" which was the only AIGC platform available in 2021. Also, upon the launch of the new AIGC solutions in 2022, our paying users could subscribe for multiple AIGC platforms.

AI Software Solutions — AI enterprise solutions: Our revenue from AI enterprise solutions increased by 4.0 times from RMB52.7 million for the year ended December 31, 2021 to RMB263.0 million for the year ended December 31, 2022, primarily due to (i) the increase in revenue from IP rights arrangements in relation to the use of our in-vehicle AI technologies with Automotive Sub A; and (ii) an increase in the average revenue per enterprise customer (excluding high-value clients) from RMB437,000 in 2021 to RMB647,000 in 2022 through our continuous accumulation of technological know-how and the enhanced features of our AI enterprise solutions resulting in an increase in our average contract value, whilst the number of enterprise customers (excluding high-value clients) decreased mildly from 51 in 2021 to 46 in 2022.

Smart Devices and Other Accessories: Our revenue from Smart Devices and Other Accessories decreased by 41.7% from RMB338.4 million for the year ended December 31, 2021 to RMB197.3 million for the year ended December 31, 2022, primarily due to a decrease in the number of devices sold and the average selling price for our TicWatch series and Home Treadmill series. The number of devices sold for our TicWatch series decreased from 295,000 in 2021 to 169,000 in 2022 following the delay in launching of our new flagship TicWatch product whilst our old models entered into the later stage of product life cycle. The number of devices sold for our Home Treadmill series remained stable at 15,000 in 2021 and 16,000 in 2022 whilst their average selling dropped from RMB2,533 in 2021 to RMB2,186 in 2022 due to price reduction on older models upon the launch of new models.

Cost of Sales

Our cost of sales decreased by 34.0% from RMB248.7 million for the year ended December 31, 2021 to RMB164.0 million for the year ended December 31, 2022. The decrease was primarily attributable to the decrease in our cost of inventories which was in line with our decrease in revenue from Smart Devices and Other Accessories for the year ended December 31, 2022.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 125.3% from RMB149.2 million for the year ended December 31, 2021 to RMB336.2 million for the year ended December 31, 2022, and our gross profit margin increased from 37.5% to 67.2% during the same period.

AI Software Solutions — AIGC solutions: Our gross profit for AIGC solutions increased from RMB4.7 million for the year ended December 31, 2021 to RMB35.1 million for the year ended December 31, 2022, which was primarily due to the increase in our revenue and gross profit margin for AIGC solutions. Our gross profit margin for AIGC solutions increased from 68.8% for the year ended December 31, 2021 to 88.0% for the year ended December 31, 2022 primarily attributable to the benefits of economies of scale as our costs mainly consist of technical service fees which would not increase in proportion to the increment of the number of our paying users.

AI Software Solutions — AI enterprise solutions: Our gross profit for AI enterprise solutions increased from RMB32.7 million for the year ended December 31, 2021 to RMB249.1 million for the year ended December 31, 2022, which was primarily due to the increase in our revenue and gross profit margin for AI enterprise solutions. Our gross profit margin for AI enterprise solutions increased from 62.0% for the year ended December 31, 2021 to 94.7% for the year ended December 31, 2022, primarily due to the increase in proportion of revenue with higher gross profit margin as we utilized our previous research and development results through IP rights arrangements with Automotive Sub A.

Smart Devices and Other Accessories: Our gross profit for Smart Devices and Other Accessories decreased from RMB111.8 million for the year ended December 31, 2021 to RMB52.0 million for the year ended December 31, 2022, which was in line with our decrease in revenue from our Smart Devices and Other Accessories. Our gross profit margin for Smart Devices and Other Accessories decreased from 33.1% for the year ended December 31, 2021 to 26.4% for the year ended December 31, 2022, primarily due to the lower average selling price arising from the price decline of in old models of products while we delayed our launching of new flagship products, which led to an increase in our inventories turnover days and thus an increase in impairment losses and obsolete inventories in 2022.

Research and development expenses

Our research and development expenses increased by 29.7% from RMB91.5 million for the year ended December 31, 2021 to RMB118.7 million for the year ended December 31, 2022, primarily due to the increase in number of staff in research and development in relation to our solutions which is in line with our Group's strategies. Our research and development expenses represented 23.0% and 23.7% of our revenue for the years ended December 31, 2021 and 2022, respectively.

Selling and marketing expenses

Our selling and marketing expenses decreased by 8.3% from RMB105.9 million for the year ended December 31, 2021 to RMB97.1 million for the year ended December 31, 2022 primarily due to the absence of the launch of a new flagship product in Smart Devices and Other Accessories in 2022, resulting in a reduction in promotion and advertising expenses. Our selling and marketing expenses represented 26.6% and 19.4% of our revenue for the years ended December 31, 2021 and 2022, respectively, primarily attributable to the benefits of economies of scale and increase in revenue from AI enterprise solutions.

Administrative expenses

Our administrative expenses increased by 13.3% from RMB48.7 million for the year ended December 31, 2021 to RMB55.2 million for the year ended December 31, 2022, primarily due to the increase in staff expenses. Our administrative expenses represented 12.2% and 11.0% of our revenue for the years ended December 31, 2021 and 2022, respectively.

Other incomes and losses, net

Net other incomes and losses decreased by 78.7% from RMB35.7 million for the year ended December 31, 2021 to RMB7.6 million for the year ended December 31, 2022, primarily due to the decrease in government grants in 2022.

Impairment losses on trade receivables

We recorded an impairment losses on trade receivables of RMB0.5 million and RMB1.2 million for the years ended December 31, 2021 and 2022, respectively.

Finance costs

Our finance costs were relatively stable at RMB1.0 million for the years ended December 31, 2021 and 2022.

Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares

Our loss from changes in the carrying amount of contingently redeemable preferred shares and ordinary shares increased by 6.8 times from RMB98.9 million for the year ended December 31, 2021 to RMB775.1 million for the year ended December 31, 2022, primarily due to the higher rate of valuation growth of our Group in 2022, as compared to 2021.

Income tax

Income tax decreased by 27.8% from RMB1.8 million for the year ended December 31, 2021 to RMB1.3 million for the year ended December 31, 2022.

Loss and adjusted net (loss)/profit (non-IFRS measure) for the year

As a result of the foregoing, we recorded loss of RMB182.0 million and RMB685.0 million for the years ended December 31, 2021 and 2022, respectively. We recorded an adjusted net loss (non-IFRS measure) of RMB73.4 million and an adjusted net profit (non-IFRS measure) of RMB108.9 million for the years ended December 31, 2021 and 2022, respectively, corresponding to an adjusted net loss margin (non-IFRS measure) of 18.4% and an adjusted net profit margin (non-IFRS measure) of 21.8%, respectively.

NET CURRENT ASSETS OR LIABILITIES

The following table sets out a breakdown of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of February 29,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets				
Inventories	123,944	94,918	66,734	58,158
Trade receivables	45,464	40,024	57,981	30,974
Prepayments, deposits and other receivables	48,237	34,368	44,484	45,776
Financial assets measured at fair value through profit or loss	7,707	124,119	34,844	34,844
Financial assets measured at fair value through other comprehensive income	—	—	47,066	36,820
Time and restricted deposits	21,081	70,903	780	768
Cash and cash equivalents	131,758	40,250	144,324	146,709
	378,191	404,582	396,213	354,049
Current liabilities				
Trade payables	29,535	17,694	24,552	19,495
Other payables and accruals	54,387	54,224	63,312	51,559
Contract liabilities	151,842	60,873	53,131	62,152
Bank loans	20,000	20,000	—	—
Lease liabilities	6,336	6,831	3,148	2,365
Contingently redeemable preferred shares and ordinary shares	3,240,626	3,536,115	4,353,833	4,466,922
Current taxation	1,781	1,343	975	978
Warranty provisions	15,423	16,467	18,479	18,494
Deferred income	—	7,800	—	—
	3,519,930	3,721,347	4,517,430	4,621,965
Net current liabilities	**(3,141,739)**	**(3,316,765)**	**(4,121,217)**	**(4,267,916)**

We recorded net current liabilities of RMB3,141.7 million, RMB3,316.8 million and RMB4,121.2 million as of December 31, 2021, 2022 and 2023, respectively, primarily attributed to contingently redeemable preferred shares and ordinary shares.

Our net current liabilities increased from RMB4,121.2 million as of December 31, 2023 to RMB4,267.9 million as of February 29, 2024, primarily due to increase of contingently redeemable preferred shares and ordinary shares.

Our redeemable preferred shares and ordinary shares issued will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares and our position of net liabilities would turn into net assets upon the **[REDACTED]**.

DISCUSSION OF CERTAIN KEY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Inventories

Our inventories primarily comprise (i) finished goods; (ii) work in progress; and (iii) raw materials. As of December 31, 2021, 2022 and 2023, we wrote down RMB20.0 million, RMB20.9 million and RMB29.7 million of inventories, respectively.

Our inventories decreased from RMB123.9 million as of December 31, 2021 to RMB94.9 million as of December 31, 2022 and further to RMB66.7 million as of December 31, 2023, which was in line with the trend of our sales of Smart Devices and Other Accessories.

The following table sets forth our inventory turnover days for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
Inventory turnover days *(Note)*	159.2	242.5	163.0

Note: Inventory turnover days for the years ended December 31, 2021, 2022 and 2023 year equals to the average of beginning and ending net inventory for each year divided by the sum of cost of sales of continuing operations and discontinued operations for the same year and multiplied by the number of days during the year.

The increase in our inventory turnover days from 159.2 days in 2021 to 242.5 days in 2022 was primarily due to the absence of a new flagship product launch in Smart Devices and Other Accessories during 2022. This, in turn, resulted in impairment losses and obsolete inventories which mainly comprised of TicWatch Pro 3 launched in 2020. However, there was a positive rebound in our inventory turnover days, dropping from 242.5 days in 2022 to 163.0 days in 2023, following the launch of the TicWatch Pro 5 in May 2023. The product launch also led to a greater extent of impairment losses and obsolete inventories, as the introduction of new models accelerated the obsolescence of older models.

RMB15.1 million, or approximately 17.2% of our finished goods as of December 31, 2023 were sold and RMB5.4 million, or approximately 60.2% of our raw materials as of December 31, 2023 were used for the period from January 1, 2024 to February 29, 2024. Our work in progress as of December 31, 2021 and 2022 entirely represented the accumulated costs incurred in connection with a NRE project related to SDS with Mobvoi JV. The costs primarily comprised labor costs associated with the research and development of SDS. The accumulated costs were recognized as work in progress as of December 31, 2021 and 2022 in accordance with paragraph 95 of IFRS 15 because our Group had not fulfilled our performance obligation under the NRE agreement. The performance obligation entailed delivering the specified deliverables which satisfied Mobvoi JV's requirements. Our Group had transferred the control of the relevant deliverables to Mobvoi JV and had satisfied all rectification requirements during the second half of 2023.

The following tables set forth an aging analysis of our inventories as of the dates indicated:

Analysis by age group	**As of December 31,**		
	2021	**2022**	**2023**
Cost of inventory	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	100,814	65,448	71,748
Over 1 year	43,116	50,333	24,691
Total	**143,930**	**115,781**	**96,439**

Analysis by categories group	**As of December 31,**		
	2021	**2022**	**2023**
Book value	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	100,925	82,250	87,398
Work in progress	21,093	21,093	—
Raw materials	21,912	12,438	9,041
Less: write down of inventories	(19,986)	(20,863)	(29,705)
Total	**123,944**	**94,918**	**66,734**

Our Directors are of the view that there is no material recoverability issue for our inventories, primarily because (i) a substantial portion of the inventories as of December 31, 2023 were aged less than one year, (ii) our raw materials and certain finished goods are generally not subject to expiration, and the finished aged over one year are not perishable or fragile products and can maintain saleable value and (iii) we assessed our finished goods' applicability from time to time and recorded cost of sales for forfeiture of any outdated ones, and therefore considered there was no material difficulty in the utilization of our inventories as of the end of each reporting period. As a result, we made sufficient provisions for our inventories at the end of each reporting period.

Trade receivables

Our trade receivables mainly represented the outstanding amounts receivable by us from the sale of our solutions in the ordinary course of business. During the Track Record Period, we had generally granted credit terms ranging from 0–90 days. The following table sets forth the general credit terms of each of our segments during the Track Record Period:

Segment	Credit term
AI Software Solutions	
AI enterprise solutions	
— Project-based	Payment should generally be made in full within 0 to 90 days after customers receive our AI enterprise solutions. For Automotive Sub A, payment should be made in accordance with the terms of the IP rights arrangements entered into between the parties. For details, please refer to the paragraph headed "Business — Our Solutions — AI Software Solutions — AI enterprise solutions — IP rights arrangements with Automotive Sub A" in this document.
AIGC solutions	
— Subscription	Payment should generally be made in full prior to the start of the subscription period.
— Project-based	Payment should generally be made in full within 0 to 60 days after we invoice our customers.

Segment	Credit term
Smart Devices and Other Accessories	
— Direct sales	Payment should generally be made in full prior to the shipment arranged by us.
— Distributors	Payment should generally be made in full by distributors for our Smart Devices and Other Accessories prior to the shipment arranged by us. For certain distributors, payment should be made in full within 60 to 90 days after we deliver our Smart Devices and Other Accessories to customers.

The following table sets out a breakdown of our trade receivables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties	3,944	3,954	—
Amounts due from third parties	47,725	43,470	69,266
Gross amount of trade receivables	**51,669**	**47,424**	**69,266**
Less: loss allowance	(6,205)	(7,400)	(11,285)
Trade receivables, net	**45,464**	**40,024**	**57,981**

Our trade receivables decreased from RMB45.5 million as of December 31, 2021 to RMB40.0 million as of December 31, 2022, primarily due to the decrease in revenue from our Smart Devices and Other Accessories. Our trade receivables increased to RMB58.0 million as of December 31, 2023, primarily due to the launch of TicWatch Pro 5 which increased our revenue for the second half of 2023 and the increase in revenue from our AI enterprise customers (excluding high-value clients) in 2023. Our amounts due from related parties were relatively stable at RMB3.9 million, RMB4.0 million as of December 31, 2021 and 2022, respectively, and decreased to nil as of December 31, 2023 as our business with Technology Corporation A ceased in 2023. Our trade receivables decreased to RMB31.0 million as of February 29, 2024.

Trade receivables written off for the years ended December 31, 2021, 2022 and 2023 amounted to RMB2.4 million, RMB0.8 million and nil, respectively, which were primarily attributable to the uncollectible tuition fees of our online education service.

The aging analysis of the trade receivables as of the balance sheet dates based on date of revenue recognition was as follows:

	As of December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	44,873	39,818	56,592
90–360 days	591	206	1,389
	45,464	40,024	57,981

The following table sets out the number of our trade receivables turnover days for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
Trade receivables turnover days *(Note)*	29.6	31.2	35.3

Note: Trade receivables turnover days for the years ended December 31, 2021, 2022 and 2023 equal to the average of the beginning and ending trade receivables balance for each year divided by the sum of revenue of continuing operations and discontinued operations for the same year and multiplied by number of days during the year.

Our trade receivables turnover days was relatively stable at 29.6 days in 2021, 31.2 days in 2022 and 35.3 days in 2023. The slight increase in trade receivables turnover days from 2021 to 2022 was due to the decrease in our Smart Devices and Other Accessories revenue generated from a major distributor, which was partially offset by increased revenues from our IP rights arrangements with Automotive Sub A and our AIGC solutions, resulting in a change to our revenue mix. The increase in trade receivables turnover days from 31.2 days in 2022 to 35.3 days in 2023 was primarily due to the launch of TicWatch Pro 5 in May 2023, which resulted in increased revenue from our Smart Devices and Other Accessories during the second half of 2023. Consequently there was an increase in our trade receivables as of December 31, 2023 compared to that as of December 31, 2022. The impact of the increase in our trade receivables was partially offset by an increase in our overall revenue between 2022 and 2023. As there was no credit period associated with the revenues generated from our IP rights arrangements with Automotive Sub A and our AIGC solutions, these revenues did not give rise to any trade receivables.

RMB36.0 million, or approximately 52.0% of our trade receivables as of December 31, 2023 were subsequently settled as of February 29, 2024.

To assess the adequacy of the impairment of our trade receivables, our Directors have considered the recoverability of individual customers, including among others, the credit history, the historical settlement records, the aging analysis, and forward-looking information. Based on the results of our Director's assessment, we provided the impairment losses of our trade receivables in accordance with the accounting policies in Note 2(j) to Accountants' Report set out in Appendix I to this document. On the basis of each of the factors as assessed above, our Directors considered the impairment losses on trade receivables made as of the end of each year during the Track Record Period were sufficient.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly comprised (i) prepayments for commissioned processing fee and raw materials, and service fees; and (ii) deposits for leased properties and online shops.

Our prepayments, deposits and other receivables decreased from RMB48.2 million as of December 31, 2021 to RMB34.4 million as of December 31, 2022, which were primarily attributable to the decrease in prepayments to our suppliers resulting from our reduced commissioned processing fee, based on our estimated decrease in overseas sales and collection of bill receivables arising from government grants. Our prepayments, deposits and other receivables rebounded to RMB44.5 million as of December 31, 2023, which were primarily attributable to an increase in our refundable VAT for export sales as of December 31, 2023 as we made fewer VAT refund applications in 2023. This was partially offset by the decrease in prepayments to our suppliers resulting from the decrease in production activities scheduled for early 2024, compared those scheduled for early 2023.

Deposits and other receivables written off for the year ended December 31, 2022 amounted to RMB5.9 million, which mainly included the loan to a third party amounting to RMB4.2 million and uncollectible sales channel deposit of online education service amounting to RMB1.7 million. For the year ended December 31, 2023, we recorded no write-offs.

RMB8.3 million, or approximately 18.7% of our prepayments, deposits and other receivables as of December 31, 2023 were subsequently settled as of February 29, 2024.

Financial assets measured at fair value through profit or loss

During the Track Record Period, our financial assets measured at fair value through profit or loss mainly represented the investment in certain wealth management products issued by reputable financial institutions in the PRC. We recorded RMB7.7 million, RMB124.1 million and RMB34.8 million as of December 31, 2021, 2022 and 2023, respectively.

The following table sets forth a breakdown of our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products *(note (i))*	7,707	89,275	—
Other investment in equity securities *(note (ii))*	—	34,844	34,844
	7,707	124,119	34,844

Notes:

(i) As of December 31, 2021 and 2022, the wealth management products were issued by reputable financial institutions in the PRC. The principal amount and expected returns of these wealth management products are not guaranteed.

(ii) As of December 31, 2022 and 2023, the other investment in equity securities was the remaining investment in Geekstar held by the Company.

During the Track Record Period, we invested primarily in wealth management products with low risk profiles that were either redeemable on demand or had a term up to 182 days. The other investment in equity securities was the remaining investment in Geekstar held by the Company, which is low-risk. To monitor and control the investment risks associated with our wealth management product portfolio and other investment in equity securities, we have established a set of internal risk management policies and guidelines. Steered by the Board, our chief financial officer, is responsible for overseeing our investment activities. The chief financial officer has been strengthening the supervision of our investment activities since he joined our Group and was highly involved in our historical investments. Our investment strategy related to wealth management products and other investment in equity securities focuses on minimizing the financial risks by reasonably and conservatively matching the maturities of the investments to anticipated operating cash needs, while generating desirable investment returns for the benefits of our Shareholders. We primarily invest in wealth management products issued by reputable financial institutions in the PRC with relatively low risks for a short- to long-term of no more than 182 days. We make investment decisions related to wealth management products and other investment in equity securities on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing banks, our own working capital conditions, and the expected profit or potential loss of the investment. Prior to (i) making any potential material investments in structured deposits and wealth management products and other investment in equity securities, (ii)

modifying the existing investment portfolio, or (iii) conducting a certain transaction, the finance department is responsible for conducting a size test based on the percentage ratios in accordance to Chapter 14 of the Listing Rules. The calculation must be submitted to the chief financial officer for approval, and the relevant results will be recorded in writing, which will be approved by the Directors for review. The Directors will take into consideration the aforementioned to assess the impact and size of investment before execution of the relevant investment decisions. The finance department is responsible for managing and coordinating the analyzes and decisions on the Group's investment, such as obtaining feasibility reports or valuation reports on the investments to be made. Depending on the size of investment proposed to be made, the investment plan shall be put forward to the responsible body for consideration and approval, including the Chairman, the Board or Shareholders at general meeting and will be subject to the compliance with Chapter 14 of the Listing Rules after the **[REDACTED]**. The finance department is also responsible for ongoing monitoring of the Group's investments.

Fair value measurement

Fair values are categorized into the three-level fair value hierarchy as defined in IFRS 13 "Fair Value Measurement". All assets and liabilities for which fair value is measured or disclosed are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

We measure our wealth management products and other investment in equity securities at fair value at the end of each of the Track Record Period.

We have estimated the fair value of other investment in equity securities purchased by us by using a valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy.

We have implemented internal policies to ensure the reasonableness of fair value measurement on the level 3 financial assets. Our Directors are aware of the "Guidance note on directors' duties in the context of valuations in corporate transactions" issued by the SFC. In this

regard, our Directors confirmed that (i) they had exercised due care, skill and diligence and supervised their responsible employees when making the investment decisions; and (ii) they had compiled with the standard exercised by a reasonably diligent person with the knowledge, skill and experience that may be reasonably expected of a director carrying out the functions of the directors in relation to the company. Moreover, our Directors have adopted the following internal policies and procedures in relation to the reasonableness of fair value measurement on our wealth management products and other investment in equity securities:

— Designing a finance team to be responsible for (i) determining the policies and procedures for the fair value measurement of financial instrument, (ii) analyzing the movements in the values of financial instruments and (iii) reporting directly to our Directors regularly on the fair value measurement of financial instruments;

— Reviewing the relevant contract terms of the investment agreements entered into; and

— Considering all inputs to the valuation which require management judgments and estimations

Our Directors are satisfied with the valuation work for financial instruments categorized within Level 3 of fair value measurement in our Historical Financial Information as referred to in Appendix I to this document.

Details of the other investment in equity securities, particularly the fair value hierarchy and the valuation techniques, are disclosed in Note 34 to the Accountants' Report in Appendix I to this document from the Reporting Accountants in accordance with the Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountants' opinion on the historical financial information of the Group for the Track Record Period as a whole is set out on pages I-1 to I-3 of the Accountants' Report in Appendix I to this document.

Based on the independent due diligence work conducted by the **[REDACTED]**, including but not limited to, (i) reviewing the relevant notes included in the Accountants' Report as contained in Appendix I to the Document; (ii) discussing with the Reporting Accountants in respect of the work performed in relation to the valuation of the level 3 financial assets for the purpose of reporting on the historical financial information of the Group for the Track Record Period as a whole; and (iii) obtaining and reviewing the valuation report prepared by an independent valuer; (iv) discussing with our Company and the valuer on the primary factors taken into account, the key assumptions and methodologies adopted for the valuation; and (v) reviewing the credentials,

qualifications and experience of the valuer in order to assess the independence and competency of the valuer, nothing has come to the attention of the **[REDACTED]** that would cause the **[REDACTED]** to disagree with the valuation analysis performed by the valuer.

Financial assets measured at fair value through other comprehensive income

Our financial assets measured at fair value through other comprehensive income entirely consist of large deposit certificates. During 2023, we purchased those large deposit certificates with the intent to collect contractual cash flows and sell. As of December 31, 2023, they amounted to RMB47.1 million.

Trade Payables

Our trade payables primarily consist of balance due to our suppliers for purchase of raw materials and provision of services. During the Track Record Period, we were generally been required to pay prepayments or offered credit periods of 30-60 days. The following table sets forth our trade payables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables due to third parties	29,535	17,694	24,552

Our trade payables decreased from RMB29.5 million as of December 31, 2021 to RMB17.7 million as of December 31, 2022, which was in line with the decrease in cost of sales from Smart Devices and Other Accessories. Our trade payables increased from RMB17.7 million as of December 31, 2022 to RMB24.6 million as of December 31, 2023, primarily due to the rise in production activities carried out in late 2023 compared to late 2022.

The following table sets out an aging analysis of our trade payables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within one year or on demand	29,535	17,694	24,552

The following table sets out the number of our trade payables turnover days for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
Trade payables turnover days *(Note)*	37.8	52.3	42.6

Note: Trade payables turnover days for the years ended December 31, 2021, 2022 and 2023 equal to the average of the beginning and ending of trade payables balance for each year divided by the sum of cost of sales of continuing operations and discontinued operations for the same year and multiplied by number of days during the year.

Our trade payables turnover days increased from 37.8 days in 2021, to 52.3 days in 2022, due to the delay in launching of our new flagship products and sales of our existing products was below our expectation. Our trade payables turnover days decreased from 52.3 days in 2022 to 42.6 days in 2023, due to an increase in our cost of sales between the same years. The increase was primarily attributable to impairment losses and obsolete inventories which did not give rise to payment liabilities.

RMB15.0 million, or approximately 60.9% of trade payables as of December 31, 2023 were subsequently settled as of February 29, 2024.

Other payables and accruals

Our other payables and accruals primarily comprise (i) payroll and welfare payable to our staff; (ii) payables for advertising and services; (iii) other financial liabilities measured at amortized cost; and (iv) other tax payables.

Our other payables and accruals remained relatively stable at RMB54.4 million, RMB54.2 million and RMB63.3 million, respectively, as of December 31, 2021, 2022 and 2023.

Contract liabilities

Our contract liabilities mainly represented the prepayment for our AI Software Solutions that we have yet to recognize as revenue.

Our contract liabilities decreased from RMB151.8 million as of December 31, 2021 to RMB60.9 million as of December 31, 2022, primarily due to receipt of the payment for the underlying technologies and patents provided in late 2021 pursuant to the terms of our IP rights arrangements with Automotive Sub A. As of December 31, 2021, we had not yet received confirmation on the completion of backend test run by Automotive Sub A in 2021 for the relevant

know-how delivered by our Group to Automotive Sub A, i.e. we had not satisfied certain performance obligations under the IP rights arrangements. The amount received was recognized as contract liabilities as of December 31, 2021. The payment was subsequently recognized as revenue in 2022 upon receiving confirmation from Automotive Sub A regarding the satisfaction of the backend test. According to our revenue recognition policy which complies with IFRS 15 "Revenue from Contracts with Customers", revenue for our IP rights arrangements with Automotive Sub A was recognized when Automotive Sub A accepted the related deliverables, i.e. when our Group satisfied the related performance obligations by transferring the control of the deliverables to Automotive Sub A. Our contract liabilities increased to RMB72.9 million as of December 31, 2023, of which the non-current portion amounted to RMB19.7 million, primarily due to an increase in the number of paying users on our AIGC platforms, partially offset by the complete realization of revenue from Mobvoi JV upon completion of our performance obligations in 2023.

RMB10.1 million, or approximately 19.0% of contract liabilities as of December 31, 2023 were subsequently settled as of February 29, 2024.

Goodwill

We recognized the goodwill from the acquisition of our online education business in 2020.

We recorded goodwill of RMB130.7 million as of December 31, 2021. The decrease from RMB130.7 million in 2021 to nil in 2022 was due to our disposal of online education business. It remained nil as of December 31, 2023.

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating unit ("**CGU**") identified as follows:

	For the year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Provision of online education services.	130,660	—	—
	130,660	—	—

The recoverable amount of the CGU is determined based on fair value less cost of disposal. Fair value is the price that would be received to sell the CGU in an orderly transaction between market participants at the measurement date. The pre-tax discount rate was 21% as of December 31, 2021.

Interest in joint venture

We have established a joint venture company, Mobvoi JV, with Automotive Sub A in 2017. We initially held 50% equity interest in Mobvoi JV and subsequently disposed of relevant equity interest in 2022 as agreed with Automotive Sub A.

Contingently redeemable preferred shares and ordinary shares

The following table sets forth the details of our contingently redeemable preferred shares and ordinary shares as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Contingently redeemable preferred shares . .	2,571,121	2,042,728	2,458,493
Contingently redeemable ordinary shares. . .	669,505	1,493,387	1,895,340
	3,240,626	3,536,115	4,353,833

Our Company issued several series of redeemable shares to investors. During the Track Record Period, we had issued and repurchased redeemable preferred shares and ordinary shares. For details, please refer to note 29 to the Accountants' Report set out in Appendix I to this document.

As of December 31, 2021, 2022 and 2023, we recorded contingently redeemable preferred and ordinary shares of RMB3,240.6 million, RMB3,536.1 million and RMB4,353.8 million, respectively. Our redeemable preferred shares and ordinary shares issued will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares and our position of net liabilities would turn into net assets upon the **[REDACTED]**.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of February 29,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Bank loans	20,000	20,000	—	—
Lease liabilities	15,910	9,574	3,461	2,846
Total	**35,910**	**29,574**	**3,461**	**2,846**

Bank loans

We had bank loans of RMB20.0 million as of December 31, 2021, RMB20.0 million as of December 31, 2022, nil as of December 31, 2023 and nil as of February 29, 2024, being the indebtedness date for the purpose of the indebtedness statement.

The following table sets forth our effective interest rates for the bank loans as of the dates indicated:

	As of December 31,			As of February 29,
	2021	2022	2023	2024
Bank loan within one year	3.85%	2.70%	N/A	N/A

Our bank borrowings agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that, there had been no material covenant on any of our outstanding debt as of the Latest Practicable Date, and there had been no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we had not experienced any unusual difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Our Group had no unutilized bank loan facility as of the Latest Practicable Date.

Lease liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,			As of February 29,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Lease liabilities				
Current	6,336	6,831	3,148	2,365
Non-current	9,574	2,743	313	481
Total	**15,910**	**9,574**	**3,461**	**2,846**

The following table sets forth the maturity analysis of our lease liabilities as of the dates indicated:

	As of December 31,			As of February 29,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Lease liabilities				
Within one year	6,336	6,831	3,148	2,365
After one year but within two years	6,831	2,743	313	481
After two years but within five years	2,743	—	—	—
	9,574	2,743	313	481
Total	**15,910**	**9,574**	**3,461**	**2,846**

We recorded lease liabilities of RMB15.9 million, RMB9.6 million and RMB3.5 million as of December 31, 2021, 2022 and 2023, respectively. The continuous decrease from 2021 to 2023 was primarily attributable to our settlement of rental expenses. Our lease liabilities decreased from RMB3.5 million as of December 31, 2023 to RMB2.8 million as of February 29, 2024, primarily due to our settlement of rental expenses.

Our Directors confirm that there was no outstanding debt as of the Latest Practicable Date and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Except as disclosed above, during the Track Record Period, and as of February 29, 2024, being the indebtedness date for the purpose of indebtedness statement, we had not had any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other material contingent liabilities.

Our Directors confirm that there had been no material change in our indebtedness since February 29, 2024 and up to the date of this document.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
Revenue growth	50.4%	25.7%	1.4%
Gross profit growth	87.3%	125.3%	(3.0)%
Gross profit margin[(1)]	37.5%	67.2%	64.3%
Adjusted net (loss)/profit margin (non-IFRS measure)[(2)]	(18.4)%	21.8%	3.5%
Return on total asset [(3)]	(45.6)%	(159.7)%	(197.1)%
Current ratio [(4)]	0.11	0.11	0.09

Notes:

(1) Gross profit margin equals gross profit divided by revenue for the year and multiplied by 100%.

(2) Adjusted net (loss)/profit margin (non-IFRS measure) equals adjusted net (loss)/profit (non-IFRS measure) divided by revenue for the year and multiplied by 100%.

(3) Return on total assets is calculated by the loss for the year divided by the total assets as at the respective year end and multiplied by 100%.

(4) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year end.

For details, please refer to "— Year-to-year comparison of results of operations" in this section for discussion of the factors affecting our results of operations during the respective years.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from capital contribution from shareholders and borrowings.

As of December 31, 2021, 2022 and 2023, we had cash and cash equivalents of RMB131.8 million, RMB40.3 million and RMB144.3 million, respectively. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of operating cash flow, equity and debt financing and **[REDACTED]** from the **[REDACTED]**.

Cash Flow

The following table sets out a reconciliation from the operating cash flows before movements in working capital to net cash used in operating activities, and our cash flows for the years indicated:

	For the year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Operating cash flows before movement in working capital	(70,654)	109,971	30,688
Changes in working capital	33,457	(35,867)	(133)
Tax paid	(41)	(1,669)	(2,163)
Net cash (used in)/generated from operating activities	(37,238)	72,435	28,392
Net cash (used in)/generated from investing activities	(21,889)	(40,447)	108,835
Net cash used in financing activities	(22,116)	(125,737)	(28,984)
Net (decrease)/increase in cash and cash equivalents	(81,243)	(93,749)	108,243
Cash and cash equivalents at the beginning of the year	215,342	131,758	40,250
Effect of foreign exchange rate changes	(2,341)	2,241	(4,169)
Cash and cash equivalents at the end of the year	131,758	40,250	144,324

Net cash generated from/(used in) operating activities

For the year ended December 31, 2023, net cash generated from operating activities was RMB28.4 million, which was primarily attributable to our loss before tax of RMB800.8 million, as adjusted by (i) non-cash items, which primarily comprised of contingently redeemable ordinary and preferred shares of RMB753.8 million, equity-settled share-based payment expenses of RMB41.7 million and write down of inventories of RMB21.9 million; and (ii) changes in working

capital, which primarily comprised of (a) a decrease in inventories of RMB6.2 million in line with the trend of our sales of Smart Devices and Other Accessories; (b) an increase in trade payables of RMB13.1 million due to the rise in production activities carried out in late 2023 compared to late 2022; (c) an increase in other payables and accruals of RMB12.7 million; partially offset by (d) an increase in trade receivables RMB22.4 million due to the launch of TicWatch Pro 5 in May 2023 which increase our from Smart Devices and Other Accessories in the second half of 2023; and (e) an increase in prepayments, deposits and other receivables of RMB9.6 million primarily the increase in inventories in line with the increase in overseas sales.

For the year ended December 31, 2022, net cash generated from operating activities was RMB72.4 million, which was primarily attributable to our loss before tax of RMB668.5 million, as adjusted by (i) non-cash items, which primarily comprised of contingently redeemable ordinary and preferred shares of RMB775.1 million, equity-settled share-based payment expenses of RMB17.3 million and write down of inventories of RMB9.6 million; and (ii) changes in working capital, which primarily comprised of (a) a decrease in inventories of RMB19.4 million in line with the trend of our sales of Smart Devices and Other Accessories; (b) a decrease in prepayments, deposits and other receivables of RMB11.0 million primarily due to the decrease in inventories in line with the decrease in overseas sales; and (c) a decrease in trade receivables of RMB3.4 million primarily due to the decrease in revenue from Smart Devices and Other Accessories, partially offset by (d) a decrease in other payables and accruals of RMB57.9 million; and (e) a decrease in trade payables of RMB11.7 million due to the decrease in our expected revenue from Smart Devices and Other Accessories.

For the year ended December 31, 2021, net cash used in operating activities was RMB37.2 million, which was primarily attributable to our loss before tax of RMB274.5 million, as adjusted by (i) non-cash items, which primarily comprised of contingently redeemable ordinary and preferred shares of RMB98.9 million, impairment of goodwill of RMB33.8 million and share of profits less losses of joint venture of RMB18.6 million; and (ii) changes in working capital, which primarily comprised of (a) an increase in other payables and accruals of RMB61.9 million; (b) a decrease in prepayments, deposits and other receivables of RMB16.5 million due to the decrease in service fees incurred by the acquired online education business in 2021; and (c) an increase in trade payables of RMB4.9 million due to our cost of sales from Smart Devices and Other Accessories; partially offset by (d) an increase in inventories of RMB31.3 million in line with the trend of our sales of Smart Devices and Other Accessories; and (e) an increase in trade receivables of RMB18.6 million due to the increase in revenue from Smart Devices and Other Accessories.

Net cash (used in)/generated from investing activities

For the year ended December 31, 2023, net cash generated from investing activities was RMB108.8 million, which was primarily attributable to proceeds from sale of financial assets of RMB300.3 million and a net decrease in deposits with banks of RMB19.9 million, partially offset by payment for purchase of financials assets of RMB207.3 million.

For the year ended December 31, 2022, net cash used in investing activities was RMB40.4 million, which was primarily attributable to payment for purchase of financial assets of RMB100.0 million and an increase in deposits with banks of RMB50.2 million, and was partially offset by proceeds from disposal of a joint venture of RMB104.5 million.

For the year ended December 31, 2021, net cash used in investing activities was RMB21.9 million, which was primarily attributable to an increase in deposits with banks of RMB10.3 million and payment for purchase of financial assets of RMB7.7 million and loans to a third party of RMB5.2 million.

Net cash used in financing activities

For the year ended December 31, 2023, net cash used in financing activities was RMB29.0 million, which was primarily attributable to repayment of bank loans of RMB20.0 million and the capital element of lease rentals paid of RMB7.1 million.

For the year ended December 31, 2022, net cash used in our financing activities was RMB125.7 million, which was primarily attributable to payment for repurchase of ordinary shares and preferred shares of RMB118.4 million and the repayment of bank loans of RMB20.0 million, and was partially offset by proceeds from new bank loans of RMB20.0 million.

For the year ended December 31, 2021, net cash used in our financing activities was RMB22.1 million, which was primarily attributable to the repayment of bank loans of RMB31.8 million, and the capital element of lease rentals paid of RMB9.3 million, and was partially offset by proceeds from new bank loans of RMB20.0 million.

CONTINGENT LIABILITIES

As of December 31, 2021, 2022 and 2023 and February 29, 2024, we did not have any material contingent liabilities.

CAPITAL COMMITMENTS

During the Track Record Period and up to February 29, 2024, we had not had any material capital commitments.

CAPITAL EXPENDITURES

Our capital expenditures primarily relate to the purchase of property, plant and equipment and intangible assets for the purpose of expanding our operations. Our capital expenditures were RMB2.9 million, RMB5.2 million and RMB6.5 million for the years ended December 31, 2021, 2022 and 2023, respectively.

We intend to fund our future capital expenditures with our existing cash balance, anticipated cash flows from operations and **[REDACTED]** received from the **[REDACTED]**. For details, please refer to the section headed "Future Plans and **[REDACTED]**" in this document.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not had any off-balance sheet arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we had entered into a number of related party transactions, see note 36 to the Accountants' Report in Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period had been conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

During our conduct of business, we are exposed to various types of market risks including credit risk, liquidity risk, interest rate risk and currency risk. Details of the risks which we are exposed to are set out in note 34 to the Accountants' Report set out in Appendix I to this document.

DIVIDENDS

As of the Latest Practicable Date, we do not have any predetermined dividend payout ratio. No dividends had been declared or paid by our Company during the Track Record Period.

Subject to the Cayman Companies Act and the Articles of Association, the Company in general meetings may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. Under the Cayman Islands law, our Company may pay a dividend out of either our profits or share premium account (including share premium in the capital reserve account, if any), provided that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As advised by Campbells, our legal advisor as to Cayman Islands laws, subject to the above, there is no restriction under the Cayman Islands law for our Company to declare and pay a dividend, despite our net liabilities position. In addition, our Directors may from time to time pay such interim dividends on shares outstanding of our Company and authorize payment of the same out of the funds of our Company that are lawfully available. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board. For details, please refer to the paragraph headed "Summary of the Constitution of the Company and Cayman Companies Act — Summary of Cayman Islands Company Law and taxation — 4. Dividends and distributions" in Appendix III to this document.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, and the estimated **[REDACTED]** from the **[REDACTED]**, our directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

As of December 31, 2023, we did not have any distributable reserves. We will therefore only be able to declare dividends after all our historically accumulated losses have been made up for. Our accumulated losses and net liabilities as of December 31, 2023 were primarily attributable to changes in the carrying amount of contingently redeemable preferred shares and ordinary shares. Our redeemable preferred shares and ordinary shares issued will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares and our position of net liabilities would turn into net assets.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, **[REDACTED]** and other fees incurred in connection with the **[REDACTED]**. Based on the mid-point of the indicative **[REDACTED]** range and assuming (i) the **[REDACTED]** is not exercised; and (ii) each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme, the total estimated **[REDACTED]** expenses in relation to the **[REDACTED]** is RMB**[REDACTED]** million, representing approximately **[REDACTED]**% of the gross **[REDACTED]** from the **[REDACTED]**. The estimated **[REDACTED]** expenses consist of (i) **[REDACTED]**-related expenses (including **[REDACTED]**) of HK$**[REDACTED]** million, (ii) fees and expenses of legal advisors and reporting accountants of HK$**[REDACTED]** million and (iii) other fees and expenses of HK$**[REDACTED]** million. During the Track Record Period, **[REDACTED]** expenses of RMB**[REDACTED]** million were incurred of which RMB**[REDACTED]** million were charged to our consolidated statements of profit or loss and other comprehensive income and RMB**[REDACTED]** million were recognized to our consolidated statements of financial position. We estimate that we will further incur **[REDACTED]** expenses of RMB**[REDACTED]** million of which RMB**[REDACTED]** million will be charged to our consolidated statements of comprehensive income and RMB**[REDACTED]** million is expected to be accounted for as a deduction from equity upon the completion of the **[REDACTED]**.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

For details on unaudited **[REDACTED]** statement of adjusted net tangible assets, please refer to the section headed "Unaudited **[REDACTED]** Financial Information" set out in Appendix II to this document.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2023, being the end date of the periods reported in the Accountants' Report set out in Appendix I to this document, and there is no event since December 31, 2023 that would materially affect the information as set out in the Accountants' Report set out in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

For detailed description of our future plans, please refer to paragraph headed "Business — Our strategies" in this document.

[REDACTED]

The following table sets forth the estimate of **[REDACTED]** from the **[REDACTED]** which we are expected to receive after deduction of **[REDACTED]** and other estimated expenses paid and payable by us in connection with the **[REDACTED]**:

	Assuming the [REDACTED] is not exercised	Assuming the [REDACTED] is exercised in full
	(in millions of Hong Kong dollars)	
Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the **[REDACTED]** range stated in this document)	**[REDACTED]**	**[REDACTED]**
Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the high-end of the **[REDACTED]** range stated in this document)	**[REDACTED]**	**[REDACTED]**
Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the low-end of the **[REDACTED]** range stated in this document)	**[REDACTED]**	**[REDACTED]**

We estimate that we will receive **[REDACTED]** of HK$**[REDACTED]** (RMB**[REDACTED]**) from the **[REDACTED]** based on the **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the **[REDACTED]** range, after deducting the **[REDACTED]** and other estimated expenses paid and payable by us in connection with the **[REDACTED]** and assuming that (i) the **[REDACTED]** is not exercised; and (ii) each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme. In line with our strategies, we intend to use our **[REDACTED]** from the **[REDACTED]** for the purposes and in the amounts set forth below:

Development of our "Sequence Monkey", a multi-modal large language model

Approximately **[REDACTED]**% or HK$**[REDACTED]** (RMB**[REDACTED]**) will be used in the next three years for increasing the scale of our "Sequence Monkey", a multi-modal large language model, continuously enhancing our modeling technologies to carry out model training,

vertical optimization on our underlying foundation model and improvement on our existing program algorithm of our solutions by introducing prominent technologies and talents with continuous investment in research and development. The breakdown of the intended use of **[REDACTED]** is set out below:

- Approximately **[REDACTED]**% or HK$**[REDACTED]** (RMB**[REDACTED]**) will be allocated to expanding our computing power by renting up to 100 NVIDIA A100 GPU-based cloud servers or equivalent from server companies, such as GPU and other hardware. By way of renting instead of purchasing, we can reduce the cost of fixed assets investment and switch to high-efficient GPU and other hardware more smoothly when available. Benefiting from our investment in computing power and leveraging our multimodal AI generation capabilities, we expect the scale, versatility along with the computational accuracy of our large language model and our AI CoPilot solution matrix can be improved coherently. We will enter into long-term cooperation agreement with leading cloud server companies in return of extra computing power and data of various industry verticals. The primary type of server we will rent is NVIDIA A100 GPU-based cloud servers or equivalent, from server companies.

- Approximately **[REDACTED]**% or HK$**[REDACTED]** (RMB**[REDACTED]**) will be used to upgrade the existing program algorithm and implement our globalization strategy. We plan to recruit over 20 AI talents with an international vision and from overseas educational or research institutions, with a bachelor's degree or above in computer science, mathematics, electrical engineering or equivalent with at least three years of experience in AI and AIGC algorithm, products development or related experience in AI industry; and

- Approximately **[REDACTED]**% or HK$**[REDACTED]** (RMB**[REDACTED]**) will be allocated to enhancing our database, among which:

  — approximately **[REDACTED]**% or HK$**[REDACTED]** (RMB**[REDACTED]**) will be used to utilize data from various industry verticals through our cooperation with business partners and by adopting relatively lightweight and effective industrial vertical data with clear annotations from quality providers. By adopting industrial vertical data from quality providers and business partners, our segments including education, automobile, application scenarios for enterprise solutions will be primarily benefited; and

  — approximately **[REDACTED]**% or HK$**[REDACTED]** (RMB**[REDACTED]**) will be used by recruiting around 35 data annotation talents.

Solution development and marketing

In order to expand our market reach and enhance our marketing capabilities, approximately **[REDACTED]**% or HK$**[REDACTED]** (RMB**[REDACTED]**) will be used in the next three years, for solution development and market expansion. The breakdown of the intended use of **[REDACTED]** is set out below:

- Approximately **[REDACTED]**% or HK$**[REDACTED]** (RMB**[REDACTED]**) will be used for enhancing our global business exposure through market expansion. We are looking to expand our business into regions such as North America, Europe, Southeast Asia and Greater China, among which:

  — approximately **[REDACTED]**% or HK$**[REDACTED]** (RMB**[REDACTED]**) will be used for sales channels and placing advertisements on popular social media platforms. We believe the combination of offline and online marketing promotion strategies is crucial to achieving our strategy for further enhancing our marketing capabilities and promoting our brand image;

  — approximately **[REDACTED]**% or HK$**[REDACTED]** (RMB**[REDACTED]**) will be used for the recruitment of over 15 launching and marketing talents and their salaries and benefits. We plan to hire experienced launching and marketing personnels with a bachelor's degree or above with at least three years of experience in AI and marketing industry. The selection criteria will also be based on the personnels' abilities to communicate and negotiate in commercial sense, knowledge and expertise; and

  — in order to accommodate for the increase in number of users of our AIGC solutions and our data storage needs, approximately **[REDACTED]**% or HK$**[REDACTED]** (RMB**[REDACTED]**) will be used for cloud servers and to expand our data storage capability by renting additional 300 to 400 storage machines each year. We will continue to optimize our server utilization to align with our growth needs.

- Approximately **[REDACTED]**% or HK$**[REDACTED]** (RMB**[REDACTED]**) will be used for development of our AIGC solutions with a continuous enhancement in solution function, multi-terminal adaptation, multi-modal development and data counterattacks efficiency. We will further upgrade our one-stop content creator solutions and platforms, namely "Moyin Workshop", "Dupdub", "Mozhuan Writing", "Weta365", "Qi Miao Wen" by recruiting over 15 AI and AIGC algorithm and solution development talents worldwide and their salaries and benefits. We plan to hire experienced AI and AIGC algorithm and solution development personnels with a bachelor's or master's degree in

computer science, mathematics, electrical engineering or equivalent with at least three years of experience. The selection criteria will also be based on the personnels' analytical and problem-solving skills, knowledge and expertise.

Pursuing potential strategic alliances, investments and acquisitions

Approximately **[REDACTED]**% or HK$**[REDACTED]** (RMB**[REDACTED]**) will be allocated to pursue strategic cooperation, investments and acquisitions to implement our long-term growth strategies for solutions development in the next three years. We believe vertical collaborations or acquisitions can strengthen our competitive advantage in the industry and enhance the capabilities of our large language model with multi-modal generative capability, "Sequence Monkey".

We will acquire potential strategic partnership with leading companies in different verticals or internet giants for the purpose of (i) strengthening our competitive advantage and our market position in the AI industry and (ii) implementing our long-term growth strategies for solutions development of our Company. We believe these are synergistic to our existing solutions offerings as potential strategic partnerships will help increase users' traffic for our existing AIGC solutions and expand our AI Software Solutions to cover more business scenarios.

When selecting potential investment targets, we will consider various criteria, including (1) the target's synergy with or complement to our Group's existing solutions offerings, (2) the target's existing business portfolio, (3) potential growth and profitability of the target's business, and (4) background of the target's management team. We aim to prioritize targets in Beijing, Nanjing and Shanghai where we have a principal place of business. Our potential investment or acquisition targets primarily include small to mid-sized (typically with valuation under USD10.0 million) companies that can self-developed core technologies and solutions that have synergies with our existing solutions as we believe this can directly expand user base and increase average revenue per paying user.

As advised by CIC, our industry consultant, it is practical for AI companies to achieve synergies in terms of expanding industry verticals through strategic alliances, investments and acquisitions. There are available targets that meet the selection criteria in the market, and it is estimated that there could be over hundreds of potential strategic alliances, acquisitions and investment targets in AI and TMT industries in China that specialize in AI algorithms and models and provide commercialized solutions applied in a variety of downstream sectors. Consequently, our Directors are of the view that our selection criteria are in line with the industry practice and there are sufficient number of suitable target companies available in the market of our aforementioned expansion plan. As of the Latest Practicable Date, we had not identified or pursued any strategic investment or acquisition target.

Working capital and general corporate purposes

- Approximately **[REDACTED]**% or HK$**[REDACTED]** (RMB**[REDACTED]**) will be used for working capital and general corporate purposes in the next three years.

If the **[REDACTED]** is set at the high-end of the **[REDACTED]** range or the low-end of the **[REDACTED]** range, the **[REDACTED]** of the **[REDACTED]** will increase or decrease by approximately HK$**[REDACTED]** and HK$**[REDACTED]**, respectively. To the extent our **[REDACTED]** from the **[REDACTED]** are either more or less than expected, we will increase or decrease the intended use of our **[REDACTED]** for the above purposes on a pro rata basis.

If the **[REDACTED]** is fully exercised, our Company will receive additional **[REDACTED]** of approximately HK$**[REDACTED]** for **[REDACTED]** Shares to be allotted and issued upon the full exercise of the **[REDACTED]** based on the **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the **[REDACTED]** range, and after deducting the **[REDACTED]** paid and payable by our Company. The additional amount raised will be applied to the above areas of **[REDACTED]** on a pro-rata basis.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the **[REDACTED]** from the **[REDACTED]**.

To the extent that the **[REDACTED]** of the **[REDACTED]** are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, we only intend to place such **[REDACTED]** in short-term interest-bearing deposits with licensed banks or authorized financial institutions (as defined under the SFO or applicable laws and regulations in the PRC).

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

The following is the text of a report set out on pages I-1 to I-102, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MOBVOI INC. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Mobvoi Inc. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-102, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2021, 2022 and 2023 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended December 31, 2021, 2022 and 2023 (the "**Track Record Period**"), and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-102 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] (the "**Document**") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2021, 2022 and 2023 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 33(d) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
[***Date***]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*(Expressed in Renminbi ("**RMB**"))*

	Note	Year ended December 31,		
		2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Continuing operations				
Revenue	*4*	397,914	500,194	507,060
Cost of sales		(248,718)	(164,043)	(180,981)
Gross profit		149,196	336,151	326,079
Research and development expenses		(91,505)	(118,663)	(154,746)
Selling and marketing expenses		(105,938)	(97,120)	(150,711)
Administrative expenses		(48,701)	(55,169)	(88,987)
Other income and loss, net	*5*	35,650	7,584	24,708
Impairment losses recognized on trade receivables	*34(a)*	(461)	(1,195)	(3,885)
(Loss)/profit from operations		(61,759)	71,588	(47,542)
Finance costs	*6(a)*	(1,008)	(1,003)	(253)
Share of losses of a joint venture		(18,567)	(9,362)	—
Gain on disposal of interest in a joint venture/a subsidiary	*16*	—	28,999	773
Changes in fair value of financial assets		—	1,179	—
Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares	*29*	(98,893)	(775,084)	(753,785)
Loss before taxation from continuing operations	*6*	(180,227)	(683,683)	(800,807)
Income tax	*7(a)*	(1,753)	(1,296)	(1,795)
Loss for the year from continuing operations		(181,980)	(684,979)	(802,602)
Discontinued operations				
Loss for the year from discontinued operations	*11*	(94,316)	15,174	—
Loss for the year		(276,296)	(669,805)	(802,602)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

(Expressed in RMB)

	Note	Year ended December 31,		
		2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Other comprehensive income for the year (after tax):				
Item that will not be reclassified to profit or loss:				
Exchange differences on translation of financial statements		35,877	(195,647)	(38,803)
Items that may be reclassified subsequently to profit or loss:				
Changes in the fair value of financial assets measured at fair value through other comprehensive income		—	—	1,783
Exchange differences on translation of financial statements of overseas subsidiaries		35,272	(120,100)	(27,821)
Other comprehensive income for the year		71,149	(315,747)	(64,841)
Total comprehensive income for the year attributable to equity shareholders of the Company		(205,147)	(985,552)	(867,443)
Loss per share	*10*	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at December 31, 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*12*	2,409	1,403	2,343
Right-of-use assets	*13*	15,632	9,035	3,293
Intangible assets	*14*	2,543	4,474	5,291
Goodwill	*15*	130,660	—	—
Interest in a joint venture	*16*	77,021	—	—
		228,265	14,912	10,927
Current assets				
Inventories	*17*	123,944	94,918	66,734
Trade receivables	*18*	45,464	40,024	57,981
Prepayments, deposits and other receivables	*19*	48,237	34,368	44,484
Financial assets measured at fair value through profit or loss	*20*	7,707	124,119	34,844
Financial assets measured at fair value through other comprehensive income	*21*	—	—	47,066
Time and restricted deposits	*22*	21,081	70,903	780
Cash and cash equivalents	*23*	131,758	40,250	144,324
		378,191	404,582	396,213
Current liabilities				
Trade payables	*24*	29,535	17,694	24,552
Other payables and accruals	*25*	54,387	54,224	63,312
Contract liabilities	*26*	151,842	60,873	53,131
Bank loans	*27*	20,000	20,000	—
Lease liabilities	*28*	6,336	6,831	3,148
Contingently redeemable preferred shares and ordinary shares	*29*	3,240,626	3,536,115	4,353,833
Current taxation	*31*	1,781	1,343	975
Warranty provisions	*32*	15,423	16,467	18,479
Deferred income		—	7,800	—
		3,519,930	3,721,347	4,517,430
Net current liabilities		(3,141,739)	(3,316,765)	(4,121,217)
Total assets less current liabilities		(2,913,474)	(3,301,853)	(4,110,290)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

(Expressed in RMB)

	Note	As at December 31, 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities				
Lease liabilities	*28*	9,574	2,743	313
Other non-current liabilities	*26*	—	—	19,738
		9,574	2,743	20,051
NET LIABILITIES		(2,923,048)	(3,304,596)	(4,130,341)
CAPITAL AND RESERVES	*33*			
Share capital		138	138	138
Reserves		(2,923,186)	(3,304,734)	(4,130,479)
TOTAL DEFICIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		(2,923,048)	(3,304,596)	(4,130,341)

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

	Note	As at December 31, 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Amounts due from subsidiaries	*16(b)*	1,421,466	1,434,015	1,451,170
Investments in subsidiaries	*16(b)*	240,119	—	—
		1,661,585	1,434,015	1,451,170
Current assets				
Prepayments, deposits and other receivables		—	—	1,666
Financial assets measured at fair value through profit or loss	*20*	—	34,844	34,844
Cash and cash equivalents		1,686	429	92
		1,686	35,273	36,602
Current liabilities				
Amounts due to subsidiaries		—	1	13,471
Other payables and accruals		—	—	6,276
Contingently redeemable preferred shares and ordinary shares	*29*	3,240,626	3,536,115	4,353,833
		3,240,626	3,536,116	4,373,580
Net current liabilities		(3,238,940)	(3,500,843)	(4,336,978)
Total assets less current liabilities		(1,577,355)	(2,066,828)	(2,885,808)
NET LIABILITIES		(1,577,355)	(2,066,828)	(2,885,808)
CAPITAL AND RESERVES	*33*			
Share capital		138	138	138
Reserves		(1,577,493)	(2,066,966)	(2,885,946)
TOTAL DEFICIT		(1,577,355)	(2,066,828)	(2,885,808)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Attributable to equity shareholders of the Company						
	Share capital	Capital reserve	Share-based payments reserve	Exchange reserve	Other reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 33(b)	*Note 33(c)(i)*	*Note 33(c)(ii)*	*Note 33(c)(iii)*	*Note 33(c)(iv)*		
Balance at January 1, 2021	138	(1,249,619)	50,452	91,428	—	(1,619,948)	(2,727,549)
Changes in equity for 2021:							
Loss for the year	—	—	—	—	—	(276,296)	(276,296)
Other comprehensive income	—	—	—	71,149	—	—	71,149
Total comprehensive income	—	—	—	71,149	—	(276,296)	(205,147)
Equity settled share-based transactions	—	—	9,648	—	—	—	9,648
Balance at December 31, 2021	138	(1,249,619)	60,100	162,577	—	(1,896,244)	(2,923,048)
Balance at January 1, 2022	138	(1,249,619)	60,100	162,577	—	(1,896,244)	(2,923,048)
Changes in equity for 2022:							
Loss for the year	—	—	—	—	—	(669,805)	(669,805)
Other comprehensive income	—	—	—	(315,747)	—	—	(315,747)
Total comprehensive income	—	—	—	(315,747)	—	(669,805)	(985,552)
Repurchase of ordinary shares and preferred shares	—	586,682	—	—	—	—	586,682
Equity settled share-based transactions	—	—	17,322	—	—	—	17,322
Balance at December 31, 2022	138	(662,937)	77,422	(153,170)	—	(2,566,049)	(3,304,596)
Balance at January 1, 2023	138	(662,937)	77,422	(153,170)	—	(2,566,049)	(3,304,596)
Changes in equity for 2023:							
Loss for the year	—	—	—	—	—	(802,602)	(802,602)
Other comprehensive income	—	—	—	(66,624)	1,783	—	(64,841)
Total comprehensive income	—	—	—	(66,624)	1,783	(802,602)	(867,443)
Equity settled share-based transactions	—	—	41,698	—	—	—	41,698
Balance at December 31, 2023	138	(662,937)	119,120	(219,794)	1,783	(3,368,651)	(4,130,341)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in RMB)

	Note	Year ended December 31, 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Operating activities				
Cash (used in)/generated from operations	*23(b)*	(37,197)	74,104	30,555
Tax paid		(41)	(1,669)	(2,163)
Net cash (used in)/generated from operating activities		(37,238)	72,435	28,392
Investing activities				
Payment for the purchase of property, plant and equipment and intangible assets		(2,870)	(5,163)	(6,474)
Proceeds from sale of property, plant and equipment		68	34	91
Net (increase)/decrease in deposits with banks		(10,270)	(50,176)	19,947
Loan to a third party		(5,230)	—	—
Loans repaid by third parties		3,000	1,000	—
Interest and investment income received		1,120	2,490	5,075
Disposal of discontinued operations, net of cash disposed of	*11*	—	(5,032)	—
Proceeds from disposal of a joint venture	*16*	—	104,469	—
Disposal of a subsidiary, net of cash disposed		—	—	(2,793)
Payment for purchase of financial assets		(7,707)	(100,000)	(207,297)
Proceeds from sale of financial assets		—	11,931	300,286
Net cash (used in)/generated from investing activities		(21,889)	(40,447)	108,835

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(Expressed in RMB)

	Note	Year ended December 31,		
		2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Financing activities				
Proceeds from new bank loans	*23(c)*	20,000	20,000	—
Repayment of bank loans	*23(c)*	(31,752)	(20,000)	(20,000)
Capital element of lease rentals paid	*23(c)*	(9,299)	(6,336)	(7,065)
Interest element of lease rentals paid	*23(c)*	(462)	(486)	(234)
Borrowing costs paid		(603)	(517)	(19)
Payment for repurchase of ordinary shares and preferred shares	*29*	—	(118,398)	—
Costs paid in connection with the proposed **[REDACTED]** of the Company's shares		—	—	(1,666)
Net cash used in financing activities		(22,116)	(125,737)	(28,984)
Net (decrease)/increase in cash and cash equivalents		(81,243)	(93,749)	108,243
Cash and cash equivalents at January 1,		215,342	131,758	40,250
Effect of foreign exchange rate changes		(2,341)	2,241	(4,169)
Cash and cash equivalents at December 31	*23(a)*	131,758	40,250	144,324

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB)

1 Basis of preparation and presentation of Historical Financial Information

Mobvoi Inc. (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Act (As Revised) of the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, (together, the "**Group**") are principally engaged in rendering of Artificial Intelligence ("**AI**") software solutions and sale of smart devices and other accessories to enterprise and individual customers.

During the Track Record Period and as at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Company name	Place of incorporation and business and date of incorporation	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by the subsidiary	
Directly held					
Mobvoi HK Limited *(Note (6) and Note (8))*.	Hong Kong/ September 13, 2012	1 share	100%	—	Provision of smart devices and other accessories
Indirectly held					
Mobvoi US, LLC *(Note (2))*	USA/March 1, 2016	100 units	—	100%	Provision of smart devices and other accessories
AITech B.V. *(Note (2))* . .	Netherlands/ January 21, 2019	10,000 shares	—	100%	Holding company
HK SmartMV Limited *(Note (6) and Note (8))*.	Hong Kong/May 31, 2018	1,000,000 shares	—	100%	Provision of smart devices and other accessories

Company name	Place of incorporation and business and date of incorporation	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by the subsidiary	
Mobvoi Taiwan Corporation 台灣出門問問股份有限公司 *(Note (5) and Note (8))*	Taiwan/July 31, 2019	5,850,000 shares	—	100%	Software development
Shanghai Mobvoi Information Technology Company Limited 上海墨百意信息科技有限公司 *(Note (1), Note (3) and Note (8))*	Mainland China/ March 19, 2013	USD90,000,000	—	100%	Provision of AI Software Solutions, software development and procurement of raw materials
Shanghai Yushanzhi Information Technology Co., Ltd 上海羽扇智信息科技有限公司 *(Note (1), Note (3) and Note (8))*	Mainland China/ August 27, 2012	RMB100,000	—	100% *(Note (7))*	Product sales in China
Beijing Yushanzhi Information Technology Company Limited 北京羽扇智信息科技有限公司 *(Note (1), Note (4) and Note (8))*	Mainland China/ March 26, 2014	RMB1,000,000	—	100%	Provision of smart devices and other accessories
Mobvoi Information Technology Company Limited 出門問問信息科技有限公司*(Note (1), Note (4) and Note (8))*.	Mainland China/ March 13, 2017	USD10,000,000	—	100%	Provision of AI Software Solutions, software development

Company name	Place of incorporation and business and date of incorporation	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by the subsidiary	
WWZN Information Technology Company Limited 問問智能信息科技有限公司*(Note (1), Note (4) and Note (8))*	Mainland China/ January 4, 2018	USD10,000,000	—	100%	Manufacturing of smart devices and other accessories
Shenzhen WWZN Information Technology Company Limited 深圳問問智能信息科技有限公司 *(Note (1), Note (3) and Note (8))* .	Mainland China/ June 5, 2018	RMB1,000,000	—	100%	Provision of smart devices and other accessories
Wuhan WWZN Information Technology Company Limited 武漢問問智能信息科技有限公司 *(Note (1), Note (3) and Note (8))* .	Mainland China/ August 6, 2018	RMB5,000,000	—	100%	Provision of smart devices and other accessories
Beijing Xiaowen Intelligence Technology Co., Ltd 北京小問智能科技有限公司 *(Note (1)* and *Note (4))*	Mainland China/ April 25, 2018	RMB1,000,000	—	100% *(Note (7))*	Product sales in China
Shenzhen Xiaowen Intelligence Technology Co., Ltd 深圳小問智能科技有限公司*(Note (1)* and *Note (2))*	Mainland China/ June 5, 2018	RMB1,000,000	—	100% *(Note (7))*	Product sales in China

Company name	Place of incorporation and business and date of incorporation	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by the subsidiary	
Nanjing Xiaowen Intelligence Technology Co., Ltd 南京小問智能科技有限公司 *(Note (1), Note (3) and Note (8))*	Mainland China/ May 14, 2021	RMB1,500,000	—	100% *(Note (7))*	Provision of AI Software Solutions
Wuhan Xiaowen Intelligence Technology Co., Ltd 武漢小問智能科技有限公司 *(Note (1) and Note (2))*	Mainland China/ August 8, 2018	RMB1,000,000	—	100%	Service sales in China
Mobvoi (Suzhou) Information Technology Company Limited 出門問問(蘇州)信息科技有限公司 *(Note (1), Note (3) and Note (8))* .	Mainland China/ September 27, 2018	RMB3,000,000	—	100%	AIGC technologies development
Mobvoi (Wuhan) Information Technology Company Limited 出門問問(武漢)信息科技有限公司 *(Note (1), Note (3) and Note (8))* .	Mainland China/ April 28, 2018	USD5,000,000	—	100%	Software development
Mobvoi Innovation Technology Company Limited 出門問問創新科技有限公司 *(Note (1), Note (3) and Note (8))* .	Mainland China/ November 17, 2020	USD5,000,000	—	100%	Provision of AI Software Solution and smart devices and other accessories

Company name	Place of incorporation and business and date of incorporation	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by the subsidiary	
Mobvoi Pte. Ltd. *(Note (2))*	Singapore/ October 25, 2022	200,000 shares	—	100%	Provision of AI Software Solutions

Notes:

1. The official name of this entity is in Chinese. The English name is for identification purpose only. The company was registered as a wholly foreign-owned enterprise under the People's Republic of China (the "**PRC**") Law.

2. No audited statutory financial statements for the years ended December 31, 2021, 2022 and 2023 of these entities have been prepared.

3. The statutory financial statements of this entity for year ended December 31, 2021 were audited by Beijing Dongshen Dingli International Accounting Firm Co., Ltd. (北京東審鼎立國際會計師事務所有限責任公司, the "**Dongshen Dingli**"), and for year ended December 31, 2022 were audited by Dongshen Certified Public Accountants (北京東審會計師事務所 (特殊普通合夥), the "**Dongshen CPA**"), respectively.

4. The statutory financial statements of this entity for years ended December 31, 2021 and 2022 were audited by Dongshen Dingli.

5. The official name of this entity is in Chinese. The English name is for identification purpose only. The statutory financial statements of this entity for the years ended December 31, 2021 and 2022 were audited by Chenye United Certified Public Accountants (宸業聯合會計師事務所).

6. The statutory financial statements of this entity for years ended December 31, 2021 and 2022 were audited by Bright Brilliance CPA Limited (宏信會計師事務所有限公司).

7. The Group accounted Shanghai Yushanzhi Information Technology Co., Ltd. ("**Shanghai Yushanzhi**"), Beijing Xiaowen Intelligence Technology Co., Ltd. ("**Beijing Xiaowen**"), and Nanjing Xiaowen Intelligence Technology Co., Ltd. ("**Nanjing Xiaowen**") as subsidiaries through contractual arrangements during the Track Record Period. In 2021, our Group entered into a series of contractual arrangements with Beijing Xiaowen, pursuant to which our Group had effective control over the financial and operational matters of Beijing Xiaowen and was entitled to all the economic benefits derived from Beijing Xiaowen, and accordingly, Beijing Xiaowen, together with its subsidiary Shenzhen Xiaowen Intelligence Technology Co., Ltd ("**Shenzhen Xiaowen**"), were consolidated into our Group as variable interest entities. In March and May 2023, the Company terminated the aforesaid contractual arrangements with Shanghai Yushanzhi, Nanjing Xiaowen and Beijing Xiaowen, respectively. Shanghai Yushanzhi and Nanjing Xiaowen became wholly owned subsidiaries of the Group through acquisition of 100% equity interest. Beijing Xiaowen and Shenzhen Xiaowen were then deconsolidated from our Group. The consideration received from the termination of these arrangements amounted to RMB100,000.

8. No statutory financial statements for the year ended December 31, 2023 have been prepared for this entity.

All companies now comprising the Group have adopted December 31, as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board ("**IASB**"). Further details of the material accounting policies adopted are set out in Note 2.

The IASB has issued a number of revised accounting standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised accounting standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2023. The revised accounting standards issued but not yet effective for the accounting year beginning on January 1, 2023 are set out in Note 39.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

As at December 31, 2021, 2022 and 2023, the Group had net current liabilities of RMB3,141,739,000, RMB3,316,765,000 and RMB4,121,217,000, respectively, which is primarily due to the classification of the preferred shares and ordinary shares with redemption right (see Note 29) as current liabilities. The preferred rights will be automatically waived upon the **[REDACTED]** of the Company and the preferred shares and ordinary shares will then be reclassified from liabilities to equity. The directors have reviewed the Group's cash flow projections, which cover a period of at least twelve months from December 31, 2023. Notwithstanding the net current liabilities as at December 31, 2021, 2022 and 2023, the directors of the Company consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

2 Material accounting policy information

(a) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and contingently redeemable preferred shares and ordinary shares as explained in the accounting policies below.

(b) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the

investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(f) and (j)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the ECL model to such other long-term interests where applicable (see note 2(j)(i)).

Unrealized profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see note 2(j)).

(e) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognized/derecognized on the date the group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through

profit or loss (FVPL) for which transaction costs are recognized directly in profit or loss. For an explanation of how the group determines fair value of financial instruments, see note 34(e). These investments are subsequently accounted for as follows, depending on their classification.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income.

Debt investments are classified as fair value through other comprehensive income ("**FVOCI**"), if the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale and the contractual cash flows of the investment comprise solely payments of principal and interest. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(j)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)):

— right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

— items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(i)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(w)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognized in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Office and other equipment	3–5 years
— Electronic equipment	3 years
— Leasehold improvement	shorter of the lease term and 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(w)). Capitalized development costs are stated at cost less accumulated amortization and impairment losses (see note 2(j)). Other development expenditure is recognized as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 2(j)). Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

— Software and others 1–5 years

Both the period and method of amortization are reviewed annually.

Intangible assets are not amortized while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite lives as set out above.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contracts contain lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(g) and 2(j)(ii)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortized cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortized cost (including cash and cash equivalents, trade receivables and other receivables which are held for the collection of contractual cash flows which represent solely payments of principal and interest);

Other financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

— loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognized in accordance with note 2(u)(ii)(a) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets;

— intangible assets;

— goodwill; and

— investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

— Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(k) Inventories and other contract costs

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

A right to recover returned goods is recognized for the right to recover products from customers sold with a right of return. It is measured in accordance with the policy set out in note 2(u)(i)(b).

The Group takes advantage of practical expedient in paragraph 94 of IFRS 15 and recognize the incremental costs of obtaining a contract as an expense if the amortization of the asset is less than one year.

(l) Contract assets and contract liabilities

A contract asset is recognized when the Group recognizes revenue (see note 2(u)(i)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(m)).

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see note 2(u)(i)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see note 2(m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(m) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(l)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost, using the effective interest method and including an allowance for credit losses (see note 2(j)(i)).

Insurance reimbursement is recognized and measured in accordance with note 2(t)(i).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(j)(i).

(o) Trade and other payables

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

Refund liabilities arising from rights of returns and volume rebates are recognized in accordance with the policy set out in note 2(t)(i).

(p) Share capital

Ordinary shares are classified as equity, except for the contingently redeemable ordinary shares with redemption features. See Note 2(aa) for the accounting policy on contingently redeemable preferred shares and ordinary shares.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see note 2(w)).

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in share-based payment reserve. The fair value is measured at grant date using the Binomial option pricing model ("**Binomial Model**"), taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based payment reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognized in the share-based payment reserve until either the option is exercised (when it is included in the amount recognized in share capital and share premium for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same

taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(t) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognized for any expected reimbursement that would be virtually certain. The amount recognized for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognizes revenue on a gross basis, including the sale of electronic products that are sourced externally. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

(i) Revenue from contracts with customers

The principal activities of the Group are providing AI software solutions ("**AI Software Solutions**") and sale of smart devices ("**Smart Devices and Other Accessories**"). AI Software Solutions mainly include making use of AI technologies to assist users in content generation ("**AIGC solutions**") and innovative full-stack AI solutions to enterprise customers ("**AI enterprise solutions**"). Smart Devices and Other Accessories include the sale of smart devices.

Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

(a) AI Software Solutions

AI Software Solutions include AIGC solutions and AI enterprise solutions.

AIGC solutions

The Group uses AI technologies to assist users to generate content, such as news articles, social media posts and marketing materials. The revenue of AIGC solutions is recognized at a point of time when the customers accept the deliverables, or is recognized over time as the Group provides continuing services to the users during the member subscription period. The proceeds from member subscription fees are initially recorded as contract liabilities and are recognized as revenue ratably over the member subscription period.

AI enterprise solutions

The Group provides AI enterprise solutions to customers, including the design of artificial intelligence solution, delivery of software products, software licensing and integration of products and software. The revenue of AI enterprise solutions is recognized at a point of time when the customers accept the deliverables or when the customers obtain the control of the products and solutions, or is recognized over time as the Group provides continuing services to the enterprise customers during the service period. A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue.

(b) Sale of Smart Devices and Other Accessories

Revenue is recognized when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

The Group offers warranties for its products for 12 to 24 months from the date of sale. A related provision is recognized in accordance with the policy set out in note 2(t)(i).

The Group typically offers customers of Smart Devices and Other Accessories that are not made-to-order rights of return for a period of 7 or 30 days upon customer acceptance. It also offers retrospective volume rebates to certain major customers of electronic products when their purchases reach an agreed threshold. Such rights of return and volume rebates give rise to variable consideration. The Group uses an expected value approach to estimate variable consideration based on the Group's current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of smart devices, the Group recognizes revenue after taking into account adjustment to transaction price arising from returns and rebates as mentioned above. A right to recover returned goods (included in finished goods of inventories, see Note 17) and corresponding adjustment to cost of sales are also recognized for the right to recover products from customers. This right to recover returned goods is measured at the former carrying amount of the inventory less any expected costs to recover goods (including potential decreases in the value of the returned goods).

If the products are a partial fulfillment of a contract covering other goods and/or services, then the amount of revenue recognized is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis except when a variable consideration is allocated to a specific performance obligation in the contract. Generally, the Group establishes standalone selling prices with reference to the observable prices of products or services sold separately in comparable circumstances to similar customers.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognized as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortized cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(j)(i)).

(b) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized as deferred income and subsequently recognized in profit or loss on a systematic basis over the useful life of the asset.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognized in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned. Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss and other comprehensive income, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(aa) Contingently redeemable preferred shares and ordinary shares

The Company issued several series of redeemable preferred shares to investors. The instrument holders have the right to require the Company to redeem some or all of the preferred shares held by the holders upon certain redemption events, which are not all within the control of the Company. The Company also became obliged to buy back its ordinary shares upon the occurrence of certain specified contingent events which are not within its control in 2020. The Company recognized the financial liabilities for its obligations to buy back its ordinary shares and preferred shares upon the occurrence of contingent events.

The financial liabilities arising from the redemption obligations are measured at the present values of the redemption amounts. Any changes in the carrying amounts of the contingently redeemable preferred shares and ordinary shares for redemption obligations, except for those changes arising from transactions between the Company and its shareholders in their capacity as owners, were recognized in profit or loss as "changes in the carrying amount of contingently redeemable preferred shares and ordinary shares".

The contingently redeemable preferred shares and ordinary shares were classified as current liabilities as some of the redemption events could occur anytime. Upon the closing of a qualified **[REDACTED]** of the Company, the redemption obligation related to the financial liabilities will expire and the redeemable preferred shares will be automatically converted into ordinary shares of the Company. The financial liabilities will be reclassified from liabilities to equity with no gain or loss.

3 Accounting judgments and estimates

Notes 15 and 34 contain information about the assumptions and their risk factors relating to valuation of goodwill impairment and measurement of ECL allowance for trade receivables. Other significant sources of estimation uncertainty and accounting judgments are as follows:

(i) Share-based compensation arrangement and its fair value measurement

The Group has set up share option schemes and granted options to employees. For equity-settled share award schemes, the fair value of the options at the grant date are determined by using Binomial Model and is expected to be expensed over the respective vesting period. Significant estimate on assumptions, including underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the directors and an independent third-party valuer.

(ii) Control assessment over other entities through Contractual Arrangements or other arrangements

The Group has a number of involvements with other entities through contractual or other arrangements.

In particular, as disclosed in Note 1, the Group accounted certain entities as subsidiaries through Contractual Arrangements.

The Group considers that it controls these entities through Contractual Arrangements, notwithstanding the fact that it does not hold any direct interest in these entities, as it has power over the financial and operating policies of these entities and receive substantially all of the benefits from the business activities of these entities through Contractual Arrangements.

Accordingly, these entities have been accounted as subsidiaries during the years ended December 31, 2021, 2022 and 2023. However, uncertainties in the present legal system in the PRC could limit the Group's ability to enforce the PRC Contractual Arrangements. Significant judgment is involved in determining whether the Group can exercise control over these entities.

Nevertheless, the directors of the Company, after receiving advice from the PRC Legal Advisor, considered that the PRC Contractual Arrangements are in compliance with the applicable laws and regulations and are legal and valid.

4 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are providing AI Software Solutions and sale of Smart Devices and Other Accessories. AI Software Solutions mainly include making use of AIGC solutions and innovative full-stack AI enterprise solutions. Smart Devices and Other Accessories include the sale of smart devices. Further details regarding the Group's principal activities are disclosed in note 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15			
Disaggregated by major products or service lines			
AI Software Solutions			
— AIGC solutions	6,822	39,857	117,605
— AI enterprise solutions	52,697	263,031	225,642
Smart Devices and Other Accessories	338,395	197,306	163,813
	397,914	500,194	507,060

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 4(b)(i) and 4(b)(iii) respectively.

During the Track Record Period, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective years are as follows. Details of concentrations of credit risk of the Group are set out in Note 34(a).

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Automotive Sub A	*	212,956	138,752
Customer A	95,748	65,900	59,523

* *Less than 10% of the revenue of the respective year*

During the year ended December 31, 2021, the Group entered into an agreement with a subsidiary of Automotive Corporation Group ("**Automotive Sub A**"), pursuant to which the Group agreed to grant a co-ownership of certain intellectual property rights to Automotive Sub A and deliver some other related deliverables and technical trainings to Automotive Sub A. The consideration was allocated into each different and separate deliverable or performance obligation which were identified from the agreement based on their fair value. The Group recognizes revenue upon fulfillment of performance obligations.

The Group has also applied the practical expedient in paragraph 121(a) of IFRS 15 and does not disclose remaining performance obligations as all of the Group's sales contracts have an original expected duration of one year or less.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB19,738,000 (2021 and 2022: RMBNil). This amount represents revenue expected to be recognised in the future from sales contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when performance obligations are satisfied which is expected to occur over the next 12 to 24 months.

The Group has also applied the practical expedient in paragraph 121(a) of IFRS 15 and to its sales contracts such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales that had an original expected duration of one year or less.

(b) Segment reporting

The Group manages its businesses by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("**CODM**") for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- AI Software Solutions: this segment includes AI enterprise solutions and AIGC solutions.

  AI enterprise solutions: this segment includes innovative full-stack AI-based solutions primarily to enterprise customers; and

  AIGC solutions: this segment includes the use of AI technologies to assist users to generate content.

- Smart Devices and Other Accessories: this segment includes the sale of smart devices;

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those. The measure used for reporting segment result is gross profit.

The Group's CODM monitors the Group's assets and liabilities as a whole, accordingly, no segment assets and liabilities information is presented.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2021, 2022 and 2023 is set out below.

	For the year ended December 31, 2021			
	AI Software Solutions		Smart Devices and Other Accessories	Total
	AIGC solutions	AI enterprise solutions		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	—	41,681	338,395	380,076
Over time	6,822	11,016	—	17,838
Revenue from external customers and reportable segment revenue	6,822	52,697	338,395	397,914
Reportable segment gross profit	4,695	32,656	111,845	149,196

	For the year ended December 31, 2022			
	AI Software Solutions		Smart Devices and Other Accessories	Total
	AIGC solutions	AI enterprise solutions		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	—	248,282	197,306	445,588
Over time	39,857	14,749	—	54,606
Revenue from external customers and reportable segment revenue	39,857	263,031	197,306	500,194
Reportable segment gross profit	35,094	249,054	52,003	336,151

	For the year ended December 31, 2023			
	AI Software Solutions		Smart Devices and Other Accessories	Total
	AIGC solutions	AI enterprise solutions		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	12,364	212,939	163,813	389,116
Over time	105,241	12,703	—	117,944
Revenue from external customers and reportable segment revenue	117,605	225,642	163,813	507,060
Reportable segment gross profit	108,384	182,517	35,178	326,079

(ii) Reconciliations of reportable segment results

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment adjusted gross profit	149,196	336,151	326,079
Research and development expenses	(91,505)	(118,663)	(154,746)
Selling and marketing expenses	(105,938)	(97,120)	(150,711)
Administrative expenses	(48,701)	(55,169)	(88,987)
Other income and loss, net	35,650	7,584	24,708
Impairment losses recognized on trade receivables	(461)	(1,195)	(3,885)
Finance costs	(1,008)	(1,003)	(253)
Share of losses of a joint venture	(18,567)	(9,362)	—
Gain on disposal of interest in a joint venture/a subsidiary	—	28,999	773
Changes in fair value of financial assets	—	1,179	—
Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares	(98,893)	(775,084)	(753,785)
Loss before taxation from continuing operations	(180,227)	(683,683)	(800,807)

(iii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

	Revenues from external customers		
	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Mainland China	97,191	290,944	328,512
The United States	73,683	55,372	34,600
Italy	50,458	23,756	13,754
Other countries or regions	176,582	130,122	130,194
	397,914	500,194	507,060

5 Other income and loss, net

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Government grants	34,232	8,941	19,748
Interest income	767	2,490	3,896
Net foreign exchange loss	(2,545)	(4,994)	(1,474)
Value added tax and other tax refund	1,215	380	1,148
Others	1,981	767	1,390
	35,650	7,584	24,708

6 Loss before taxation

(a) Finance costs

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans	603	517	19
Interest on lease liabilities	405	486	234
	1,008	1,003	253

(b) Staff costs

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	134,812	153,952	172,727
Equity-settled share-based payment expenses *(note 30)*	9,648	17,322	41,698
	144,460	171,274	214,425

(c) Other items

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge			
— property, plant and equipment	1,828	630	956
— right-of-use assets	4,881	6,597	6,694
Amortization cost of intangible assets	2,107	2,389	3,500
Impairment losses recognized			
— trade receivables	461	1,195	3,885
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Auditors' remuneration			
— audit services	178	165	182
Increase in warranty	6,048	1,044	2,012

7 Income tax in the consolidated statements of profit or loss and other comprehensive income

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represent:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
Provision for the year/period	1,789	1,700	1,795
Over-provision in respect of prior years	(36)	(404)	—
	1,753	1,296	1,795

Notes:

(i) Under the PRC Income Tax Laws, an enterprise which qualifies as a High and New Technology Enterprise ("**HNTE**") is entitled to a preferential tax rate of 15% provided it continues to meet HNTE qualification standards on an annual basis.

Beijing Yushanzhi Information Technology Company Limited and Wenwen Smart Information Technology Company Limited qualify as an HNTE and is entitled for a preferential tax rate of 15% from 2020 to 2025. Mobvoi Information Technology Company Limited qualifies as an HNTE and is entitled for a preferential tax rate of 15% from 2021 to 2023. Mobvoi Innovation Technology Company Limited qualifies as an HNTE and is entitled for a preferential tax rate of 15% from 2022 to 2024. In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries are also entitled to an additional tax deductible allowance calculated at 100% of their qualified research and development costs incurred in corresponding period, other subsidiaries are entitled to an additional tax deductible allowance calculated at 75% of their qualified research and development costs incurred before October 1, 2022, and at 100% of qualified research and development costs incurred from October 1, 2022.

All other PRC subsidiaries of the Group are subject to the statutory enterprise income tax rate of 25%.

(ii) The Company was incorporated in the Cayman Islands and it is tax exempted under the tax laws of the Cayman Islands.

(iii) The provision for Hong Kong Profits Tax for the Track Record Period is calculated at 16.5% of the estimated assessable profits for the year, except for two subsidiaries of the Group which are under the two-tiered profits tax rate regime, i.e. the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

(iv) Mobvoi US, LLC is a Washington corporation that is subject to U.S. corporate income tax on its taxable income at a rate of up to 24.53% for the Track Record Period.

(v) Mobvoi Taiwan Corporation is a Taipei corporation that is subject to corporate income tax of Taiwan on its taxable income at a rate of up to 20% for the Track Record Period.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Loss for the year from continuing operations	(180,227)	(683,683)	(800,807)
Tax at the PRC income tax rate of 25%	(45,057)	(170,921)	(200,202)
Tax effects of:			
— additional deduction on research and development expenses	(11,162)	(15,467)	(39,220)
— preferential tax rate	2,211	(4,073)	(3,321)
— different tax rates of foreign jurisdictions	26,223	134,268	208,443
— non-deductible expenses	185	256	686
— utilization of tax losses and deductible temporary difference previously not recognized	(4,032)	(16,628)	(27,547)
— tax losses and deductible temporary difference not recognized	33,421	74,265	62,956
— over provision in respect of prior years	(36)	(404)	—
Actual tax expense	1,753	1,296	1,795

8 Directors' emoluments

Details of emoluments of directors are as follows:

	Year ended December 31, 2021				
	Equity-settled share-based payment expenses	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Dr. LI Zhifei	713	432	120	139	1,404
Ms. LI Yuanyuan	713	432	144	139	1,428
Ms. WANG Qiong *(note iv)*	—	—	—	—	—
Mr. ZHENG Qingsheng *(note v)*	—	—	—	—	—
Mr. BAI Da *(note vi)*	—	—	—	—	—
Ms. K. Kozuki *(note vii)*	—	—	—	—	—
Mr. SOH Wei Ming *(note ii)*	—	—	—	—	—
Mr. Bernd Averes *(note iii)*	—	—	—	—	—
	1,426	864	264	278	2,832

	Year ended December 31, 2022				
	Equity-settled share-based payment expenses	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Dr. LI Zhifei	779	553	—	210	1,542
Ms. LI Yuanyuan	779	569	—	210	1,558
Ms. WANG Qiong *(note iv)*	—	—	—	—	—
Mr. ZHENG Qingsheng *(note v)*	—	—	—	—	—
Mr. BAI Da *(note vi)*	—	—	—	—	—
Ms. K. Kozuki *(note vii)*	—	—	—	—	—
Mr. Bernd Averes *(note iii)*	—	—	—	—	—
	1,558	1,122	—	420	3,100

	Year ended December 31, 2023				
	Equity-settled share-based payment expenses	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Dr. LI Zhifei	5,792	553	—	198	6,543
Ms. LI Yuanyuan	5,792	541	—	163	6,496
Ms. WANG Qiong *(note iv)*	—	—	—	—	—
Mr. ZHENG Qingsheng *(note v)*	—	—	—	—	—
Mr. BAI Da *(note vi)*	—	—	—	—	—
Ms. K. Kozuki *(note vii)*	—	—	—	—	—
	11,584	1,094	—	361	13,039

Notes:

(i) Mr. Chen Yilyu, Prof. Lu Yuanzhu and Mr. Yang Zhe were appointed as independent non-executive directors of the Company on May 17, 2023, May 23, 2023 and March 30, 2024, respectively.

(ii) Mr. SOH Wei Ming was appointed as a director of the Company on March 30, 2017 and resigned as a director of the Company on March 1, 2021.

(iii) Mr. Bernd Averes was appointed as a director of the Company on March 1, 2021 and resigned as a director at September 28, 2022.

(iv) Ms. WANG Qiong was appointed as a director of the Company on December 6, 2013 and resigned as a director at May 12, 2023.

(v) Mr. ZHENG Qingsheng was appointed as a director of the Company on January 28, 2015 and resigned as a director at May 22, 2023.

(vi) Mr. BAI Da was appointed as a director of the Company on July 8, 2019 and resigned as a director at May 16, 2023.

(vii) Ms. K. Kozuki was appointed as a director of the Company on August 18, 2019 and resigned as a director at April 21, 2023.

(viii) During the Track Record Period, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Group a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two, two, and two are directors for each of the years ended December 31, 2021, 2022 and 2023, respectively, whose emoluments are disclosed in Note 8. The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	2,446	2,611	4,428
Discretionary bonuses	556	155	—
Share-based payments	1,546	1,082	9,597
Retirement scheme contributions	133	162	25
	4,681	4,010	14,050

The number of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	Year ended December 31,		
	2021	2022	2023
	Number of individuals	*Number of individuals*	*Number of individuals*
HK$1,000,001–HK$1,500,000	1	1	—
HK$1,500,001–HK$2,000,000	1	2	—
HK$2,000,001–HK$2,500,000	1	—	—
HK$2,500,001–HK$3,000,000	—	—	1
HK$3,500,001–HK$4,000,000	—	—	1
HK$9,500,001–HK$10,000,000	—	—	1

10 Loss per share

No loss per share information is presented as its inclusion for the purpose of this report is not considered to be meaningful in view of the capital structure of the Group.

11 Discontinued operations

In September 2020, the Group entered into share purchase agreements with the shareholders of Geekstar Technology Development (Cayman) Co., Ltd. ("**Geekstar**") and Zhixue Education Holdings Limited ("**Zhixue**") to acquire 100% equity interest in Geekstar and Zhixue by issuance of 276,054,000 ordinary shares of the Company in total to the shareholders of Geekstar and Zhixue. The fair value of the ordinary shares issued was RMB256,479,000. On September 30, 2020 ("**Acquisition Date**"), the Group obtained the control over Geekstar and Zhixue. Geekstar is principally engaged in the provision of coding training services for children, and Zhixue is principally engaged in the provision of technology-enabled English language training. As a result of the acquisition, the Group is expected to empower the training industry with AI technologies. As disclosed in note 29, the newly issued shares were with redemption features and as a result were classified as contingently redeemable preferred and ordinary shares. There were no material acquisition-related costs incurred.

During the year of 2021, the training industry was adversely affected by the government policies. Management conducted a review on the carrying amounts of Geekstar and Zhixue cash generating units and recognized impairment losses on goodwill based on the estimated recoverable amounts. Further details are set out in note 15.

On February 24, March 25, 2022 ("**Disposal Dates**"), in view of the continuously negative impact of government policies on training industry, the Company disposed 60% of its shares and lost control in Geekstar and disposed 100% of its shares in Zhixue, respectively, in exchange for the repurchase of all shares of the Company held by some of the original shareholders of the Geekstar and Zhixue.

According to the Group's accounting policy, the financial results of Geekstar and Zhixue were classified as discontinued operations during the Track Record Period. The results of Geekstar and Zhixue were separately presented on the consolidated statement of profit or loss and other comprehensive income.

The retained 40% shares in Geekstar held by the Company was recorded in financial assets measured at fair value through profit or loss because the Company did not have significant influence on Geekstar.

Results of discontinued operations

	2021	2022
	RMB'000	*RMB'000*
Revenue	61,457	531
Cost of sales	(12,428)	(681)
Gross profit	49,029	(150)
Other income and loss, net	(111)	99
Selling and marketing expenses	(57,770)	(2,619)
Administrative expenses	(44,398)	(651)
Impairment loss of goodwill	(33,792)	—
Impairment loss on trade receivables and other receivables	(7,243)	(815)
Changes in fair value of financial assets	27	—
Loss from operations	(94,258)	(4,136)
Finance costs	(58)	—
Gain on sale of discontinued operations	—	19,310
(Loss)/profit for the year from discontinued operations	(94,316)	15,174

Cash used in discontinued operations

	2021	2022
	RMB'000	*RMB'000*
Net cash used in operating activities	(40,162)	(963)
Net cash used in investing activities	(7,707)	—
Net cash used in financing activities	(4,533)	—
Net cash flows for the year	(52,402)	(963)

Effect of disposal of Geekstar and Zhixue on the financial position of the Group

	At Disposal Dates
	RMB'000
Property, plant and equipment	594
Intangible assets	198
Prepayments, deposits and other receivables	2,514
Financial assets measured at fair value through profit or loss	7,707
Cash and cash equivalents	5,032
Current taxation	(65)
Trade payables	(103)
Other payables and accruals	(10,521)
Contract liabilities	(11,891)
Net liabilities	(6,535)
Cash and cash equivalents disposed of	(5,032)
Net cash outflows	(5,032)

12 Property, plant and equipment

Reconciliation of carrying amount

	Office and other equipment	Electronic equipment	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At January 1, 2021	3,155	10,596	209	13,960
Exchange adjustments	(5)	(3)	—	(8)
Additions	259	284	749	1,292
Disposals	(180)	(634)	(209)	(1,023)
At December 31, 2021 and at January 1, 2022	3,229	10,243	749	14,221
Disposal of subsidiaries *(note 11)*	(848)	(697)	—	(1,545)
Exchange adjustments	(7)	(5)	—	(12)
Additions	4	586	38	628
Disposals	(37)	(253)	—	(290)

	Office and other equipment	Electronic equipment	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2022 and at January 1, 2023	2,341	9,874	787	13,002
Disposal of a subsidiary	—	(234)	—	(234)
Exchange adjustments	10	7	—	17
Additions	—	2,068	35	2,103
Disposals	—	(1,004)	—	(1,004)
At December 31, 2023	2,351	10,711	822	13,884
Accumulated depreciation:				
At January 1, 2021	(1,636)	(8,384)	(145)	(10,165)
Exchange adjustments	4	2	—	6
Charge for the year	(766)	(1,709)	(152)	(2,627)
Written back on disposals	136	630	208	974
At December 31, 2021 and at January 1, 2022	(2,262)	(9,461)	(89)	(11,812)
Disposal of subsidiaries *(note 11)*	389	562	—	951
Exchange adjustments	6	4	—	10
Charge for the year	(294)	(461)	(275)	(1,030)
Written back on disposals	37	245	—	282
At December 31, 2022 and at January 1, 2023	(2,124)	(9,111)	(364)	(11,599)
Disposal of a subsidiary	—	51	—	51
Exchange adjustments	(10)	(7)	—	(17)
Charge for the year	(76)	(605)	(275)	(956)
Written back on disposals	—	980	—	980
At December 31, 2023	(2,210)	(8,692)	(639)	(11,541)
Net book value:				
At December 31, 2021	967	782	660	2,409
At December 31, 2022	217	763	423	1,403
At December 31, 2023	141	2,019	183	2,343

13 Right-of-use assets

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At January 1,	16,649	19,210	19,210
Additions	18,729	—	952
Early termination of lease term	(16,168)	—	—
Expiration of lease term	—	—	(1,942)
At December 31	19,210	19,210	18,220
Accumulated depreciation:			
At January 1,	(5,003)	(3,578)	(10,175)
Charge for the year	(9,012)	(6,597)	(6,694)
Early termination of lease term	10,437	—	—
Expiration of lease term	—	—	1,942
At December 31	(3,578)	(10,175)	(14,927)
Net book value:			
At December 31	15,632	9,035	3,293

The right-of-use assets represented properties leased for own use. The additions to right-of-use assets primarily related to capitalized lease payments payable under new tenancy agreements. None of the leases include variable lease payments.

The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets of buildings	9,012	6,597	6,694
Interest on lease liabilities	462	486	234
Expenses relating to short-term leases	974	1,398	1,834

Total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 23(d) and 28, respectively.

14 Intangible assets

	Software and others
	RMB'000
Cost:	
At January 1, 2021	6,986
Exchange adjustments	(2)
Additions	1,580
At December 31, 2021 and January 1, 2022	8,564
Disposal of subsidiaries *(note 11)*	(214)
Exchange adjustments	(3)
Additions	4,536
At December 31, 2022 and January 1, 2023	12,883
Exchange adjustments	4
Additions	4,317
At December 31, 2023	17,204
Accumulated amortization:	
At January 1, 2021	(3,863)
Exchange adjustments	2
Charge for the year	(2,160)
At December 31, 2021 and January 1, 2022	(6,021)
Disposal of subsidiaries *(note 11)*	16
Exchange adjustments	3
Charge for the year	(2,407)
At December 31, 2022 and January 1, 2023	(8,409)
Exchange adjustments	(4)
Charge for the year	(3,500)
At December 31, 2023	(11,913)
Net book value:	
At December 31, 2021	2,543
At December 31, 2022	4,474
At December 31, 2023	5,291

The amortization charge for the year is included in "Cost of sales", "Research and development expenses" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

15 Goodwill

	RMB'000
Cost:	
At January 1, 2021, December 31, 2021 and January 1, 2022	164,452
Disposals	(164,452)
At December 31, 2022 and 2023	—
Accumulated impairment losses:	
At January 1, 2021	—
Impairment loss	(33,792)
At December 31, 2021 and January 1, 2022	(33,792)
Disposals	33,792
At December 31, 2022 and 2023	—
Carrying amount:	
At December 31, 2021	130,660
At December 31, 2022	—
At December 31, 2023	—

The goodwill of the Group arose from the acquisition of Geekstar and Zhixue as disclosed in Note 11.

Impairment tests for cash-generating units containing goodwill

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Provision of online education services	130,660	—	—

The recoverable amount of the CGU is determined based on fair value less cost of disposal. Fair value is the price that would be received to sell the CGU in an orderly transaction between market participants at the measurement date. The pre-tax discount rate is 21% as of December 31, 2021.

An impairment loss of RMB33,792,000 was recognized in "loss from discontinued operations" during the year ended December 31, 2021 as disclosed in note 11.

16 Interest in a joint venture and subsidiaries

(a) Interest in a joint venture

The Group

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Interest in a joint venture	77,021	—	—

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

				Proportion of ownership interest (2020-2021)		
Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary
Mobvoi JV	Incorporated	The PRC	USD 80,000,000	50%	—	50%

The joint venture of the Company ("**Mobvoi JV**") was established by the Group with Automotive Sub A in 2017. The Group initially held 50% equity interest of Mobvoi JV.

In March 2022, the Group transferred all its shares in Mobvoi JV to Automotive Sub A for a cash consideration of USD15,000,000 and recognized a net gain on the disposal amounting to RMB28,999,000.

Mobvoi JV, the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

Summarized financial information of Mobvoi JV adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	As at December 31, 2021
	RMB'000
Gross amounts of Mobvoi JV	
Current assets	97,280
Non-current assets	106,780
Current liabilities	(35,487)
Non-current liabilities	—
Equity	168,573
Included in the above assets and liabilities:	
Cash and cash equivalents	49,687

	As at/Year ended December 31, 2021
	RMB'000
Revenue	63,198
Loss for the year	(37,134)
Included in the above loss:	
Depreciation and amortization	8,510
Interest income	615
Reconciled to the Group's interest Mobvoi JV	
Gross amounts of Mobvoi JV's net assets	168,573
Group's effective interest	50%
Group's share of Mobvoi JV's net assets	84,287
Exchange adjustment	(7,266)
Carrying amount of the Group's interest	77,021

(b) Investments in subsidiaries

The Company

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from subsidiaries	1,421,466	1,434,015	1,451,170
Interest in subsidiaries	240,119	—	—
	1,661,585	1,434,015	1,451,170

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. The directors regard the amounts as non-current as they do not intend to request repayment of the amounts within twelve months from the end of the reporting period.

17 Inventories

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	100,925	82,250	87,397
Work in progress	21,093	21,093	—
Raw materials	21,912	12,438	9,041
	143,930	115,781	96,438
Less: write down of inventories	(19,986)	(20,863)	(29,704)
	123,944	94,918	66,734

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	184,821	121,567	100,166
Write down of inventories	11,219	9,630	21,974
	196,040	131,197	122,140

18 Trade receivables

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties *(note 36(d))*	3,944	3,954	—
Amounts due from third parties	47,725	43,470	69,266
Gross amount of trade receivables	51,669	47,424	69,266
Less: loss allowance *(note 34(a))*	(6,205)	(7,400)	(11,285)
Trade receivables, net	45,464	40,024	57,981

All of the trade receivables are expected to be recovered or recognized as expense within one year.

Aging analysis

As at the end of each reporting period, the aging analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	44,873	39,818	56,592
90-360 days	591	206	1,389
	45,464	40,024	57,981

Trade receivables are generally due within 90 days from the invoice date. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 34(a).

19 Prepayments, deposits and other receivables

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for:			
— Commissioned processing fee and inventory	5,462	6,206	1,912
— Service fees	5,283	4,388	4,133
— Costs incurred in connection with the proposed **[REDACTED]** of the Company's shares *(note (i))*	—	—	1,666
	10,745	10,594	7,711
Deductible input VAT	13,547	14,585	9,321
Refundable VAT for export sales	5,877	5,004	17,637
Deposits	5,180	3,811	4,083
Advances to third parties	5,230	—	—
Due from a related party	—	—	4,971
Bills receivable	12,000	—	—
Others	1,618	428	815
	43,452	23,828	36,827
Less: loss allowance	(5,960)	(54)	(54)
	37,492	23,774	36,773
	48,237	34,368	44,484

Note:

(i) The balances will be transferred to the share premium account within equity upon the **[REDACTED]** of the Company's shares on the Stock Exchange.

20 Financial assets measured at fair value through profit or loss

The Group

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products *(note (i))*	7,707	89,275	—
Other investment in equity securities *(note (ii))*	—	34,844	34,844
	7,707	124,119	34,844

The Company

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Other investment in equity securities *(note ii)*	—	34,844	34,844

Notes:

(i) As at December 31, 2021 and 2022, the wealth management products were issued by reputable financial institutions in the PRC. The principal amount and expected returns of these wealth management products are not guaranteed.

(ii) As at December 31, 2022 and 2023, the other investment in equity securities represented the remaining investment in Geekstar held by the Company. Please find more details in note 11.

21 Financial assets measured at fair value through other comprehensive income

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Certificates of deposit	—	—	47,066

22 Time and restricted deposits

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Time deposits with original maturity over 3 months	—	50,176	774
Pledged time deposits *(note 27)*	20,750	20,500	—
Other restricted deposits	331	227	6
	21,081	70,903	780

23 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand	7	—	—
Cash at bank	111,751	40,250	31,001
Time deposits and highly liquid investments with initial terms within three months	20,000	—	113,323
	131,758	40,250	144,324

(b) Reconciliation of loss before taxation to cash (used in)/generated from operations:

	Note	Year ended December 31, 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Loss before taxation		(274,543)	(668,509)	(800,807)
Adjustments for:				
Depreciation		11,639	7,627	7,650
Amortization		2,160	2,407	3,500
Impairment losses recognized on trade receivables		2,123	2,010	3,885
Impairment loss on prepayments, deposits and other receivables		5,581	—	—
Impairment of goodwill		33,792	—	—
Write down of inventories		11,219	9,630	21,974
Warranty provisions	*6(c)*	6,048	1,044	2,012
Gain on sale of property, plant and equipment		(548)	(26)	(67)
Share of profits less losses of joint venture		18,567	9,362	—
Changes in fair value of financial assets		(27)	(1,179)	—
Changes in carrying amount of contingently redeemable preferred shares and ordinary shares		98,893	775,084	753,785
Equity-settled share-based payment expenses	*6(b)*	9,648	17,322	41,698
Gain on disposal of a joint venture		—	(28,999)	—
Gain on disposal of subsidiaries		—	(19,310)	(773)
Gain on disposal of financial assets measured at fair value through other comprehensive income		—	—	(1,522)
Investment income from wealth management products		—	—	(404)
Net finance costs		1,408	(1,486)	(1,717)
Foreign exchange loss		3,386	4,994	1,474
Changes in working capital:				
(Increase)/decrease in inventories		(31,304)	19,397	6,210
(Increase)/decrease in trade receivables		(18,599)	3,430	(22,440)
Decrease/(increase) in prepayments, deposits and other receivables		16,548	10,966	(9,634)
Increase/(decrease) in trade payables		4,917	(11,738)	13,056
Increase/(decrease) in other payables and accruals		61,895	(57,922)	12,675
Cash (used in)/generated from operations		(37,197)	74,104	30,555

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans	Lease liabilities	Contingently redeemable preferred shares and ordinary shares	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 27)	*(Note 28)*	*(Note 29)*	
At January 1, 2021	31,752	12,739	3,216,535	3,261,026
Changes from financing cash flows:				
Proceeds from new bank loans	20,000	—	—	20,000
Repayment of bank loans	(31,752)	—	—	(31,752)
Capital element of lease rentals paid	—	(9,299)	—	(9,299)
Interest element of lease rentals paid	—	(462)	—	(462)
Other borrowing costs paid	(603)	—	—	(603)
Total changes from financing cash flows	(12,355)	(9,761)	—	(22,116)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	—	18,728	—	18,728
Decrease in lease liabilities from termination of leases	—	(6,258)	—	(6,258)
Interest on lease liabilities *(note 6(a))*	—	462	—	462
Interest expenses *(note 6(a))*	603	—	—	603
Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares	—	—	98,893	98,893
Exchange adjustments	—	—	(74,802)	(74,802)
Total other changes	603	12,932	24,091	37,626
At December 31, 2021	20,000	15,910	3,240,626	3,276,536

	Bank loans	Lease liabilities	Contingently redeemable preferred shares and ordinary shares	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 27)	*(Note 28)*	*(Note 29)*	
At January 1, 2022	20,000	15,910	3,240,626	3,276,536
Changes from financing cash flows:				
Proceeds from new bank loans	20,000	—	—	20,000
Repayment of bank loans	(20,000)	—	—	(20,000)
Capital element of lease rentals paid	—	(6,336)	—	(6,336)
Interest element of lease rentals paid	—	(486)	—	(486)
Other borrowing costs paid	(517)	—	—	(517)
Repurchase of preferred shares and ordinary shares	—	—	(118,398)	(118,398)
Total changes from financing cash flows	(517)	(6,822)	(118,398)	(125,737)
Other changes:				
Interest on lease liabilities *(note 6(a))*	—	486	—	486
Interest expenses *(note 6(a))*	517	—	—	517
Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares	—	—	775,084	775,084
Repurchase of ordinary shares upon disposal of subsidiaries			(110,092)	(110,092)
Net effect of repurchase of ordinary shares and preferred shares from Automotive Sub B	—	—	(588,981)	(588,981)
Exchange adjustments changes	—	—	337,876	337,876
Total other changes	517	486	413,887	414,890
At December 31, 2022	20,000	9,574	3,536,115	3,565,689

	Bank loans	Lease liabilities	Contingently redeemable preferred shares and ordinary shares	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 27)	*(Note 28)*	*(Note 29)*	
At January 1, 2023	20,000	9,574	3,536,115	3,565,689
Changes from financing cash flows:				
Repayment of bank loans	(20,000)	—	—	(20,000)
Capital element of lease rentals paid	—	(7,065)	—	(7,065)
Interest element of lease rentals paid	—	(234)	—	(234)
Other borrowing costs paid	(19)	—	—	(19)
Total changes from financing cash flows	(20,019)	(7,299)	—	(27,318)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	—	952	—	952
Interest on lease liabilities *(note 6(a))*	—	234	—	234
Interest expenses *(note 6(a))*	19	—	—	19
Changes in fair value of financial liabilities	—	—	753,785	753,785
Exchange adjustments changes	—	—	63,933	63,933
Total other changes	19	1,186	817,718	818,923
At December 31, 2023	—	3,461	4,353,833	4,357,294

(d) Total cash outflow for leases

Amounts included in the statements of cash flows for leases represent lease rental paid and comprise the following:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within operating cash flows	1,022	1,440	2,704
Within financing cash flows	9,761	6,822	7,299
	10,783	8,262	10,003

24 Trade payables

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Trade payables due to			
— third parties	29,535	17,694	24,552

As at the end of each reporting period, the aging analysis of trade payables, based on the invoice date, is as follows:

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within one year or on demand	29,535	17,694	24,552

25 Other payables and accruals

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Payables for services	3,638	1,288	6,602
Payables for advertising	1,884	2,280	8,851
Payables for research and development related costs	982	2,055	1,402
Others	3,146	2,275	2,417
Financial liabilities measured at amortised cost	9,650	7,898	19,272
Payroll and welfare payable	22,632	24,985	18,005
Other tax payables	22,105	21,341	26,035
	54,387	54,224	63,312

26 Contract liabilities

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Disaggregated by major products or service lines			
AI Software Solutions			
— AIGC solutions	4,546	19,645	66,729
— AI enterprise solutions	145,549	40,016	4,985
Smart Devices and Other Accessories	1,747	1,212	1,155
	151,842	60,873	72,869
Less: non-current portion	—	—	(19,738)
	151,842	60,873	53,131

Movements in contract liabilities

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Balance at January 1,	67,464	151,842	60,873
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	(27,834)	(112,212)	(60,422)
Increase in contract liabilities as a result of receipts in advance	112,212	21,243	72,418
Balance at December 31	151,842	60,873	72,869

All of the current contract liabilities are expected to be recognized as income within one year.

27 Bank loans

At the end of each reporting period, the bank loans are secured by the Group's time deposit and repayable in 1 year.

In 2021, the Group borrowed RMB20,000,000 from a bank at a fixed interest rate of 3.85% per annum, for which the Group pledged a time deposit of RMB20,750,000.

In 2022, the Group borrowed RMB20,000,000 from a bank at a fixed interest rate of 2.70% per annum, for which the Group pledged a time deposit of RMB20,500,000. The bank loan of RMB20,000,000 was repaid in January 2023 and accordingly, the pledge of the above-mentioned time deposit was released at the same time.

28 Lease liabilities

The lease liabilities were repayable as follows:

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	6,336	6,831	3,148
After 1 year but within 2 years	6,831	2,743	313
After 2 years but within 5 years	2,743	—	—
	9,574	2,743	313
	15,910	9,574	3,461

29 Contingently redeemable preferred shares and ordinary shares

The Group and the Company

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Contingently redeemable preferred shares	2,571,121	2,042,728	2,458,493
Contingently redeemable ordinary shares	669,505	1,493,387	1,895,340
	3,240,626	3,536,115	4,353,833

The movements of the contingently redeemable preferred shares and ordinary shares during the Track Record Period are set out as below:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
The Group and the Company			
At January 1,	3,216,535	3,240,626	3,536,115
Changes in the carrying amount of financial liabilities	98,893	775,084	753,785
Repurchase of ordinary shares upon disposal of subsidiaries	—	(110,092)	—
Repurchase of ordinary shares and preferred shares	—	(707,379)	—
Effect of foreign exchange rate changes	(74,802)	337,876	63,933
At December 31	3,240,626	3,536,115	4,353,833

(a) Issuance of the contingently redeemable preferred shares and ordinary shares

The key terms of the preferred shares and ordinary shares are summarized as follow:

Redemption features

Upon the occurrence of certain specified triggering events including failure of a qualified **[REDACTED]** or share sale by a specified date ("**Maturity Redemption Event**") and the earlier of 1) captive structure of certain entities within the Group becoming invalid, illegal or unenforceable pursuant to applicable laws and 2) a material breach of the representations and warranties or undertakings ("**Breach Redemption Event**"), which are not all within the control of the Company, the Company shall redeem all or part of the then issued and outstanding preferred shares upon request at the redemption price of 100% of the issue price with an 8% compound per annum return calculated from the issue date, plus any accrued but unpaid dividends upon maturity redemption event, or 150% of the issue price plus any accrued but unpaid dividends upon breach redemption event.

In addition to the above redemption rights, in the event that, as a result of any person holding a direct or indirect interest in any shares (the "**Subject Shares**"), any Governmental Authority shall (a) prohibit any of the group companies from distributing all or any part of the earnings or cash or other assets thereof to its shareholders based outside of the PRC, or (b) refuse to grant, revoke or suspend any consent, approval, license or permit (the "**Consent**") necessary for the operation, maintenance, ownership or status of any Group Company, or the conduct of its business

in the ordinary course, and the Person holding such interest fails to cure such situation within 30 days after receiving written notice from the Company, then to the extent necessary to eliminate such prohibition or to secure such Consent, the Company shall, at the request of the Board or the Majority Investors, repurchase up to all of such Subject Shares (the "**Redeemed Shares**") at the redemption price per share equal to the higher of (i) (A) with respect to the Ordinary Shares, the original subscription price thereof (as adjusted for any share dividends, combinations, splits, recapitalizations and the like), (B) with respect to the Preferred Shares, the breach redemption price, and (ii) the fair market value thereof as determined by an independent appraiser as appointed by the Board of Directors in good faith.

Liquidation preference

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or in the event of any Deemed Liquidation Event, all assets and funds of the Company legally available for distribution shall be distributed at the issue price of the preferred shares in the following order: Series D Preferred shares, Series C Preferred shares, Series B Preferred shares, Series A-2 preferred shares, Series A-1 Preferred shares and Series A Preferred shares. After the preference amount of preferred shares have been paid in full, the remaining assets and funds of the Company available for distribution shall be ratably distributed among all ordinary shareholders and preferred shareholders on an as-converted basis.

Conversion features

Any preferred share may, at the option of the holder, be converted at any time after the date of issuance of such shares into fully-paid and non-assessable ordinary shares based on the applicable then-effective conversion Price.

Each Preferred Share shall automatically be converted, based on the applicable then-effective conversion price into fully-paid and non-assessable ordinary shares upon the earlier of (i) the closing of a Qualified **[REDACTED]**, or (ii) the date specified by written consent or agreement of the majority of certain series of preferred shareholders.

The then-effective conversion price shall initially be the issue price of preferred shares and shall be subject to adjustment and readjustment from time to time as including but not limited to share splits and combinations, provided that the conversion Price shall not be less than the par value of the ordinary Shares.

Contingently redeemable preferred shares are measured at the redemption price of the preferred shares under worst case at the end of each reporting period.

(b) Issuance of ordinary shares for the acquisition

The issued ordinary shares of the Company are puttable financial instruments, which include the contractual obligation for the Company to repurchase the shares upon the occurrence of the event as mentioned at redemption features.

Before the issuance of ordinary shares to acquire Geekstar and Zhixue, all issued shares have the same subscription price and have fulfilled the exemption condition in IAS 32. The existing ordinary shares of the Company were then classified as equity.

Upon the issuance of new ordinary shares for the acquisition of Geekstar and Zhixue, as the redemption prices for the newly issued ordinary shares were different from other shares due to different original subscription prices, ordinary shares were no longer identical to each other, and the exemption condition under IAS 32 was no longer fulfilled. As a result, all the ordinary shares were reclassified to financial liabilities.

(c) Repurchase of ordinary shares and preferred shares from Automotive Sub B

In September 2022, the Company repurchased all the preferred shares and ordinary shares from a subsidiary of Automotive Corporation Group ("**Automotive Sub B**") and exchanged cash consideration of USD17 million. The Company recorded the difference between the consideration exchanged and the accumulated changes in the Company's financial liabilities arising from the ordinary shares and preferred shares repurchased as capital reserve.

30 Equity settled share-based transactions

The Company has a share option scheme which was adopted in 2015 whereby the directors of the Company are authorized, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at nil consideration to subscribe for shares of the Company. The options vest at the later of four years from the date of grant and a qualified **[REDACTED]** and share sale has been consummated. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to employees:			
— Prior to December 31, 2019 ...	145,950,764	Later of four years from the date of grant and a Qualified **[REDACTED]** or Share Sale has been consummated	10 years
— In 2020	26,630,101	Later of four years from the date of grant and a Qualified **[REDACTED]** or Share Sale has been consummated	10 years
— In 2021.....	11,166,238	Later of four years from the date of grant and a Qualified **[REDACTED]** or Share Sale has been consummated	10 years
— In 2022	18,054,261	Later of four years from the date of grant and a Qualified **[REDACTED]** or Share Sale has been consummated	10 years
— In 2023.....	42,093,368	Later of four years from the date of grant and a Qualified **[REDACTED]** or Share Sale has been consummated	10 years
Options granted..	243,894,732		

(b) The number and weighted average exercise prices of share options are as follows:

	Year ended December 31,					
	2021		2022		2023	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	RMB	*'000*	*RMB*	*'000*	*RMB*	*'000*
Outstanding at the beginning of the year.....	0.88	104,990	0.85	103,626	0.86	116,372
Forfeited during the year.....	0.72	(12,530)	0.70	(5,308)	0.84	(4,710)
Granted during the year	0.49	11,166	0.83	18,054	0.85	42,093
Outstanding at the end of the year.	0.85	103,626	0.86	116,372	0.86	153,755
Exercisable at the end of the year .		—		—		—

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Binomial Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Model.

	Year ended December 31,		
	2021	2022	2023
Fair value of share options and assumptions			
Fair value at measurement date	RMB0.47-0.51	RMB0.51-1.61	RMB1.83-1.85
Share price	RMB0.91-3.33	RMB2.38-3.74	RMB2.48-3.66
Exercise price	RMB0.77	RMB0.84	RMB0.82
Expected volatility (expressed as weighted average volatility used in the modeling under Binomial Model)	48.5-58.1%	54.3-57.7%	52.1%
Option life (expressed as weighted average life used in the modeling under Binomial Model)	9.0-10.0 years	9.3-10.0 years	9.8-10.0 years
Expected dividends	0%	0%	0%
Risk-free interest rate (based on Exchange Fund Notes)	1.4-1.7%	2.3-3.9%	3.5%

31 Income tax in the consolidated statements of financial position

(a) Current taxation in the consolidated statements of financial position represent:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
At January 1,	69	1,781	1,343
Provision for the year	1,753	1,296	1,795
Effect of disposal of subsidiaries	—	(65)	—
Income tax paid	(41)	(1,669)	(2,163)
At December 31	1,781	1,343	975

(b) Deferred tax assets not recognized

In accordance with the accounting policy set out in note 2(s), the Group has not recognized deferred tax assets in respect of cumulative tax losses RMB939,444,000, RMB744,379,000 and RMB954,840,000 as at December 31, 2021, 2022 and 2023, as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity.

(c) Deferred tax liabilities not recognized

At December 31, 2021, 2022 and 2023, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB1,687,000, RMB10,696,000 and RMB5,613,000, respectively. No deferred tax liabilities have been recognized in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

32 Warranty provisions

Provision for Smart Devices and Other Accessories warranties

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
At January 1,	9,375	15,423	16,467
Additional provisions made	55,683	39,562	37,502
Provisions utilized	(49,635)	(38,518)	(35,490)
At December 31,	15,423	16,467	18,479

Under the terms of the Group's sales agreements, the Group offers warranties for its Smart Devices and Other Accessories. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of sales made within the warranty periods prior to the end of the reporting period. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable.

33 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital	Capital reserve	Share based payments reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2021	138	(1,250,719)	50,452	51,609	(365,677)	(1,514,197)
Changes in equity for 2021:						
Loss for the year	—	—	—	—	(108,683)	(108,683)
Other comprehensive income	—	—	—	35,877	—	35,877
Total comprehensive income	—	—	—	35,877	(108,683)	(72,806)
Equity settled share-based transactions	—	—	9,648	—	—	9,648
Balance at December 31, 2021 and January 1, 2022	138	(1,250,719)	60,100	87,486	(474,360)	(1,577,355)
Changes in equity for 2022:						
Loss for the year	—	—	—	—	(897,830)	(897,830)
Other comprehensive income	—	—	—	(195,647)	—	(195,647)
Total comprehensive income	—	—	—	(195,647)	(897,830)	(1,093,477)
Repurchase of ordinary shares and preferred shares	—	586,682	—	—	—	586,682
Equity settled share-based transactions	—	—	17,322	—	—	17,322
Balance at December 31, 2022 and January 1, 2023	138	(664,037)	77,422	(108,161)	(1,372,190)	(2,066,828)
Changes in equity for 2023:						
Loss for the year	—	—	—	—	(821,875)	(821,875)
Other comprehensive income	—	—	—	(38,803)	—	(38,803)
Total comprehensive income	—	—	—	(38,803)	(821,875)	(860,678)
Equity settled share-based transactions	—	—	41,698	—	—	41,698
Balance at December 31, 2023	138	(664,037)	119,120	(146,964)	(2,194,065)	(2,885,808)

(b) Share capital

(i) Authorized share capital

At December 31, 2023, the authorized ordinary share capital is 2,968,160,889 shares of US$0.0000479889 each.

(ii) Issued ordinary shares

	Year ended December 31,					
	2021		2022		2023	
	No. of shares		No. of shares		No. of shares	
	('000)	*RMB'000*	*('000)*	*RMB'000*	*('000)*	*RMB'000*
Ordinary shares:						
At January 1,.	736,698	138	736,698	138	736,698	138
Shares issued	—	—	69,677	—	—	—
Shares cancelled	—	—	(69,677)	—	—	—
At December 31	736,698	138	736,698	138	736,698	138

As disclosed in Note 11, in September 2020, the Company acquired 100% shares of Geekstar and Zhixue by issuance of 276,054,000 ordinary shares of the Company in total to the original shareholders of Geekstar and Zhixue.

In February and March 2022, the Company disposed its 60% shares in Geekstar and 100% shares in Zhixue, respectively, in exchange for the shares of the Company held by some of the original shareholders of the Geekstar and Zhixue.

(c) Nature and purpose of reserves

(i) Capital reserve

The capital reserve primarily comprises 1) the issuance of preferred shares, 2) the reclassification from equity to liabilities arising from issuance of ordinary shares to acquire Geekstar and Zhixue, and 3) the difference between the consideration exchanged and the accumulated changes in the Company's financial liabilities arising from the ordinary shares and preferred shares repurchased from Automotive Sub B.

(ii) Share-based payments reserve

The share-based payment reserve comprises the Company's equity settled share-based payments (see Note 30).

(iii) Exchange reserve

The exchange reserve comprises all relevant exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB.

(iv) Other reserves

Other reserves comprise changes in the fair value of financial assets measured at fair value through other comprehensive income.

(d) Dividends

No dividends were paid by the companies comprising the Group during the Track Record Period. The Company did not declare and pay any dividends since its incorporation.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

34 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, bills receivable is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to represent low credit risk. The Group's exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account the remaining lease term and the period covered by the rental deposits.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within a period of 0-90 days from the date of billing.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of December 31, 2021, 2022 and 2023, 80%, 65% and 50% of the total trade receivables was due from the Group's five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Other receivables

Other receivables include deposits, staff advance, tax reimbursement for export and others. The identified impairment loss of deposits, staff advance tax reimbursement for export were immaterial.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	As at December 31, 2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 90 days	11.15%	50,505	(5,632)
90 – 360 days	19.48%	734	(143)
More than 1 year	100.00%	430	(430)
		51,669	(6,205)

	As at December 31, 2022		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 90 days	13.77%	46,179	(6,361)
90 – 360 days	28.72%	289	(83)
More than 1 year	100.00%	956	(956)
		47,424	(7,400)

	As at December 31, 2023		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 90 days	12.02%	64,325	(7,733)
90–360 days	33.64%	2,093	(704)
More than 1 year	100.00%	2,848	(2,848)
		69,266	(11,285)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and deposits and other receivables during the year/period is as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Balance at January 1,	6,844	12,165	7,454
Amounts written off during the year	(2,383)	(6,721)	—
Impairment losses recognized during the year	7,704	2,010	3,885
Balance at December 31	12,165	7,454	11,339

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses, participation in supplier finance arrangements with banks and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

	As at December 31, 2021				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans *(note 27)*	20,233	—	—	20,233	20,000
Lease liabilities *(note 28)*	6,822	7,058	2,764	16,644	15,910
Trade payables *(note 24)*	29,535	—	—	29,535	29,535
Other payables and accruals *(note 25)*	9,650	—	—	9,650	9,650
Contingently redeemable preferred shares and ordinary shares *(note 29)*	3,240,626	—	—	3,240,626	3,240,626
	3,306,866	7,058	2,764	3,316,688	3,315,721

	As at December 31, 2022				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans *(note 27)*	20,000	—	—	20,000	20,000
Lease liabilities *(note 28)*	7,058	2,764	—	9,822	9,574
Trade payables *(note 24)*	17,694	—	—	17,694	17,694
Other payables and accruals *(note 25)*	7,898	—	—	7,898	7,898
Contingently redeemable preferred shares and ordinary shares *(note 29)*	3,536,115	—	—	3,536,115	3,536,115
	3,588,765	2,764	—	3,591,529	3,591,281

	As at December 31, 2023				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities *(note 28)*	3,186	422	—	3,608	3,461
Trade payables *(note 24)*	24,552	—	—	24,552	24,552
Other payables and accruals *(note 25)*	19,272	—	—	19,272	19,272
Contingently redeemable preferred shares and ordinary shares *(note 29)*	4,353,833	—	—	4,353,833	4,353,833
	4,400,843	422	—	4,401,265	4,401,118

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank loans.

Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings at the end of each reporting period:

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Fixed rate borrowings:			
Bank loans	20,000	20,000	—
Variable rate borrowings:			
Bank loans	—	—	—
	20,000	20,000	—

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily USD, EUR, TWD, GBP, HKD, SGD and AUD. The Group manages this risk as follows:

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year-end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

	Exposure to foreign currencies as at December 31, 2021						
	USD	EUR	GBP	HKD	TWD	SGD	AUD
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	5,694	12,157	20,414	—	1,146	2	46
Prepayments, deposits and other receivables	5,497	—	—	3	50	—	—
Trade payables	(5,489)	—	—	(1)	—	—	—
Other payables and accruals	(886)	(1,495)	(272)	(65)	(197)	—	(15)
Cash and cash equivalents	29,578	1,609	9,162	1,184	1,126	48	220
Gross exposure arising from recognized assets and liabilities	34,394	12,271	29,304	1,121	2,125	50	251

	Exposure to foreign currencies as at December 31, 2022						
	USD	EUR	GBP	HKD	TWD	SGD	AUD
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	7,524	790	20,283	—	541	—	3
Prepayments, deposits and other receivables	1,601	1	—	17	55	—	—
Trade payables	(8,022)	(16)	—	—	—	—	—
Other payables and accruals	(642)	(251)	(108)	(114)	—	—	—
Cash and cash equivalents	6,278	323	2,017	377	3,203	4,210	666
Gross exposure arising from recognized assets and liabilities	6,739	847	22,192	280	3,799	4,210	669

	Exposure to foreign currencies as at December 31, 2023						
	USD	EUR	GBP	HKD	TWD	SGD	AUD
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	6,289	1,735	33,576	—	142	—	31
Prepayments, deposits and other receivables	5,084	3	—	—	56	—	—
Trade payables	(12,924)	—	—	—	—	—	—
Other payables and accruals	(293)	—	(61)	—	—	—	—
Cash and cash equivalents	121,784	909	531	1,419	1,415	2,470	108
Gross exposure arising from recognized assets and liabilities	119,940	2,647	34,046	1,419	1,613	2,470	139

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit/loss after tax (and retained profits/accumulated losses) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of each reporting period had changed at that date, assuming all other risk variables remained constant.

	As at December 31,					
	2021		2022		2023	
	Increase/ (decrease) in foreign exchange rates	*Effect on loss after tax and retained profits RMB'000*	*Increase/ (decrease) in foreign exchange rates*	*Effect on loss after tax and retained profits RMB'000*	*Increase/ (decrease) in foreign exchange rates*	*Effect on loss after tax and retained profits RMB'000*
United States Dollars	10%	528	10%	6,036	10%	11,884
	(10%)	(528)	(10%)	(6,036)	(10%)	(11,884)
Euros	10%	27	10%	161	10%	265
	(10%)	(27)	(10%)	(161)	(10%)	(265)
Great Britain Pounds	10%	169	10%	856	10%	3,404
	(10%)	(169)	(10%)	(856)	(10%)	(3,404)
Hong Kong Dollars	10%	31	10%	160	10%	142
	(10%)	(31)	(10%)	(160)	(10%)	(142)
New Taiwan Dollars	10%	256	10%	54	10%	161
	(10%)	(256)	(10%)	(54)	(10%)	(161)
Singapore Dollar.	10%	349	10%	13	10%	248
	(10%)	(349)	(10%)	(13)	(10%)	(248)
Australian Dollar	10%	56	10%	46	10%	14
	(10%)	(56)	(10%)	(46)	(10%)	(14)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each reporting period for presentation purposes.

(e) Fair value measurement

(i) Assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at the end of each reporting date:

	Fair value at December 31, 2021	**Fair value measurements as at December 31, 2021 categorized into**
		Level 2
		RMB'000
Wealth management products	7,707	7,707

	Fair value at December 31, 2022	Fair value measurements as at December 31, 2022 categorized into	
		Level 2	Level 3
		RMB'000	*RMB'000*
Wealth management products	89,275	89,275	—
Other investment in equity securities	34,844	—	34,844

	Fair value at December 31, 2023	Fair value measurements as at December 31, 2023 categorized into	
		Level 2	Level 3
		RMB'000	*RMB'000*
Certificates of deposit	47,066	47,066	—
Other investment in equity securities	34,844	—	34,844

During the Track Record Period, there were no transfers between Level 2 and Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

As at December 31, 2022, the fair value of other investment in equity securities in financial assets measured at fair value through profit or loss was based on the discounted cash flow method. The significant unobservable input is the discount rate. An increase/decrease in the discount rate would have a decrease/increase impact on the fair value of the investment. Key assumptions are set out below:

	As at December 31, 2022
Discount rate	18%

If the Company's discount rate applied in the valuation had been 1% lower or higher than management's estimation as at December 31, 2022, the fair value of the other investment in equity securities would increase/(decrease) by the amounts listed in table below:

	As at December 31, 2022
	RMB'000
Discount rate decrease 1%	4,974
Discount rate increase 1%	(4,224)

As at December 31, 2023, the fair value of other investment in equity securities in financial assets measured at fair value through profit or loss was based on the market approach by reference to price-to-sales ("**p/s**") ratio of comparable companies. The key unobservable input is the p/s ratio of around 2.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The following table presents the fair values of the group's financial assets and financial liabilities that are not measured at fair value at the end of each reporting date.

	Carrying amounts at December 31, 2021	Fair value at December 31, 2021	Fair value measurements as at December 31, 2021 categorized into
			Level 3
	RMB'000	*RMB'000*	*RMB'000*
Contingently redeemable preferred shares and ordinary shares	3,240,626	2,677,794	2,677,794

	Carrying amounts at December 31, 2022	Fair value at December 31, 2022	Fair value measurements as at December 31, 2022 categorized into
			Level 3
	RMB'000	*RMB'000*	*RMB'000*
Contingently redeemable preferred shares and ordinary shares	3,536,115	3,531,052	3,531,052

	Carrying amounts at December 31, 2023	Fair value at December 31, 2023	Fair value measurements as at December 31, 2023 categorized into
			Level 3
	RMB'000	*RMB'000*	*RMB'000*
Contingently redeemable preferred shares and ordinary shares	4,353,833	4,348,778	4,348,778

As at December 31, 2021, 2022 and 2023, the Group applied the discount cash flow method to determine the underlying equity value of the Group and adopted the equity allocation method to determine the fair value of the contingently redeemable preferred shares and ordinary shares.

35 Commitments

The Group did not have any capital commitments as at December 31, 2021, 2022 and 2023.

36 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	3,007	3,054	5,448
Post-employment benefits	193	286	247
Equity compensation benefits	2,423	2,508	19,298
	5,623	5,848	24,993

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Related parties and the relationship

Name of related parties	*Note*	Relationship with the Group
Technology Corporation A		A company under common control with a shareholder
Mobvoi JV	*(i)*	Joint venture disposed (up to March 2022)
Automotive Sub B	*(ii)*	Shareholder of the Company (up to September 2022)
Beijing Xiaowen	*(iii)*	A company controlled by one of the Directors of the Company (from May 2023)

Notes:

(i) From its incorporation of April 2017 to March 2022, Mobvoi JV was a joint venture of the Company. In March 2022, the Company disposed all its shares in Mobvoi JV. Please find more details in Note 16.

(ii) In March 2017, Automotive Sub B became a shareholder of the Company. In September 2022, the Company repurchased all shares held by Automotive Sub B.

(iii) The Company terminated the aforesaid contractual arrangements with Beijing Xiaowen in May 2023 and Beijing Xiaowen and its subsidiaries were then deconsolidated from our Group.

(c) Significant transactions with related parties

In addition to the transactions disclosed elsewhere in the accountants' report, the Group entered into the following material related party transactions during the Track Record Period:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Rendering of services			
— Technology Corporation A	10,973	20,121	6,510
— Mobvoi JV *(note (ii))*	16,200	180	—
— Automotive Sub A *(note (iii))*	3,240	212,956	—
	30,413	233,257	6,510
Purchasing of services			
— Beijing Xiaowen	—	—	2,830
	—	—	2,830

Notes:

(i) Rendering of services represents income from AI enterprise solutions in Revenue (note 4).

(ii) The services rendered to Mobvoi JV include research and development support and services which mainly related to speech dialogue system. Mobvoi JV is no longer a related party of the Group upon the repurchase of shares in March 2022. The services rendered to Mobvoi JV by the Group amounted to RMBNil and RMB41,127,000 for the nine months ended December 31, 2022 and for the year ended December 31, 2023, respectively.

(iii) The Automotive Sub A is no longer a related party of the Group from September 2022. As disclosed in Note 4(a)(i), the transactions between Automotive Sub A and the Group amounted to RMBNil and RMB138,752,000 for the three months ended December 31, 2022 and for the year ended December 31, 2023, respectively.

(d) Balances with related parties as at the end of each reporting period

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
— Technology Corporation A	1,634	3,954	—
— Mobvoi JV	2,310	—	—
	3,944	3,954	—
Other receivables			
— Beijing Xiaowen	—	—	4,971

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities			
— Automotive Sub A	93,564	—	—

All of the balances with related parties are trade in nature.

At December 31, 2022 and 2023, Mobvoi JV and Automotive Sub A were not the related parties of the Group. The contract liabilities relating to Mobvoi JV amounted to RMB39,630,000 and RMBNil and the accounts receivables relating to Mobvoi JV amounted to RMB1,166,000 and RMBNil as at December 31, 2022 and 2023, respectively. There were no balances with Automotive Sub A as at December 31, 2022 and 2023.

37 Immediate and ultimate controlling party

The directors of the Company consider the immediate holding company of the Company at December 31, 2023 to be Mobvoi AGI Limited, and the ultimate controlling party to be Dr. Li Zhifei.

38 Subsequent events

[Subsequent to December 31, 2023, there is no significant subsequent event.]

39 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year beginning on January 1, 2023

Up to the date of issue of these financial statements, the IASB has issued a number of amended standards, which are not yet effective for the year beginning on January 1, 2023 and which have not been adopted in the historical financial information. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, Presentation of financial statements: Classification of liabilities as current or non-current ("**2020 amendments**")	January 1, 2024
Amendments to HKAS 1, Presentation of financial statements: Non-current liabilities with covenants ("**2022 amendments**")	January 1, 2024
Amendments to HKFRS 16, Leases: Lease liability in a sale and leaseback	January 1, 2024
Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements	January 1, 2024
Amendments to HKAS 21, The effects of changes in foreign exchange rates: Lack of exchangeability	January 1, 2025
Amendments to HKFRS 10, Consolidated financial statements and HKAS 28, Investments in associates and joint ventures: Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of **[REDACTED]**. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to December 31, 2023.

The following information set forth in this Appendix does not form part of the Accountants' Report from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this document, and is included herein for illustrative purposes only.

The unaudited **[REDACTED]** *financial information should be read in conjunction with the section headed "Financial information" in this document and the Accountants' Report set out in Appendix I to this document.*

A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited **[REDACTED]** statement of adjusted net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the **[REDACTED]** on the consolidated net tangible liabilities attributable to equity shareholders of the Company as of December 31, 2023 as if the **[REDACTED]** had taken place on December 31, 2023.

The unaudited **[REDACTED]** statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the **[REDACTED]** been completed as of December 31, 2023 or at any future date.

	Consolidated net tangible liabilities attributable to equity shareholders of the Company as of December 31, 2023	Estimated [REDACTED] from the [REDACTED]	Estimated impact to net tangible assets upon reclassification of specific financial liabilities to equity	Unaudited [REDACTED] adjusted net tangible assets attributable to equity shareholders of the Company	Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HKD*
	Note (1)	*Note (2)*	*Note (3)*		*Note (4)*	*Note (5)*
Based on the **[REDACTED]** of HK$**[REDACTED]** per share	(4,135,632)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on the **[REDACTED]** of HK$**[REDACTED]** per share	(4,135,632)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The consolidated net tangible liabilities attributable to equity shareholders of the Company as of December 31, 2023 is arrived at after deducting intangible assets of RMB5,291,000 from the consolidated net liabilities attributable to equity shareholders of the Company of RMB4,130,341,000 as of December 31, 2023, which is extracted from the Accountants' Report as set out in Appendix I in this document.

(2) The estimated **[REDACTED]** from the **[REDACTED]** are based on the expected issuance of **[REDACTED]** Shares and the indicative **[REDACTED]** of HK$**[REDACTED]** per Share (being the minimum **[REDACTED]**) and HK$**[REDACTED]** per Share (being the maximum **[REDACTED]**), after deduction of the estimated **[REDACTED]** fees and other estimated expenses related to the **[REDACTED]** paid or payable by the Group (excluding the **[REDACTED]** expense that have been charged to profit or loss during the Track Record Period), and do not take into account of any shares which may be issued upon the exercise of the **[REDACTED]** and any Shares that may be issued under the **[REDACTED]** Share Option Scheme.

For illustrative purpose, the estimated **[REDACTED]** of the **[REDACTED]** have been converted into Renminbi at an exchange rate of HK$1 to RMB0.90706 published by PBOC prevailing on **[REDACTED]**. No representation is made that Hong Kong dollars amounts have been, could have been or may be converted into Renminbi, or vice versa, at that rate or at any other rate.

(3) As of December 31, 2023, the carrying amount of contingently redeemable preferred shares and ordinary shares was RMB4,353,833,000 (as set out in Note 29 of Appendix I). Upon the **[REDACTED]**, the relevant redemption rights will be terminated and the financial liabilities arising from the contingently redeemable preferred shares and ordinary shares will be reclassified to equity.

(4) The unaudited **[REDACTED]** adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that **[REDACTED]** Shares were in issue assuming that the **[REDACTED]** and reclassification of financial liabilities arising from the contingently redeemable preferred shares and ordinary shares into equity had been completed on December 31, 2023, but do not take into account of any shares which may be issued upon the exercise of the **[REDACTED]** and any Shares that may be issued under the **[REDACTED]** Share Option Scheme.

(5) The unaudited **[REDACTED]** adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share amounts in RMB are converted to Hong Kong dollars with an exchange rate of RMB1 to HK$1.10246 published by PBOC prevailing on **[REDACTED]**. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rate.

(6) No adjustment has been made to the unaudited **[REDACTED]** adjusted net tangible assets attributable to equity shareholders of the Company to reflect any trading results or other transactions of the Group subsequent to December 31, 2023.

B. REPORT ON THE UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on March 30, 2024 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed "Documents Delivered to the Registrar of Companies and Documents on Display."

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on March 30, 2024 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The authorized share capital of the Company at the date of adoption of the Articles is US$200,000 divided into 4,167,630,431 shares of US$0.0000479889 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Cayman Companies Act and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions,

whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Cayman Companies Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Cayman Companies Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Act and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such

subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the **[REDACTED]** or sub-**[REDACTED]** of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The number of Directors shall not be less than two.

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director).

The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after this appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors and which Directors who are to retire by rotation at such meeting.

No person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors. The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by a notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including

those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the **[REDACTED]** of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Cayman Companies Act; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division,

one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Cayman Companies Act.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution signed by all members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly appointed representatives), and any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last member to sign.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives, at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any meeting of the Company (including general meeting and creditors meeting of the Company) or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could

exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

All members for the time being entitled to receive notice of and to attend and vote at general meetings (or, in the case of a member being a corporation, its duly authorized representative), shall have the right to speak at any general meetings of the Company.

2.8 Annual general meetings and extraordinary general meetings

The Company must hold a general meeting as its annual general meeting each financial year. Such meeting must be held within six months after the end of the Company's financial year. The annual general meeting shall be specified as such in the notices calling it.

Extraordinary general meetings may be convened on the requisition of one or more shareholders (or any one member which is a recognized clearing house (or its nominee(s)) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Companies Act or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a statement of financial position as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the

state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The appointment, removal and remuneration of an auditor or auditors of the Company shall require the approval of an ordinary resolution of the members in general meeting. The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting and fix the remuneration of such auditor(s) being appointed. The removal of any auditor before the expiration of his period of office shall be approved at a general meeting; and the members shall at that meeting appoint new auditor in its place for the remainder of the term.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may, in its absolute discretion, and without assigning any reason, refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favor of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as canceled upon the repurchase. The holder of the shares being purchased shall be bound to deliver up to the Company at its principal place of business in Hong Kong or such other place as the Directors shall specify the certificate(s) thereof, if any, for cancellation and thereupon the Company shall pay to him the purchase or redemption monies in respect thereof.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Cayman Companies Act and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the

amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in

respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend may be paid or declared, the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The

instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the bolder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the

Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Cayman Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Companies Act, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year

period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The **[REDACTED]** of any such sale shall belong to the Company and upon receipt by the Company of such **[REDACTED]** it shall become indebted to the former member for an amount equal to such **[REDACTED]**.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Cayman Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 31, 2012 under the Cayman Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Cayman Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account." At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Cayman Companies Act provides that the share

premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the

company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Cayman Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in Foss v. Harbottle (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Cayman Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Cayman Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no

requirement under the Cayman Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Cayman Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Cayman Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Cayman Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Cayman Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation,

which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing 75% in value of creditors, or (ii) a majority of 75% in value of shareholders or class of shareholders, as the case may be, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 ("**ES Law**") that came into force on January 1, 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, if an exempted company incorporated in the Cayman Islands is tax resident outside the Cayman Islands, it will not be required to satisfy the economic substance test set out in the ES Law.

22 General

Campbells, the Company's legal advisor on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Documents on Display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on August 31, 2012. Our registered office address is the offices of **[REDACTED]**, Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in the section headed "Summary of the Constitution of the Company and Cayman Companies Act" in Appendix III to this document.

We have established our principal place of business in Hong Kong at 4/F, Jardine House, 1 Connaught Place, Central, Hong Kong, and registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 15, 2023 under the same address. Ms. Lam Chi Ching Cecilia has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As of the date of this document, our Company's head offices were located at 10/F, Block D11, Hongfeng Science and Technology Park, Economic and Technology Development Zone, Nanjing, China and Level 3A, West Area, Ronghui International Building, No. 42, Gaoliangqiao Xie Street, Haidian District, Beijing, China.

2. Changes in Share Capital

On August 31, 2012, our Company was incorporated with an authorized share capital of US$50,000 divided into 50,000,000 shares of a par value of US$0.001 each.

The following changes in the share capital of our Company took place during the two years immediately preceding the date of this document:

(a) on February 24, 2022, 40,479,724 ordinary Shares, 9,487,093 ordinary Shares and 2,369,964 ordinary Shares were surrendered by Geekstar Technology Development (BVI) Co., Ltd., Huacheng International Holdings Limited and Stanislas Ltd, respectively, to our Company;

(b) on March 25, 2022, our Company repurchased 57,902,978 ordinary Shares from ZXV Educational Co., Ltd;

(c) on September 28, 2022, our Company allotted and issued 69,677,483 ordinary Shares to Mobvoi Limited;

(d) on September 28, 2022, our Company repurchased 69,677,483 ordinary Shares, 288,779,294 Series D-1 Preferred Shares and 30,940,658 Series D-2 Preferred Shares from Volkswagen Finance Luxemburg S.A.; and

(e) on May 17, 2023, our Company cancelled 110,239,759 Treasury Shares.

Save as described above, there has been no alteration in the authorized or issued share capital of our Company during the two years immediately preceding the date of this document.

3. Change in the share capital of our principal subsidiaries

A summary of the corporate information and the particulars of our principal subsidiaries are set out in note 1 to the Accountants' Report as set out in Appendix I to this document.

The following sets out the change in the share capital of one of our principal subsidiaries during the two years immediately preceding the date of this document:

On May 15, 2023, Nanjing Xiaowen completed the registration of an increase of its registered share capital from RMB2 million to RMB2.11 million.

For details of our principal subsidiaries, please refer to the paragraph headed "History, Reorganization and Corporate Structure — Our principal subsidiaries" in this document.

Save as disclosed above, there has been no alteration in the authorized or issued share capital of any of the principal subsidiaries or operating entities of our Company within the two years immediately preceding the date of this document.

4. Reorganization

The companies comprising our Group underwent reorganization on the corporate structure of our Group in preparation for the **[REDACTED]** of our Shares on the Stock Exchange. Please refer to the paragraph headed "History, Reorganization and Corporate Structure — Corporate Reorganization" in this document for further details.

5. Resolutions of the Shareholders passed on March 30, 2024

Written resolutions of our Shareholders were passed on March 30, 2024, pursuant to which, among other things:

(a) with effect from and conditional upon the **[REDACTED]**:

(i) the current memorandum and articles of association of our Company will be replaced in its entirety with the Memorandum and Articles of Association; and

(ii) the rules of the **[REDACTED]** RSU Scheme were approved and adopted, and our Directors or any committee thereof established by our Board were authorized, at their sole discretion, to: (a) administer the **[REDACTED]** RSU Scheme; (b) modify/amend the **[REDACTED]** RSU Scheme from time to time as requested by the Stock Exchange; (c) grant awards under the **[REDACTED]** RSU Scheme in accordance with the terms thereof; and (d) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the **[REDACTED]** RSU Scheme;

(b) conditional upon the satisfaction (or, if applicable, waiver) of the conditions referred to in the paragraph headed "Structure of the **[REDACTED]** — Conditions of the **[REDACTED]**" in this document and pursuant to the terms set out therein:

(i) the **[REDACTED]** and the grant of the **[REDACTED]** were approved and our Directors were authorized to allot and issue such number of new Shares pursuant to the **[REDACTED]**;

(ii) the **[REDACTED]** was approved and our Directors were authorized to implement the **[REDACTED]**; and

(iii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to agree to the price per **[REDACTED]** with the **[REDACTED]**;

(c) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options which would or might require Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate number of the Shares or the underlying Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed 20% of the aggregate number of Shares in issue immediately following completion of the **[REDACTED]** but before any exercise of the **[REDACTED]**.

This mandate does not cover any Shares to be allotted, issued or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders or upon the exercise of the **[REDACTED]** or any options or awards granted or to be granted under the Share Incentive Schemes. This general mandate to issue Shares will remain in effect until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company,

whichever is the earliest (the "**Relevant Period**");

(d) a general unconditional mandate was granted to our Directors to, during the Relevant Period, exercise all powers of our Company to repurchase Shares with an aggregate number of not more than 10% of aggregate number of Shares in issue immediately following the completion of the **[REDACTED]** (excluding Shares which may be allotted and issued upon the exercise of the **[REDACTED]** or under the Share Incentive Schemes). This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be **[REDACTED]** (and which is recognized by the SFC and the Stock Exchange for this purpose) and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules; and

(e) the general unconditional mandate as referred to in paragraph (d) above would be extended by the addition to the aggregate number of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of the Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above (up to 10% of the aggregate number of the Shares in issue immediately following the completion of the **[REDACTED]**, excluding any Shares which may be allotted and issued pursuant to the exercise of **[REDACTED]** or under the Share Incentive Schemes).

6. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary **[REDACTED]** is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary **[REDACTED]** on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on March 30, 2024, the Repurchase Mandate was given to our Directors authorizing them to exercise all the powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be **[REDACTED]** and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the **[REDACTED]**, with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (ii) the expiration of the period within which the next annual general meeting of our Company is required to be hold by any applicable law or the Articles of Association, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any repurchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the repurchase over the par value of the shares to be repurchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased Shares

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically canceled and the relative certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the repurchase the Directors of the Company resolve to hold the Shares repurchased by the Company as treasury shares, Shares repurchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the repurchase of Shares will not be taken as reducing the amount of the authorized share capital under Cayman law.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core connected persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person," i.e. a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell their securities to the company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing position which, in the opinion of our Directors, are from time to time appropriate for the Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]** could accordingly result in up to approximately **[REDACTED]** Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or
- the time when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(1) the termination agreement dated May 16, 2023 entered into by and among (1) Ms. Li, (2) our Company, (3) WWZN IT, (4) Mobvoi Innovation, (5) Beijing Yushanzhi, (6) Shanghai Mobvoi and (7) Beijing Xiaowen, pursuant to which, among others, the contractual arrangements between WWZN IT and Beijing Xiaowen were terminated;

(2) the equity transfer agreement (股權轉讓協議) dated May 12, 2023 entered into by and among (1) Mobvoi IT, (2) Ms. Li and (3) Ms. Li Qinying, pursuant to which Mobvoi IT acquired the 71.09% and 5.21% equity interest of Nanjing Xiaowen from Ms. Li and Ms. Li Qinying for a consideration of RMB1.5 million and nil consideration, respectively; and

(3) the **[REDACTED]**.

2. Intellectual property rights

As of the Latest Practicable Date, we had registered the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Registered owner	Place of registration	Registered number	Expiry date	Class(es)
1.	Mobvoi	WWZN IT	China	19442285	May 6, 2027	9
2.	Mobvoi	Shanghai Mobvoi	China	19443531	May 6, 2027	42
3.	Mobvoi	WWZN IT	China	28959954	February 6, 2029	9

No.	Trademark	Registered owner	Place of registration	Registered number	Expiry date	Class(es)
4.	Mobvoi	Shanghai Mobvoi	China	28977754	January 6, 2029	42
5.	Mobvoi	WWZN IT	China	31173535	April 20, 2029	9
6.	Mobvoi	Shanghai Mobvoi	China	31185141	March 6, 2029	42
7.	Ticwatch	Shanghai Mobvoi	China	16088845	March 13, 2026	9
8.	Ticwatch	Shanghai Mobvoi	China	18206158	February 6, 2027	42
9.	TicWatch GTH	Shanghai Mobvoi	China	54402970	October 20, 2031	9
10.	TicWatch GTH	Shanghai Mobvoi	China	54377055	October 20, 2031	14
11.	TicWatch GTW	Shanghai Mobvoi	China	54383393	October 20, 2031	9
12.	TicWatch GTW	Shanghai Mobvoi	China	54402606	October 20, 2031	14
13.	TicWatch GTX	Shanghai Mobvoi	China	54389031	October 20, 2031	9
14.	TicWatch GTX	Shanghai Mobvoi	China	54406229	October 20, 2031	14
15.	TicWatch Pro	Shanghai Mobvoi	China	29282643	January 6, 2029	9
16.	TicWatch Pro	Shanghai Mobvoi	China	29283857	November 13, 2029	42
17.	出门问问	Mobvoi IT	China	24907539	June 27, 2028	9
18.	出门问问	Mobvoi IT	China	34104961	July 13, 2028	9
19.	墨百意	Shanghai Mobvoi	China	19443647	May 6, 2027	42
20.	墨百意	Shanghai Mobvoi	China	19442579	May 6, 2027	9
21.		Mobvoi IT	China	32804277	April 20, 2029	9
22.		Mobvoi IT	China	32791876	April 20, 2029	42

No.	Trademark	Registered owner	Place of registration	Registered number	Expiry date	Class(es)
23.		Mobvoi IT	China	31139604	March 20, 2030	9
24.	小问	Beijing Yushanzhi	China	19176859	June 13, 2027	9
25.	小问	Beijing Yushanzhi	China	19176878	June 13, 2027	42
26.	小问	Beijing Yushanzhi	China	31176451	March 27, 2030	9
27.	小问	Beijing Yushanzhi	China	31190554	March 20, 2030	42
28.	羽扇智	Beijing Yushanzhi	China	19456076	May 6, 2027	9
29.	羽扇智	Beijing Yushanzhi	China	19456230	May 6, 2027	42
30.	TicWear GT	Shanghai Mobvoi	China	56894041	January 6, 2032	9
31.	Mobvoi	Shanghai Mobvoi	Hong Kong	303856708	August 1, 2026	9, 35, 38, 42
32.	Ticwatch	Shanghai Mobvoi	Hong Kong	303856753	August 1, 2026	9
33.	出门问问	Shanghai Mobvoi	Hong Kong	303856834	August 1, 2026	9
34.		Shanghai Mobvoi	Hong Kong	306118399	November 28, 2032	9, 14, 35, 38, 42
35.	Mobvoi	Shanghai Mobvoi	Russian Federation	1403036	February 11, 2028	9, 35, 38, 42
36.	Ticwatch	Shanghai Mobvoi	Russian Federation	1368038	July 5, 2027	9
37.		Mobvoi IT	Russian Federation	1484564	May 23, 2029	9, 35, 38, 42
38.	MOBVOI	Shanghai Mobvoi	Canada	TMA1059581	October 17, 2029	9, 14, 16, 35, 38, 42, 45
39.	Ticwatch	Mobvoi IT	Canada	TMA1162826	January 24, 2033	9
40.		Mobvoi IT	Canada	TMA1135558	July 26, 2032	9, 35, 38, 42

No.	Trademark	Registered owner	Place of registration	Registered number	Expiry date	Class(es)
41.	ticwatch	Mobvoi IT	Indonesia	IDM000752896	November 23, 2028	9
42.	Mobvoi	Shanghai Mobvoi	Taiwan	01837105	April 15, 2027	9, 35, 38, 42
43.	Ticwatch	Shanghai Mobvoi	Taiwan	01834509	April 15, 2027	9
44.	出门问问	Shanghai Mobvoi	Taiwan	01834508	April 15, 2027	9
45.	出門問問	Mobvoi IT	Taiwan	01947332	October 31, 2028	9
46.	出門問問	Mobvoi IT	Taiwan	01952946	November 15, 2028	42
47.	Mobvoi	Shanghai Mobvoi	Brazil	917911741	March 10, 2030	9
48.	ticwatch	Shanghai Mobvoi	Brazil	917912420	March 10, 2030	9
49.	Mobvoi	Shanghai Mobvoi	Japan	1403036	February 11, 2028	9, 35, 38, 42
50.	Ticwatch	Shanghai Mobvoi	Japan	1368038	July 5, 2027	9
51.	Mobvoi	Shanghai Mobvoi	European Union	015700875	July 26, 2026	9, 35, 38, 42
52.	Ticwatch	Shanghai Mobvoi	European Union	1368038	July 5, 2027	9
53.		Mobvoi IT	European Union	017980075	November 1, 2028	9, 14, 35, 38, 42
54.	Mobvoi	Shanghai Mobvoi	Australia	1928952	February 11, 2028	9, 35, 38, 42
55.	Ticwatch	Shanghai Mobvoi	Australia	1989974	July 5, 2027	9
56.		Mobvoi IT	Australia	2033475	May 23, 2029	9, 35, 38, 42
57.	Mobvoi	Shanghai Mobvoi	Switzerland	1403036	February 11, 2028	9, 35, 38, 42
58.	Ticwatch	Shanghai Mobvoi	Switzerland	1368038	July 5, 2027	9
59.		Mobvoi IT	Switzerland	1484564	May 23, 2029	9, 35, 38, 42

No.	Trademark	Registered owner	Place of registration	Registered number	Expiry date	Class(es)
60.	MOBVOI	Shanghai Mobvoi	United States	5171625	March 27, 2027	9,14
61.	Mobvoi	Shanghai Mobvoi	United States	5156112	March 6, 2027	9
62.	Mobvoi	Shanghai Mobvoi	United States	5312952	October 16, 2027	42
63.	ticwatch	Shanghai Mobvoi	United States	5175423	April 3, 2027	9,14
64.	Mobvoi	Shanghai Mobvoi	United Kingdom	1403036	February 11, 2028	9, 35, 38, 42
65.	Ticwatch	Shanghai Mobvoi	United Kingdom	1368038	July 5, 2027	9
66.		Mobvoi IT	United Kingdom	1484564	May 23, 2029	9, 35, 38, 42
67.	奇妙元	Mobvoi Innovation	China	62385717	July 13, 2032	9
68.	奇妙元	Mobvoi Innovation	China	62389154	July 13, 2032	42
69.	魔音工坊	Mobvoi Innovation	China	65043375	August 20, 2033	9
70.	DupDub	Mobvoi Innovation	China	66292345	February 20, 2033	9
71.	DupDub	Mobvoi Innovation	China	66261485	February 26, 2033	42
72.		Mobvoi Innovation	China	67288000	May 6, 2033	9
73.		Mobvoi Innovation	China	67276599	May 6, 2033	42
74.	奇妙文	Mobvoi Innovation	China	68233987	May 26, 2033	9
75.	奇妙文	Mobvoi Innovation	China	68243200	May 19, 2033	42
76.	言之畫	Mobvoi Innovation	China	68933204	June 19, 2033	9
77.	言之畫	Mobvoi Innovation	China	68928831	June 19, 2033	42
78.		Mobvoi Innovation	China	69273892	July 13, 2033	9

No.	Trademark	Registered owner	Place of registration	Registered number	Expiry date	Class(es)
79.		Mobvoi Innovation	China	69272319	July 13, 2033	42
80.		Mobvoi Innovation	China	70581683	September 12, 2033	9
81.		Mobvoi Innovation	China	70583268	September 12, 2033	42
82.		Mobvoi Innovation	China	70584015	September 12, 2033	9
83.		Mobvoi Innovation	China	70566842	September 12, 2033	42
84.		Mobvoi Innovation	China	70779528	October 12, 2033	9
85.		Mobvoi Innovation	China	70736815	October 19, 2033	42
86.		Mobvoi Innovation	China	70838817	October 19, 2033	9
87.		Mobvoi Innovation	China	70834675	October 19, 2033	42
88.	序列猴子	Mobvoi Innovation	China	70770895	November 5, 2033	9
89.	序列猴子	Mobvoi Innovation	China	70742192	November 5, 2033	42
90.		Mobvoi Innovation	China	72170583	January 6, 2034	9
91.		Mobvoi Innovation	China	72166582	January 6, 2034	42
92.	奇妙問	Mobvoi Innovation	China	73091419	January 27, 2034	9
93.	奇妙問	Mobvoi Innovation	China	73087797	February 6, 2034	42

(b) Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent	Patentee	Place of registration	Patent number	Expiry date
1.	Methods and devices for identifying voice control commands for entities in the current page (識別針對當前頁面中的實體的語音控制指令的方法和裝置)	Mobvoi Innovation; Automotive Sub A	China	2015100311823	January 20, 2035
2.	Label data generation method, device, equipment and storage medium (標注數據的生成方法、裝置、設備及存儲介質)	Mobvoi IT	China	2018105804892	June 6, 2038
3.	Semantic parsing methods, device, equipment and storage media (語義解析方法、裝置、設備及存儲介質)	Mobvoi Innovation; Automotive Sub A	China	201810159585X	February 25, 2038
4.	Multi-round dialogue method and device based on topic keyword guidance (基於話題關鍵詞引導的進行多輪對話方法及裝置)	Mobvoi IT	China	2018107175043	June 28, 2038
5.	Recurrent neural network language model training methods, devices, equipment and media (遞歸神經網路語言模型訓練方法、裝置、設備及介質)	Mobvoi IT	China	2018105705079	June 4, 2038
6.	Method and device of generating reply sentences based on keywords (基於關鍵詞生成回覆語句的方法及裝置)	Mobvoi IT	China	2018110121937	August 30, 2038
7.	A filtering method and device based on fixed beamforming (一種基於固定波束形成的濾波方法及裝置)	Mobvoi IT	China	2018108283276	July 24, 2038
8.	Speech synthesis methods, devices, electronic devices and non-transient computer storage media (語音合成方法、裝置、電子設備及非暫態計算機存儲介質)	Mobvoi Innovation; Automotive Sub A	China	2018110041538	August 29, 2038

No.	Patent	Patentee	Place of registration	Patent number	Expiry date
9.	Speech recognition methods, devices, electronic equipment and storage media (語音識別方法、裝置、電子設備及存儲介質).	Mobvoi Innovation; Automotive Sub A	China	2018113534772	November 13, 2038
10.	Real-time speech recognition methods, devices, equipment and storage media (實時語音識別方法、裝置、設備及存儲介質)	Mobvoi Innovation; Automotive Sub A	China	2018113543536	November 13, 2038
11.	An acoustic model establishment, speech synthesis method, device, equipment and storage medium (一種聲學模型建立、語音合成方法、裝置、設備及存儲介質).	Mobvoi Innovation; Automotive Sub A	China	2018114089610	November 22, 2038
12.	A multi-round dialogue interactive processing method, device, electronic equipment and storage medium (一種多輪對話交互處理方法、裝置、電子設備及存儲介質)	Mobvoi Innovation; Automotive Sub A	China	2018114469408	November 28, 2038
13.	A model generation method and device, electronic equipment and storage medium (一種模型的生成方法及裝置、電子設備及存儲介質).	Mobvoi Innovation; Automotive Sub A	China	2018114738226	December 3, 2038
14.	A rule matching method, device, equipment and storage medium (一種規則匹配方法、裝置、設備及存儲介質).	Mobvoi Innovation; Automotive Sub A	China	2018114468585	November 28, 2038
15.	A natural language parsing method, device, apparatus and storage medium (一種自然語言解析方法、裝置、設備及存儲介質)	Mobvoi Innovation; Automotive Sub A	China	2018114595557	November 29, 2038
16.	Methods, devices, readable storage media and electronic devices for determining target assumptions (目標假設的確定方法、裝置、可讀存儲介質和電子設備).	Mobvoi Innovation; Automotive Sub A	China	2018115775720	December 19, 2038

No.	Patent	Patentee	Place of registration	Patent number	Expiry date
17.	A method, device, system and storage medium for identifying user target request (一種識別用戶目標請求的方法、裝置、系統及存儲介質)	Mobvoi Innovation; Automotive Sub A	China	201811584393X	December 23, 2038
18.	A method, device and voice interaction system for decoupling dialogue hypothesis and execution (一種解耦對話假設並執行的方法、裝置及語音交互系統)	Mobvoi Innovation; Automotive Sub A	China	2018115844063	December 24, 2038
19.	Speech recognition methods, speech recognition devices, readable storage media and electronic devices (語音識別方法、語音識別裝置、可讀存儲介質和電子設備)	Mobvoi IT	China	2018116016366	December 25, 2038
20.	Semantic parsing methods, devices, equipment and storage media (語義解析方法、裝置、設備及存儲介質)	Mobvoi IT	China	2019102848126	April 9, 2039
21.	Offline semantic recognition adjustment method, device, equipment and storage medium (離線語義識別調整方法、裝置、設備及存儲介質)	Mobvoi Innovation; Automotive Sub A	China	2019102923150	April 12, 2039
22.	A training data selection method for dialogue system (一種對話系統的訓練數據選擇方法)	Mobvoi Innovation; Automotive Sub A	China	2019108404203	September 5, 2039
23.	A speech recognition method, electronic equipment and computer readable storage medium (一種語音識別方法、電子設備及計算機可讀存儲介質)	Mobvoi Innovation; Automotive Sub A	China	2019109524645	October 8, 2039
24.	A multi-tone character labeling method, device and computer readable storage medium (一種多音字標注方法、裝置以及計算機可讀存儲介質)	Mobvoi IT	China	2019114215425	December 30, 2039
25.	A text processing method and device, computer storage medium and electronic equipment (一種文本處理方法和裝置、計算機存儲介質和電子設備)	Mobvoi IT	China	2019113944678	December 29, 2039

No.	Patent	Patentee	Place of registration	Patent number	Expiry date
26.	Mixed text-to-speech conversion method and device, terminal and computer readable storage medium (混合文語轉換方法及裝置、終端和計算機可讀存儲介質)	Mobvoi Innovation; Automotive Sub A	China	2019114214511	December 30, 2039
27.	A prosodic correction method, device and computer readable storage medium (一種韻律糾正方法、裝置以及計算機可讀存儲介質)	Mobvoi IT	China	2019113744968	December 26, 2039
28.	A data processing method, device and computer storage medium (一種數據處理方法、裝置及計算機存儲介質)	Mobvoi IT	China	2019114096958	December 30, 2039
29.	A speech acquisition method, device and computer readable storage medium (一種語音獲取方法、裝置以及計算機可讀存儲介質)	Mobvoi Innovation; Automotive Sub A	China	2020100609392	January 18, 2040
30.	Signal processing methods, devices and headphones (信號處理的方法、裝置及耳機)	Mobvoi IT	China	2020113194443	November 22, 2040
31.	A speech recognition method, device, equipment and storage medium (一種語音識別方法、裝置、設備及存儲介質)	Mobvoi Innovation; Automotive Sub A	China	2017111402416	November 15, 2037
32.	A voice processing method and device (一種語音處理方法及裝置)	Mobvoi IT	China	2018104968221	May 21, 2038
33.	A double-talk state detection method and device (一種雙講狀態檢測方法及裝置)	Mobvoi IT	China	2018104970700	May 21, 2038
34.	An echo compression method and device, storage medium, electronic equipment (一種回聲壓縮方法及裝置、存儲介質、電子設備)	Mobvoi IT	China	2018104955058	May 21, 2038
35.	An echo suppression method and device, storage medium, electronic equipment (一種回聲抑制方法及裝置、存儲介質、電子設備)	Mobvoi IT	China	2018104955043	May 21, 2038

No.	Patent	Patentee	Place of registration	Patent number	Expiry date
36.	Multi-beam beamforming method, device and electronic equipment (多波束波束成形的方法、裝置及電子設備)	Mobvoi IT	China	2018104964502	May 21, 2038
37.	Sleep state monitoring methods and devices (睡眠狀態的監測方法及裝置)	Mobvoi IT	China	2018107150417	June 28, 2038
38.	An adaptive beamforming method, device and system (一種自適應波束形成方法、裝置及系統)	Mobvoi IT	China	2018115715236	December 20, 2038
39.	A speech signal enhancement system, method and storage medium (一種語音信號增強系統、方法及存儲介質)	Mobvoi IT	China	2019103192218	April 18, 2039
40.	A method, device and system for obtaining the parameter matrix of spatial filter (一種空域濾波器參數矩陣的獲取方法、裝置及系統)	Mobvoi IT	China	201910425432X	May 20, 2039
41.	A near-end speech repair method and system in echo cancellation process (一種回聲消除過程中的近端語音修復方法及系統)	Mobvoi IT	China	2019101728610	March 6, 2039
42.	A speech signal processing method, device and system (一種語音信號處理方法、裝置及系統)	Mobvoi IT	China	2019101728536	March 6, 2039
43.	A speech signal positioning method, device and system based on complex environment (一種基於複雜環境的語音信號定位方法、裝置及系統)	Mobvoi IT	China	2019101905193	March 12, 2039
44.	An echo cancellation method, device, system and storage medium (一種回聲消除方法、裝置、系統及存儲介質)	Mobvoi IT	China	2019101813740	March 10, 2039
45.	Beamformer forming method, beam forming method, device and electronic equipment (波束形成器形成方法、波束形成方法、裝置及電子設備)	Mobvoi IT	China	2019109919438	October 17, 2039

No.	Patent	Patentee	Place of registration	Patent number	Expiry date
46.	Feature extraction method, equipment and computer storage medium based on speech signal (基於語音信號的特徵提取方法、設備及計算機存儲介質)	Mobvoi IT	China	2019109768508	October 14, 2039
47.	A voice activity detection method, equipment and computer readable storage medium (一種語音活動性檢測方法、設備及計算機可讀存儲介質)	Mobvoi IT	China	2019109770315	October 14, 2039
48.	Adaptive speech synthesis methods, devices, readable storage media and computing equipment (自適應語音合成方法、裝置、可讀存儲介質及計算設備)	Suzhou Mobvoi	China	2019106616486	July 21, 2039
49.	A speech synthesis method, device, readable storage medium and computing equipment (一種語音合成方法、裝置、可讀存儲介質及計算設備)	Suzhou Mobvoi	China	2019106705649	July 23, 2039
50.	Speech recognition methods, devices, electronic equipment and computer readable storage media (語音識別方法、裝置、電子設備和計算機可讀存儲介質)	Suzhou Mobvoi	China	2019107075088	July 31, 2039
51.	A multi-speaker speech synthesis method, device and computing equipment (一種多説話人語音合成方法、裝置及計算設備)	Shanghai Mobvoi	China	2020104712231	May 27, 2040
52.	A method, apparatus and readable storage medium for determining subtitles of a video stream (一種視頻流的字幕的確定方法、裝置及可讀存儲介質)	Wuhan Mobvoi	China	202011576783X	December 27, 2040

No.	Patent	Patentee	Place of registration	Patent number	Expiry date
53.	Method and device for detecting wireless charging receiving device placed in wireless charging transmitter (檢測無線充電接收設備置於無線充電發射機的方法及裝置) . . .	Beijing Yushanzhi	China	2016102616638	April 24, 2036
54.	A display device, screen switching method and electronic equipment (一種顯示裝置、屏幕切換方法及電子設備)	Mobvoi IT	China	2017108689463	September 21, 2037
55.	A display device, electronic equipment and screen display control method (一種顯示裝置、電子設備以及屏幕顯示控制方法)	Mobvoi IT	China	2018100775323	January 25, 2038
56.	A display device and electronic equipment (一種顯示裝置以及電子設備)	Mobvoi IT	China	2018201354859	January 25, 2038
57.	A display device and electronic equipment (一種顯示裝置和電子設備)	Mobvoi IT	China	2018201360351	January 25, 2038
58.	A display device and electronic equipment (一種顯示裝置和電子設備)	Mobvoi IT	China	2018201360027	January 25, 2038
59.	A display device, electronic equipment and screen display control method (一種顯示裝置、電子設備以及屏幕顯示控制方法)	Mobvoi IT	China	2018100786188	January 25, 2038
60.	A display device and electronic equipment (一種顯示裝置以及電子設備)	Mobvoi IT	China	2018201373756	January 25, 2038
61.	Wearable electronic device (可穿戴電子設備)	Mobvoi IT	China	2018102307455	March 19, 2038
62.	Vibration motor control system and electronic device (振動馬達控制系統及電子設備)	Mobvoi IT	China	2018105956838	June 10, 2038
63.	Vibration motor control system and electronic device (振動馬達控制系統及電子設備)	Mobvoi IT	China	2018209038332	June 10, 2038

No.	Patent	Patentee	Place of registration	Patent number	Expiry date
64.	An optimization method, device and electronic equipment for equipment electric meter measurement (一種設備電量計計量的優化方法、裝置及電子設備)	Mobvoi IT	China	2018106127127	June 13, 2038
65.	A method and device for positioning the terminal (一種對終端進行定位的方法及裝置)	Mobvoi IT	China	2018109833127	August 26, 2038
66.	A wearable device and information display method and device for wearable devices (一種可穿戴設備及可穿戴設備的信息顯示方法及裝置)	Mobvoi IT	China	2018109835692	August 26, 2038
67.	Display apparatus (顯示裝置)	Mobvoi IT	China	2018214319514	August 30, 2038
68.	Antenna devices and wearable devices (天線裝置和可穿戴設備)	Mobvoi Innovation	China	2018111208035	September 25, 2038
69.	A charging base (一種充電底座)	Mobvoi IT	China	2019102947865	April 11, 2039
70.	Display device, display control method and electronic equipment (顯示裝置、顯示控制方法及電子設備)	Mobvoi IT	China	2019100661312	January 24, 2039
71.	Wearable device (可穿戴設備)	Mobvoi Innovation	China	2019104691779	May 30, 2039
72.	An antenna structure and a wearable device with this antenna structure (一種天線結構及具有該天線結構的可穿戴設備)	Mobvoi Innovation	China	2019107789853	August 21, 2039
73.	A method and device for transmitting low-power Bluetooth BLE data for smart watches (一種智能手錶的低功耗藍牙BLE數據的傳輸方法、裝置)	Mobvoi IT	China	2019111792859	November 26, 2039
74.	A watch device (一種手錶裝置)	Mobvoi IT	China	2019220873865	November 26, 2039
75.	An electrocardiographic measurement method and device, electronic device and computer storage medium (一種心電測量方法和裝置、電子設備和計算機存儲介質)	Mobvoi IT	China	2020102555912	April 1, 2040
76.	WATCH CASE (手錶錶殼)	Mobvoi IT	China	2022302173068	April 17, 2037

No.	Patent	Patentee	Place of registration	Patent number	Expiry date
77.	Smart watch screen with timetable graphical user interface (帶時間表盤的圖形用戶界面的智能手錶屏幕) . . .	WWZN IT	China	2023300197429	January 29, 2038
78.	Smart watch screen with graphical user interface for health information (帶健康類信息的圖形用戶界面的智能手錶屏幕)	WWZN IT	China	2023300197359	January 29, 2038
79.	Smart watch screen with graphical user interface with tool function (帶工具功能的圖形用戶界面的智能手錶屏幕)	WWZN IT	China	2023300197310	January 29, 2038
80.	Smart watch screen with graphical user interface with motion information (帶運動類信息的圖形用戶界面的智能手錶屏幕)	WWZN IT	China	2023300197293	January 29, 2038
81.	Watch Dial (手錶錶盤)	Mobvoi IT	China	2019300445564	January 24, 2029
82.	Display apparatus, panel switching method and electronic device (顯示裝置、面板切換方法和電子裝置)	Mobvoi IT	United States	15/778,964	February 12, 2038
83.	Display apparatus, panel switching method and electronic device (顯示裝置、面板切換方法和電子裝置)	Mobvoi IT	United States	15/778,949	February 12, 2038
84.	Display apparatus, panel switching method and electronic device (顯示裝置、面板切換方法和電子裝置)	Mobvoi IT	European Union	18723659.1	February 12, 2038
85.	Display device, electronic device and display control method for screen (顯示裝置、電子裝置及屏幕顯示控制方法)	Mobvoi IT	United States	15/989,030	May 22, 2038
86.	WATCH CASE (手錶錶殼)	Mobvoi IT	European Union	008726509	October 14, 2046
87.	SMART WATCH (智能手錶)	Mobvoi IT	European Union	008671010	September 2, 2046
88.	WATCH CASE (手錶錶殼)	Mobvoi IT	European Union	008796288	December 13, 2046
89.	WATCH CASE (手錶錶殼)	Mobvoi IT	European Union	009172273	September 14, 2047

(c) Copyrights

As of the Latest Practicable Date, we had registered the following software copyrights which we consider to be or may be material to our business:

No.	Copyright	Registered owner	Registered number	Registration date
1.	DupDub 4.0 (魔音工坊軟件4.0)	Mobvoi Innovation; Beijing Xiaowen	2022SR0233848	February 16, 2022
2.	Mobvoi TicWatch OS V3.2.2 (出門問問Ticwear智能手錶操作系統軟件V3.2.2)	Beijing Yushanzhi	2016SR082597	April 21, 2016
3.	TicWatch Health App V1.0.0 (Ticwear智能手錶健康應用軟件V1.0.0)	Beijing Yushanzhi	2016SR115777	May 23, 2016
4.	TicWatch Phone Calls App V1.0.0 (Ticwear智能手錶通話應用軟件V1.0.0)	Beijing Yushanzhi	2016SR115778	May 23, 2016
5.	TicWatch Voice Interaction App V1.0.0 (Ticwear智能手錶語音對話交互應用軟件V1.0.0)	Beijing Yushanzhi	2016SR115779	May 23, 2016
6.	TicWatch Mobile App V1.0.0 (Ticwear智能手錶手機客戶端軟件V1.0.0)	Beijing Yushanzhi	2016SR115780	May 23, 2016
7.	TicWatch Exercise App V1.0.0 (Ticwear智能手錶健身應用軟件V1.0.0)	Beijing Yushanzhi	2016SR115781	May 23, 2016
8.	TicWatch SMS App V1.0.0 (Ticwear智能手錶短信應用軟件V1.0.0)	Beijing Yushanzhi	2016SR115782	May 23, 2016
9.	Mobvoi Store Mobile App V1.0.0 (問問應用商店手機客戶端軟件V1.0.0)	Beijing Yushanzhi	2016SR153291	June 23, 2016
10.	Intelligent Dialogue System 4.2 (智能對話系統4.2)	Mobvoi Innovation	2021SR0553457	April 19, 2021
11.	Wenzhen — Intelligent Anti-Fraud System 2.0.0 (問真 — 智能反欺詐系統2.0.0)	Mobvoi Innovation	2021SR0676901	May 12, 2021

No.	Copyright	Registered owner	Registered number	Registration date
12.	Mobvoi TicWatch Face System V2.0.0 (出門問問Tic錶盤系統軟件V2.0.0)	Mobvoi IT	2017SR727684	December 25, 2017
13.	Mobvoi Watch Face Marketplace App V2.0.0 (出門問問錶盤市場系統軟件V2.0.0)	Mobvoi IT	2017SR728014	December 25, 2017
14.	Mobvoi TicHealth App V2.0.0 (出門問問Tic健康軟件V2.0.0)	Mobvoi IT	2017SR728360	December 25, 2017
15.	Mobvoi Store Software V2.0.0 (問問商店軟件V2.0.0)	Mobvoi IT	2017SR728361	December 25, 2017
16.	Mobvoi TicRanking System V2.0.0 (出門問問Tic排行榜系統軟件V2.0.0)	Mobvoi IT	2017SR728363	December 25, 2017
17.	Mobvoi TicPulse System V2.0.0 (出門問問心率系統軟件V2.0.0)	Mobvoi IT	2017SR728365	December 25, 2017
18.	Mobvoi TicVoice Search Software V2.0.0 (出門問問Tic語音搜索軟件V2.0.0)	Mobvoi IT	2017SR728367	December 25, 2017
19.	Mobvoi Voice Memo System V2.0.0 (出門問問語音筆記系統軟件V2.0.0)	Mobvoi IT	2017SR728864	December 26, 2017
20.	Mobvoi Timer System V2.0.0 (出門問問定時器系統軟件V2.0.0)	Mobvoi IT	2017SR732835	December 26, 2017
21.	Mobvoi Weather System V2.0.0 (出門問問天氣系統軟件V2.0.0)	Mobvoi IT	2017SR732852	December 26, 2017
22.	Mobvoi VPA Device Module Software V6.1.0 (出門問問VPA設備模塊軟件V6.1.0)	Mobvoi IT	2018SR720610	September 6, 2018

No.	Copyright	Registered owner	Registered number	Registration date
23.	Mobvoi App Store Software V1.3.2 (問問應用商店軟件V1.3.2)	Mobvoi IT	2018SR306616	May 4, 2018
24.	Mobvoi TicAlarm Software V2.0.0 (出門問問Tic鬧鐘軟件V2.0.0). .	Mobvoi IT	2018SR306921	May 7, 2018
25.	TicWatch (IOS) Mobile Assistant Software 1.0.0 (TicWatch (IOS版)手機助手軟件1.0.0)	Mobvoi IT	2018SR306923	May 7, 2018
26.	Mobvoi TicExercise Software V2.0.0 (出門問問Tic運動軟件V2.0.0). .	Mobvoi IT	2018SR306972	May 7, 2018
27.	Mobvoi Stopwatch Software V2.0.0 (出門問問秒錶軟件V2.0.0)	Mobvoi IT	2018SR433973	June 8, 2018
28.	TicWatch (Android) Mobile Assistant Software 1.0.0 (TicWatch (Android版) 手機助手軟件1.0.0)	Mobvoi IT	2018SR433980	June 8, 2018
29.	Mobvoi VPA Cardflow Software V6.1.0 (出門問問VPA卡片流軟件V6.1.0)	Mobvoi IT	2018SR721934	September 7, 2018
30.	Mobvoi VPA Voice Software V6.1.0 (出門問問VPA語音軟件V6.1.0).	Mobvoi IT	2018SR722022	September 7, 2018
31.	Wenyan — Intelligent Customer Service System 2.5.0 (問言 — 智能客服系統2.5.0) . .	Mobvoi IT	2018SR973773	December 4, 2018
32.	Voice Memo Software V1.0.0 (語音記事本軟件V1.0.0)	Mobvoi IT	2019SR0279891	March 26, 2019
33.	Earbuds Platform IOS Software V1.0.0 (耳機小平台IOS版本軟件V1.0.0)	Mobvoi IT	2019SR0279908	March 26, 2019

No.	Copyright	Registered owner	Registered number	Registration date
34.	Wenzhen — Intelligent Anti-Fraud Voice Investigation System 3.7.2 (問偵 — 智能反欺詐語音調查系統3.7.2)	Mobvoi IT	2019SR1324765	December 10, 2019
35.	Mobvoi Hot Words Triggering Android App 1.0.5 (出門問問熱詞檢測安卓應用軟件1.0.5)	Mobvoi IT	2020SR0923306	August 13, 2020
36.	Xiaowen Secretary Software 1.13 (小問秘書軟件1.13)	Mobvoi IT	2020SR0965460	August 21, 2020
37.	Mobvoi JSON Conversion System 1.0.0 (出門問問JSON格式轉換系統1.0.0)	Suzhou Mobvoi; Automotive Sub A	2021SR1816441	November 22, 2021
38.	DeepQA System 1.0 (深度問答系統1.0)	Suzhou Mobvoi; Automotive Sub A	2021SR1816442	November 22, 2021
39.	Mobvoi Deep Learning Model Conversion Software 1.1.0 (出門問問深度學習模型轉換軟件1.1.0)	Wuhan Mobvoi; Automotive Sub A	2021SR1816443	November 22, 2021
40.	Mobvoi Data-driven NLU Model Automatic Optimization System 1.0.0 (出門問問數據驅動自然語言理解模型自動優化系統1.0.0)	Suzhou Mobvoi; Automotive Sub A	2021SR1816444	November 22, 2021
41.	Multi-Engine Dialogue Management System 1.0.0 (基於多引擎架構的對話管理系統1.0.0)	Suzhou Mobvoi; Automotive Sub A	2021SR1816445	November 22, 2021
42.	Mobvoi Hot Words Triggering System 1.0.5 (出門問問熱詞檢測系統1.0.5)	Mobvoi IT; Automotive Sub A	2021SR1816446	November 22, 2021
43.	Mobvoi NLG System 1.0.0 (出門問問自然語言生成系統1.0.0)	Suzhou Mobvoi; Automotive Sub A	2021SR1816447	November 22, 2021

No.	Copyright	Registered owner	Registered number	Registration date
44.	AI Skills Creation And Sharing Platform 1.0 (AI技能創建與分享平台1.0) . . .	Suzhou Mobvoi; Automotive Sub A	2021SR1816448	November 22, 2021
45.	Mobvoi FSM NLP Machine Learning Platform 1.0.0 (出門問問基於有限狀態機的NLP機器學習平台1.0.0)	Suzhou Mobvoi; Automotive Sub A	2021SR1816449	November 22, 2021
46.	Mobvoi Dialogue Management System V3.0 (出門問問對話管理系統V3.0) . .	Mobvoi Innovation; Automotive Sub A	2021SR1816450	November 22, 2021
47.	Mobvoi Dialogue Anti-spam System 1.0.0 (出門問問對話反垃圾系統1.0.0)	Wuhan Mobvoi; Automotive Sub A	2021SR1816451	November 22, 2021
48.	Mobvoi Key-Value Pair NLU System 1.0.0 (出門問問Key-Value Pair自然語言理解系統1.0.0).	Wuhan Mobvoi; Automotive Sub A	2021SR1816452	November 22, 2021
49.	Single-Entity-Single-Relation Question Answering KGQA System 1.0 (解決單實體單關係型問題的KGQA系統1.0.).	Wuhan Mobvoi; Automotive Sub A	2021SR1816453	November 22, 2021
50.	Mobvoi Voice Recognition Platform 3.0.0 (出門問問語音識別平台3.0.0) . .	Mobvoi IT; Automotive Sub A	2021SR1816454	November 22, 2021
51.	Mobvoi Speech Synthesis Platform 2.5.0 (出門問問語音合成平台2.5.0) . .	Mobvoi IT; Automotive Sub A	2021SR1816455	November 22, 2021
52.	TicHear Voice Interaction Signal Processing Software 1.0 (TicHear語音交互信號處理軟件1.0)	Mobvoi IT; Automotive Sub A	2022SR0702200	June 6, 2022
53.	Tichear Voice Call Signal Processing Software 1.0 (TicHear語音通話信號處理軟件1.0)	Mobvoi IT; Automotive Sub A	2022SR0702248	June 6, 2022

No.	Copyright	Registered owner	Registered number	Registration date
54.	TicSleep Software V1.1.1 (小問睡眠檢測軟件V1.1.1)	Shanghai Mobvoi	2019SR0202487	March 1, 2019
55.	Home Answering Machine Software V1.0.0 (家庭留言機軟件V1.0.0)	Shanghai Mobvoi	2019SR0281233	March 26, 2019
56.	Mobvoi Intelligent Voice Search Mobile Software V1.0 (出門問問智能移動語音搜索軟件V1.0)	Shanghai Yushanzhi	2013SR086588	August 19, 2013
57.	HELM — Voice Recognition Model Management and Training Platform 1.0 (HELM — 語音識別模型管理訓練平台1.0)	Suzhou Mobvoi	2019SR0788240	July 30, 2019
58.	Entity Abbreviation Backstage Management System 1.0.0 (實體簡稱後台管理系統1.0.0)	Suzhou Mobvoi	2019SR0788246	July 30, 2019
59.	Brighton — Voice Recognition Model Testing Platform 1.0 (Brighton — 語音識別模型測試平台1.0)	Suzhou Mobvoi	2019SR0788258	July 30, 2019
60.	NNLM Model Training System 1.0.0 (神經網絡語言模型訓練系統1.0.0)	Suzhou Mobvoi	2019SR0794993	July 31, 2019
61.	NLU Model Automatic Training System 1.5.0 (自然語言理解模型自動訓練系統1.5.0)	Suzhou Mobvoi	2019SR0795003	July 31, 2019
62.	Entity Abbreviation Application System 1.0.0 (實體簡稱應用系統1.0.0)	Suzhou Mobvoi	2019SR0795027	July 31, 2019
63.	Natural Language Model Training and Release Platform 1.0.0 (自然語言模型訓練發佈平台1.0.0)	Suzhou Mobvoi	2019SR0838325	August 13, 2019

No.	Copyright	Registered owner	Registered number	Registration date
64.	TTS Subjective Testing Platform 1.0.0 (TTS主觀測試平台1.0.0).	Suzhou Mobvoi	2019SR0920256	September 4, 2019
65.	Knowledge-based and Springboot Question Answering System 1.5.0 (基於知識圖譜和Springboot的問答系統1.5.0)	Suzhou Mobvoi	2019SR0920267	September 4, 2019
66.	Voice Recognition Error Correction on Multiple Candidates System 1.0.0 (基於候選集的語音識別糾錯系統1.0.0).	Suzhou Mobvoi	2019SR0984492	September 24, 2019
67.	Closed-loop Chat Logs System 1.0.0 (閒聊日誌閉環系統1.0.0)	Suzhou Mobvoi	2019SR1077182	October 24, 2019
68.	Mobvoi Face Recognition Service System 2.2.0 (出門問問人臉識別服務系統2.2.0)	Suzhou Mobvoi	2019SR1446856	December 27, 2019
69.	Voice Recognition Result Entity Expansion System 1.0.0 (語音識別結果實體擴充系統1.0.0)	Suzhou Mobvoi	2020SR0269984	March 18, 2020
70.	Mobvoi New Retail Data Management Backstage Software 1.0.0 (問問新零售數據管理後台軟件1.0.0)	WWZN IT	2018SR1028902	December 18, 2018
71.	Mobvoi New Retail Management Platform 1.0.0 (出門問問新零售管理平台1.0.0)	WWZN IT	2018SR1028912	December 18, 2018
72.	Mobvoi VPA Cardflow Software V8.0.0 (出門問問VPA卡片流軟件V8.0.0)	WWZN IT	2018SR1038662	December 19, 2018

No.	Copyright	Registered owner	Registered number	Registration date
73.	Mobvoi VPA Device Software V8.0.0 (出門問問VPA設備軟件V8.0.0).	WWZN IT	2018SR1038670	December 19, 2018
74.	Mobvoi VPA Community Software V8.0.0 (出門問問VPA社區軟件V8.0.0).	WWZN IT	2018SR1039048	December 19, 2018
75.	Mobvoi VPA Voice Software V8.0.0 (出門問問VPA語音軟件V8.0.0).	WWZN IT	2018SR1039068	December 19, 2018
76.	Xiaowen Store Software V1.0.0 (小問商店軟件V1.0.0).	WWZN IT	2019SR0279971	March 26, 2019
77.	Earbuds Platform Android Software V1.0.0 (耳機小平台Android版本軟件 V1.0.0)	WWZN IT	2019SR0279924	March 26, 2019
78.	TicWatch NegativeScreen Software V1.0.0 (出門問問手錶負一屏軟件 V1.0.0)	Wuhan Mobvoi	2019SR0279987	March 26, 2019
79.	TicPods Triggering VPA Software V1.0.0 (出門問問耳機喚醒VPA軟件 V1.0.0)	Wuhan Mobvoi	2019SR0281254	March 26, 2019
80.	Virtual Character Cloning System 2.0.0 (數字人克隆系統2.0.0)	Shanghai Mobvoi	2023SR0177538	January 31, 2023
81.	Moyin Workshop Software V1.4.5 (魔音工坊軟體V1.4.5).	Mobvoi Innovation; Beijing Xiaowen	2024SR0429140	March 15, 2024
82.	3D Virtual Live Broadcast Software V1.0.1 (3D虛擬直播軟體V1.0.1)	Mobvoi Innovation	2023SR1266720	October 19, 2023
83.	Firefly Software V1.0 (迎火蟲軟體V1.0)	Mobvoi Innovation	2023SR1266718	October 19, 2023
84.	Bizcard365 Digital Marketing Platform V1.0 (元創邦數字行銷平臺V1.0). . . .	Mobvoi Innovation	2023SR1266714	October 19, 2023
85.	Qi Miao Wen Software V1.0 (奇妙文軟體V1.0)	Mobvoi Innovation	2023SR0975113	August 24, 2023

No.	Copyright	Registered owner	Registered number	Registration date
86.	Ask365 Interactive Digital Human Generation System V1.0 (奇妙問互動數位人生成系統V1.0)	Shanghai Mobvoi	2023SR1718076	December 21, 2023
87.	Ycxcool Dial SAAS Platform V1.0 (元創秀錶盤SAAS平臺V1.0)	Beijing Xiaowen; Shanghai Mobvoi	2023SR1208114	October 10, 2023
88.	Weta365 Video System V2.0.0 (奇妙元視頻系統V2.0.0)	Beijing Xiaowen; Shanghai Mobvoi	2023SR1208103	October 10, 2023

3. Domain names

As of the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain name	Registered owner	Registration date	Expiry date
1.	ticstore.com	Beijing Yushanzhi	February 17, 2015	February 17, 2025
2.	ticwear.com	Beijing Yushanzhi	November 12, 2014	November 12, 2024
3.	weta365.com	Nanjing Xiaowen	April 21, 2022	April 21, 2024
4.	chumenwenwen.com	Shanghai Yushanzhi	May 16, 2013	May 16, 2024
5.	chumenwenwen.net	Shanghai Yushanzhi	September 13, 2013	September 13, 2024
6.	mobvoi.com	Shanghai Yushanzhi	August 23, 2012	August 23, 2024
7.	heytico.ai	Shanghai Mobvoi	April 30, 2020	April 30, 2024
8.	malayuan.com	Nanjing Xiaowen	January 10, 2022	January 10, 2025
9.	mobvoi.ai	Shanghai Mobvoi	August 20, 2018	August 20, 2024
10.	mobvoi.com.tw	Shanghai Mobvoi	November 10, 2017	November 10, 2024
11.	mobvoi.tw	Shanghai Mobvoi	April 28, 2016	April 28, 2024
12.	mobvoi-inc.com	Shanghai Mobvoi	July 20, 2018	July 20, 2024
13.	tickasa.com	Shanghai Mobvoi	May 24, 2018	May 24, 2024
14.	ticwatch.cn	Beijing Yushanzhi	November 10, 2014	November 10, 2024
15.	ticwatch.com.tw	Shanghai Mobvoi	November 10, 2017	November 10, 2024
16.	ticwatch.tw	Shanghai Mobvoi	November 10, 2017	November 10, 2024
17.	ticwear.net	Beijing Yushanzhi	November 12, 2014	November 12, 2024
18.	tiktime.net	Beijing Yushanzhi	November 10, 2014	November 10, 2024
19.	aiask365.com	Beijing Yushanzhi	October 11, 2023	October 11, 2024
20.	mobvoiaigc.com	Mobovi IT	December 18, 2023	December 18, 2024

Save as disclosed above, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

Immediately following completion of the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised; and (ii) each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme), so far as our Directors are aware, the interests or short positions of our Directors and the chief executives in any Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which have been taken or deemed to have been taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

(i) Interests of our Directors in the Shares of our Company

Name of Director or chief executive	Nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately after the [REDACTED]
Dr. Li[(2)]	Interest in controlled corporation/ Interest of concert parties	460,643,777	**[REDACTED]**%
Ms. Li[(3)]	Interest in controlled corporation/ Interest of concert parties	460,643,777	**[REDACTED]**%

Note:

(1) An interests stated are long positions.

(2) Mobvoi AGI Limited is held as to 99% by AGI Limited, which is wholly-owned by AGI Management Limited, and as to 1% by Mobvoi Limited, which is wholly-owned by Dr. Li. AGI Management Limited is entirely held by Suntera Corporate Trustees (Hong Kong) Limited, the trustee of Dr. Li Family Trust, which was established by Dr. Li as the settlor and protector with Mobvoi Limited as the beneficiary. By virtue of the SFO, Dr. Li is deemed to be interested in all the **[REDACTED]** Shares held by Mobvoi AGI Limited. On the other hand, as Dr. Li, Ms. Li and Dr. Lei have been acting in concert since December 1, 2019, Dr. Li, Mobvoi Limited, AGI Management Limited, AGI Limited and Mobvoi AGI Limited are deemed to be interested in all the **[REDACTED]** Shares and **[REDACTED]** Shares in which Ms. Li and Dr. Lei are interested, respectively.

(3) CMWW AGI Limited is held as to 99% by Wen&Hui Limited, which is wholly-owned by W&H Management Limited, and as to 1% by CMWW Limited, which is wholly-owned by Ms. Li. W&H Management Limited is entirely held by Suntera Corporate Trustees (Hong Kong) Limited, the trustee of Ms. Li Family Trust, which was established by Ms. Li as the settlor and protector with CMWW Limited as the beneficiary. By virtue of the SFO, Ms. Li is deemed to be interested in all the **[REDACTED]** Shares held by CMWW AGI Limited. On the other hand, as Dr. Li, Ms. Li and Dr. Lei have been acting in concert since December 1, 2019, Ms. Li, CMWW Limited, W&H Management Limited, Wen&Hui Limited and CMWW AGI Limited are deemed to be interested in all the **[REDACTED]** Shares and **[REDACTED]** Shares in which Dr. Li and Dr. Lei are interested, respectively.

(ii) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of SFO

For information on the persons who will, immediately following the completion of the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised; and (ii) each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see the section headed "Substantial Shareholders" in this document.

Save as disclosed in the section headed "Substantial Shareholders" in this document, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised; and (ii) each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme), having or be deemed or taken to the beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the issued voting shares of any member of our Group or had option in respect of such capital.

2. Directors' service contracts and appointment letters

Executive Directors

Each of our executive Directors has entered into a service contract with our Company. Pursuant to the service contracts, they agreed to act as executive Directors for an initial term of three years with effect from the date the appointment is approved by the Board or until the third annual general meeting of our Company after the **[REDACTED]** (whichever is earlier). Either party has the right to give not less than three months' written notice to terminate the agreement. Details of the Company's remuneration policy is described in section headed "Directors and Senior Management — Remuneration of Our Directors and Senior Management."

Independent non-executive Directors

Each of our independent non-executive Directors has entered into an appointment letter with our Company. The initial term of their appointment shall be three years from the date of this document or until the third annual general meeting of the Company after the **[REDACTED]**, whichever is earlier, (subject to retirement as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Save as disclosed above, none of our Directors has or will have a service contract with any member of our Group, other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Directors' remuneration

The remuneration of our Directors are paid in the form of salaries and other emoluments, discretionary bonuses, share-based payments and retirement scheme contributions. The aggregate amount of remuneration (including salaries and other emoluments, discretionary bonuses, share-based payments and retirement scheme contributions) of our Directors for the years ended December 31, 2021, 2022 and 2023 was RMB2.8 million, RMB3.1 million and RMB13.0 million, respectively.

Under the arrangement currently in force, the total remuneration (including salaries and other emoluments, discretionary bonuses, share-based payments and retirement scheme contributions) payable to our Directors for the year ending December 31, 2024 is estimated to be RMB12.4 million.

4. Disclaimers

Save as disclosed in the sections headed "Directors and Senior Management", "Relationship with Our Controlling Shareholders", "Substantial Shareholders" and the paragraph headed "— C. Further Information about our Directors and Substantial Shareholders" above:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;

(b) none of the Directors or the experts named in the section headed "— E. Other Information — 8. Qualifications and consents of experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this document;

(d) save in connection with the **[REDACTED]**, none of the Directors nor the parties listed in the paragraph headed "— E. Other Information — 8. Qualifications and Consents of Experts" below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group;

(e) so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the **[REDACTED]**, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and

(f) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are **[REDACTED]** thereon.

D. SHARE INCENTIVE SCHEMES

1. [REDACTED] Share Option Scheme

The following is a summary of the principal terms of the **[REDACTED]** Share Option Scheme. The terms of the **[REDACTED]** Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as no option will be granted under the **[REDACTED]** Share Option Scheme after the **[REDACTED]**.

(a) Purpose

The purpose of the **[REDACTED]** Share Option Scheme is to reward the participants for their contributions in the development of our Group, and to encourage them to contribute to the growth and development of our Company for the benefit of our Company and its Shareholders as a whole.

(b) Selected Participants

Persons (the "**selected participants**") eligible to participate in the **[REDACTED]** Share Option Scheme include Directors, employees, officers and consultants of the Group, and other individuals, as determined, authorized and approved by the Board or a committee authorized by the board (the "**Administrator**").

(c) Administration

The Administrator is the administrator of such scheme and shall have the exclusive right to determine all the matters with respect to the awards under the **[REDACTED]** Share Option Scheme, including, among others, (i) determine the number of options to be granted and the number of underlying Shares to which an option will relate; and (ii) determine the terms and conditions of any options granted pursuant to the **[REDACTED]** Share Option Scheme.

(d) Option grants

The Administrator is authorized to grant options to purchase the number of Shares at the exercise price and in accordance with the vesting schedule as determined by the Administrator in its sole discretion. Each selected participant shall enter into a share option agreement (the "**Share Option Agreement**") with, among others, our Company for the options granted to such person under the **[REDACTED]** Share Option Scheme.

(e) Rights and Restrictions attached to the options

The options are personal to each selected participant and are not assignable or transferable. The selected participants shall not have the right in any way to sell, transfer, assign, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any options, except as otherwise pre-approved by the Administrator.

A selected participant does not have any contingent interest in any Shares underlying the options unless and until such Shares are actually issued or transferred to the selected participant. Further, a selected participant may not exercise voting rights in respect of the Shares underlying the options until such Shares are issued, nor do they have any rights to any dividends.

(f) Vesting schedule

Unless as otherwise determined by the Administrator, the options under the **[REDACTED]** Share Option Scheme are generally vested over a period of four years commencing from the designated vesting commencement date with each 25% of the underlying Shares vested at each anniversary of the designated vesting commencement date. Our Company shall have the right to accelerate the vesting of options under certain major corporate transactions, such as the merger and acquisition.

(g) Exercise price

The exercise price per Share subject to an option shall be determined by the Administrator and shall be set forth in the Share Option Agreement. The exercise price shall not be less than 100% of the fair market value per Share on the date of granting the option. The exercise price per Share subject to an option may be amended or adjusted in the absolute discretion of the Administrator, the determination of which shall be final, binding and conclusive.

(h) Exercise of Options

A selected participant may exercise the options by delivering an exercise notice to our Company with the payment of the aggregate exercise price as to all Shares exercised, with applicable tax withholding delivered. Options that are vested and exercisable will terminate if they are not exercised within ten years from the date of grant.

(i) Maximum number of Shares underlying the options

The aggregate maximum number of Shares underlying the options approved under the **[REDACTED]** Share Option Scheme is 195,974,805 ordinary Shares. As of the Latest Practicable Date, options underlying an aggregate of 155,312,405 ordinary Shares had been granted and no further options would be granted under the **[REDACTED]** Share Option Scheme after the **[REDACTED]**. Notwithstanding the provisions regarding termination of employment or service, the Administrator shall have the right to determine that any options that would otherwise terminate pursuant to such provisions be transferred to any other existing or additional selected participant or permitted transferees that the Administrator may in its sole discretion determine, and the Administrator may reflect any such determination in a written notice to such person(s).

(j) Adjustments

In the event of any share dividend, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting the Shares or the price of a Share, the Administrator shall make such proportionate adjustments, if any, as the Administrator in its discretion may deem appropriate to reflect such change.

(k) Termination

Our Company shall have the right to revoke or terminate an option at its sole discretion if (i) the employment has been terminated for cause, or (ii) the selected participant has joined or established a competing entity as determined by the Board or otherwise caused harm to any interests of the Company.

(l) Outstanding options granted

As of the Latest Practicable Date, options to 279 selected participants under the **[REDACTED]** Share Option Scheme with an aggregate of 151,888,010 ordinary Shares underlying such options were outstanding representing **[REDACTED]**% of the total enlarged issued share capital of our Company immediately following the completion of the **[REDACTED]** (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** and the Share Incentive Schemes). No consideration is paid for the grant of such options. Our Company will not grant additional options under the **[REDACTED]** Share Option Scheme after the **[REDACTED]**. Assuming full vesting and exercise of all options granted under the **[REDACTED]** Share Option Scheme, the shareholding of our Shareholders immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and each Preferred Share is converted into one Share) would be diluted by **[REDACTED]**%.

We [have applied] for, and [have been granted] an exemption from the SFC from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. For details, please refer to the paragraph headed "Waivers from Strict Compliance with Requirements under the Listing Rules and Exemption from the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and exemption in respect of the **[REDACTED]** Share Option Scheme disclosure requirements" in this document.

The table below shows the details of share options (including the options that remained outstanding and unexercised as of the Latest Practicable Date) granted to the Directors and other connected person of the Company under the **[REDACTED]** Share Option Scheme as of the Latest Practicable Date.

Name of the Selected Participants	Title	Address	Number of Shares underlying the Options Outstanding[(1)]	Vesting period	Date of grant	Exercise Price (US$)	Approximate percentage of issued shares immediately after completion of the [REDACTED][(1)]
Dr. Li.	Executive Director	Flat H, 24/F, Tien Sing Mansion, Sing Fai Terrace, No.1 Tai Wing Avenue, Taikoo Shing, Hong Kong	14,867,279	4 years	November 1, 2015–April 1, 2023	0.0600–0.1200	**[REDACTED]**%
Ms. Li	Executive Director	Room 36A, Block 2, Victoria Center, 15 Watson Road, Tin Hau Hong Kong	14,867,279	4 years	November 1, 2015–April 1, 2023	0.0600 – 0.1200	**[REDACTED]**%

Note:

(1) The table above assumes that the **[REDACTED]** is not exercised and each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme.

Rule 17.02(1)(b) of the Listing Rules requires a new applicant to disclose, among others, the details of all outstanding options and their potential dilution effect on the shareholdings upon **[REDACTED]**. As of the Latest Practicable Date, 277 grantees who were not Directors and other connected persons of the Company held an aggregate of 122,153,452 options that were still

outstanding and unexercised as of the Latest Practicable Date. Such outstanding and unexercised options granted under the **[REDACTED]** Share Option Scheme will have a potential dilution effect on the shareholding of our Company's Shareholders. Therefore, we set forth below the information on the outstanding and unexercised options granted under the **[REDACTED]** Share Option Scheme as of the Latest Practicable Date to enable potential investors to assess the potential dilution effect on their shareholding by these outstanding and unexercised options.

Name of the Selected Participants	Number of Shares underlying the Options outstanding	Vesting Period	Dates of Grant	Exercise Price (US$)	Approximate percentage of issued shares immediately after completion of the [REDACTED][(1)]
273 employees/former employees	107,115,848	4 years	April 1, 2013– April 1, 2023	0.0045–0.1200	**[REDACTED]**
4 consultants	15,037,604	4 years	April 1, 2013– June 1, 2021	0.0045–0.1200	**[REDACTED]**

Note:

(1) The table above assumes that the **[REDACTED]** is not exercised and each Preferred Share is converted into one Share, without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme.

2. [REDACTED] RSU Scheme

The following is a summary of the principal terms of the **[REDACTED]** RSU Scheme conditionally approved and adopted in compliance with the provisions of Chapter 17 of the Listing Rules by resolutions of our Shareholders dated March 30, 2024.

(a) Purpose of the [REDACTED] *RSU Scheme*

The purposes of the **[REDACTED]** RSU Scheme are: (i) to provide the selected participants (as set out in paragraph (f) below) with an opportunity to acquire a proprietary interest in the Company; (ii) to encourage and retain such individuals to work with our Group; (iii) to provide additional incentive for them to achieve performance goals; (iv) to attract suitable personnel for further development of our Group; and (v) to motivate the selected participants to maximize the value of our Company for the benefits of both the selected participants and our Company, with a view to achieving the objectives of increasing the value of our Company and aligning the interests of the selected participants directly with the Shareholders through ownership of Shares.

(b) Conditions and present status

The **[REDACTED]** RSU Scheme shall become effective upon the commencement of trading of the Shares on the Stock Exchange.

(c) Award

An award ("**Award**") of the Shares under the **[REDACTED]** RSU Scheme ("**Award Shares**") gives a selected participant in the **[REDACTED]** RSU Scheme a conditional right, when the Award Shares vest, to obtain Shares as determined by the Board or the administration committee authorized and established by the Board (the "**Administration Committee**") in its absolute discretion.

(d) **[REDACTED]** *RSU Mandate Limit*

The maximum aggregate number of Award Shares which may be granted pursuant to the **[REDACTED]** RSU Scheme (excluding the Awards and/or the Award Shares that have lapsed in accordance with the rules of the **[REDACTED]** RSU Scheme) shall not exceed **[REDACTED]**% of the Shares in issue immediately after **[REDACTED]** (assuming no exercise of the **[REDACTED]**, each Preferred Share is converted into one Share and without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme) (the "**RSU Mandate Limit**"), subject to the refreshment pursuant to the Listing Rules requirements.

Among the RSU Mandate Limit, the maximum number of Shares which may be granted to Service Providers (as defined below) pursuant to the **[REDACTED]** RSU Scheme (excluding the Awards and/or Award Shares that have lapsed in accordance with the rules of the **[REDACTED]** RSU Scheme) shall not exceed **[REDACTED]**% of the Shares in issue immediately after **[REDACTED]** (assuming no exercise of the **[REDACTED]**, each Preferred Share is converted into one Share and without taking into account any Shares that may be issued under the **[REDACTED]** Share Option Scheme) (the "**Service Provider Sublimit**"), subject to the refreshment pursuant to the Listing Rules requirements.

The aggregate number of Shares issued and to be issued in respect of all options and awards granted to a grantee (excluding any options and awards lapsed in accordance with the terms of the relevant scheme) shall not exceed 1% of the total number of the issued Shares for any 12-month period, unless a grant to that effect has been separately approved by the Shareholders in general meeting, with such grantee and his/her close associates (or associates if the grantee is a connected person) abstaining from voting.

Our Board considers that the Service Providers Sublimit is appropriate and reasonable taking into account (i) the grant of Awards to the Service Providers will be decided on a case-by-case basis based on his/her contributions to the development and growth of our Group from time to

time; and (ii) we estimate that the percentage of the number of Award Shares that we intend to grant to the Service Providers will be less than **[REDACTED]**% of issued Shares of our Company as at the **[REDACTED]** (assuming no exercise of the **[REDACTED]** and each Preferred Share is converted into one Share). Our Directors consider the Service Provider Sublimit to be appropriate and reasonable given our Group's business needs and such a limit provides our Group with flexibility to provide equity incentives (instead of expending cash resources in the form of monetary consideration) to reward and collaborate with persons who are not employees or officers of our Group, but who may have expertise in their field or who may be able to provide valuable expertise or services to our Group.

(e) Refresh of the Mandate Limit

Our Company may seek approval of our Shareholders in the general meeting for refreshing the RSU Mandate Limit (including the Service Provider Sublimit) every three years after the **[REDACTED]** or the Shareholder approval date of the last refreshment, as the case may be. However, the RSU Mandate Limit and the Service Provider Sublimit as refreshed shall not exceed **[REDACTED]**% and **[REDACTED]**% of the total number of Shares in issue as of the date of approval of the Shareholders on the refreshment, respectively. The total number of Shares which may be issued in respect of all options and awards to be granted under all of the schemes of the Company under the scheme mandate as refreshed must not exceed **[REDACTED]**% of the Shares in issue as at the date of approval of the refreshed scheme mandate. Any refreshment within any three-year period must be approved by our Shareholders subject to the following or other terms under the applicable Listing Rules and laws and regulations: (i) any controlling shareholders (as defined in the Listing Rules) and their associates (or if there is no controlling shareholders, Directors (excluding the independent non-executive Directors) and the chief executive of our Company and their respective associates) must abstain from voting in favor of the relevant resolutions at the general meeting.

The Company may seek separate approval of the Shareholders in general meeting for granting Awards beyond the RSU Mandate Limit provided the Awards or underlying Award Shares in excess of the limit are granted only to participants specifically identified by our Company before such approval is sought.

(f) Selected Participants

The Board or the Administration Committee may select (i) directors and employees of our Company or any of its subsidiaries (including persons who are granted Awards under the **[REDACTED]** RSU Scheme as an inducement to enter into employment contracts with these companies); (ii) directors and employees of the holding companies, fellow subsidiaries or associated companies of our Company and (iii) persons (or its directors and/or employees if such person providing services is an entity) who provide services to our Group on a continuing or

recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of our Group (excluding **[REDACTED]** agents, financial advisers, professional service providers such as auditors and valuers) (the "**Service Providers**").

Our Board (including the independent non-executive Directors) is of the view that, apart from the contributions from employees and Directors of our Group, the success of our Group might also come from efforts and contributions from non-employees (including Service Providers) who have contributed to our Group or may contribute to our Group in the future. The eligibility of Service Providers to participate in the **[REDACTED]** RSU Scheme is consistent with the purpose of the **[REDACTED]** RSU Scheme, which enables our Group to preserve its cash resources and use share incentives to encourage persons outside of our Group to contribute to our Group and align the mutual interests of each party, as our Company and the Service Providers, by holding on to equity incentives, will mutually benefit from the long term growth of our Group.

(g) Duration

Subject to the fulfillment of the conditions of the **[REDACTED]** RSU Scheme and the termination clause, the **[REDACTED]** RSU Scheme shall be valid and effective for a term of 10 years from the **[REDACTED]** (the "**[REDACTED] RSU Scheme Period**"), after which no further Award shall be granted or accepted, but the provisions of the **[REDACTED]** RSU Scheme shall remain in full force and effect in order to give effect to the vesting and exercise of Awards granted and accepted prior to the expiration of the **[REDACTED]** RSU Scheme Period.

(h) Administration

The **[REDACTED]** RSU Scheme shall be subject to the administration of the Board and the trustee in accordance with the rules of the **[REDACTED]** RSU Scheme. The Board may delegate the authority to administer the **[REDACTED]** RSU Scheme to the Administration Committee or appoint one or more persons, entities or contractors (including without limitation the trustee) to assist in the administration of the scheme and delegate such powers and/or functions relating to the administration of the scheme as the Board thinks fit. The Board may also, in its absolute discretion, appoint any trustee to assist with the administration and vesting of the Award Shares granted pursuant to the **[REDACTED]** RSU Scheme. Subject to complying with the Listing Rules, the Administration Committee shall have the sole and absolute discretion to (i) interpret and construe the provisions of the scheme, (ii) determine the persons who will be granted the Awards under the scheme, the terms and conditions on which the Awards are granted and under what conditions will the Awards granted pursuant to the scheme vest, (iii) make such appropriate and equitable adjustments to the terms of the Awards granted under the scheme as it deems necessary and (iv) make such other decisions or determinations as it shall deem appropriate in the administration of the scheme. The decisions of the Board or the Administration Committee on all

matters (save for those specifically reserved for determination by the Shareholders in accordance with the Listing Rules) arising in relation to the **[REDACTED]** RSU Scheme or its interpretation or effect shall be final, conclusive and binding on all relevant parties.

To satisfy the Awards after vesting, our Company may, as determined by the Board or the Administration Committee in its absolute discretion:

(A) allot and issue new Shares to the grantee directly; and/or

(B) allot and issue new Shares to the trustee, and/or instruct the trustee to acquire existing Shares through on-market or off-market purchases in accordance with our Company's instructions and subject to the terms and conditions of the trust teed (if any), such new and/or existing Shares to be held by the trustee on trust for the grantee and to be transferred to the grantee after vesting,

provided that (i) the trustee holding unvested Award Shares under the **[REDACTED]** RSU Scheme, whether directly or indirectly, shall abstain from voting on matters that require Shareholders' approval under the Listing Rules, unless otherwise required by applicable laws to vote in accordance with the beneficial owner's direction and such a direction is given; and (ii) to the extent any new Shares will be allotted and issued by our Company to satisfy any Award after vesting, such allotment and issue shall be subject to and conditional upon the granting of approval by the **[REDACTED]** for the **[REDACTED]** of, and permission to deal in, such number of new Shares which may fall to be allotted and issued.

(i) Grant of Awards

The Board or the Administration Committee may, from time to time in its sole and absolute discretion, select any participant to be a selected participant and make an Award to such selected participant on and subject to any terms and conditions that the Board or the Administration Committee may think fit.

(j) Acceptance of Awards

If the selected participant intends to accept the offer of grant of Award on the terms and conditions specified in the grant letter, he or she is required to sign the notice of acceptance and return it to our Company within the period and in a manner prescribed in the grant letter. Upon the receipt from the selected participant of a duly executed acceptance notice, the Award is granted to such selected participant, who then becomes a grantee pursuant to the **[REDACTED]** RSU Scheme.

To the extent that the offer of Award is not accepted by any selected participant within the time period or in a manner prescribed in the grant letter, the Award shall become lapsed forthwith.

(k) Restrictions on grants

The Administrator shall not grant any Award Shares to any selected participant in any of the following circumstances:

(1) after inside information (as defined under Part XIVA of the SFO) has come to the knowledge of our Company until (and including) the trading day after such inside information has been announced in accordance with the Listing Rules and the SFO;

(2) (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to (and including) the publication date of the results; and (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to (and including) the publication date of the results; and (iii) during any period of delay in publishing a results announcement;

(3) where the grant of such Award would result in breach of the RSU Mandate Limit and the Service Provider Sublimit or other rules of the **[REDACTED]** RSU Scheme;

(4) where the grant of such Award is prohibited under the Listing Rules or other applicable laws, regulations or regulatory rules, guidance, codes, decisions or guidelines from time to time;

(5) where the securities laws or regulations require that a document or other offering documents be issued in respect of the grant of such Award, unless Board or the Administration Committee determines otherwise; or

(6) in any other circumstances where the requisite approval from any applicable regulatory authorities has not been granted.

(l) Grant to Connected Persons

(a) Any grant of Award to a selected participant who is a Director, chief executive or substantial Shareholder (as defined in the Listing Rules) of our Company or any of their respective associates under the **[REDACTED]** RSU Scheme shall be subject to the prior

approval of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Award) and shall otherwise be subject to compliance with the requirements of the Listing Rules.

(b) Where any grant of Award to a Director (other than an independent non-executive Director) or chief executive of the Company, or any of their respective associates would result in the Shares issued and to be issued in respect of all Award Shares and other awards under any other share scheme of the Company or any of its subsidiaries granted (excluding any Award Shares or awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Hong Kong Stock Exchange) of the Shares in issue at the relevant time, such further grant of Award Shares must be approved by the Shareholders in the general meeting in accordance with the requirements under the Listing Rules.

(c) Where any grant of Award to an independent non-executive Director or a substantial Shareholder, or any of their respective associates, would result in the Shares issued and to be issued in respect of all options under any other share scheme of the Company or any of its subsidiaries and Award Shares granted (excluding any options and Award Shares lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Hong Kong Stock Exchange) of the Shares in issue, such further grant of Award Shares must be approved by the Shareholders in general meeting in accordance with the requirements under the Listing Rules.

(m) Rights attached to Award Shares

A grantee shall not have any contingent interest, including income, dividend and any other right, in the Award Shares unless and until these Shares are actually transferred to the grantee from the trustee. Furthermore, a grantee may not exercise any voting right in respect of the Award Shares prior to their vesting and exercise and, unless otherwise specified by the Administration Committee in its sole discretion in the grant letter to the grantee, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Award Shares.

(n) Award Shares to be personal to grantees

Any Award made herein shall be personal to the grantee to whom it is made and shall not be assignable other than for the purpose of vesting in his/her lawful successor. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to the Award Shares under the **[REDACTED]** RSU Scheme. If a grantee makes any attempt to sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to the Award Shares, whether voluntarily or involuntarily, the Award will immediately lapse upon the occurrence of such event.

(o) Vesting

(1) The Board or the Administration Committee has the sole discretion to determine the vesting schedule and vesting conditions for any Award to any grantee, which may also be adjusted and re-determined by the Board or the Administration Committee from time to time provided that the vesting period for the Award Shares shall not be less than 12 months unless under specific circumstances as otherwise determined by the Board or the Administration Committee, including but not limited to such specific circumstances as permitted under applicable guidance and the Listing Rules. No general requirements for any performance target have to be achieved before the vesting of the Award Shares unless under specific circumstances as otherwise determined by the Board or the Administration Committee.

(2) If the Board or the Administration Committee is satisfied that a grantee has satisfied the vesting conditions, the Board or the Administration Committee shall send to the grantee (or his/her legal representative or lawful successor as the case may be) a vesting notice (which may also be made through the designated online or electronic portal facilities) (the "**Vesting Notice**"). The Board or the Administration Committee shall have the sole and absolute discretion in determining whether the Award Shares shall be satisfied by Shares or cash of the equivalent value of such Award Shares at the date of vesting in the following manners:

(a) If the Board or the Administration Committee determines that the Award Shares shall be satisfied by Shares, after withholding or deducting any amount, actual Award Shares will be transferred to an account operated by the trustee or any other online or electronic portal facilities operated by an administrator designated by the Board or the Administration Committee in its sole and absolute discretion (the "**Nominee Account**") in which the vested Award Shares are held on behalf of the grantee. For the avoidance of doubt, unless otherwise determined by the Board or

the Administration Committee, the Award Shares shall not be registered under the name of the grantee or transferred to any account other than the Nominee Account and shall be subject to any restrictions as set out in the Vesting Notice.

(b) If the Board or the Administration Committee determines that the Award Shares shall be satisfied by cash of the equivalent value of such Award Shares, after withholding or deducting any amount, such amount will be transferred to the account of the respective grantee notified by the grantee to the Board or the Administration Committee in writing before the respective date of vesting.

(3) Upon receipt of the Vesting Notice, the grantee is required to return to our Company a reply slip duly executed by him/her at least five Business Days before the date of vesting. If the Board or the Administration Committee specifies in the Vesting Notice that actual Award Shares will be transferred to the Nominee Account upon vesting, the grantee shall complete the payment of the purchase price (if any) within the specified period set out in the Vesting Notice. If any grantee fails to (i) return the reply slip at the stipulated time above to the Company, or (ii) complete the payment of the purchase price in accordance with the requirements set out in the Vesting Notice, unless otherwise determined by the Board or the Administration Committee, the Award shall automatically lapse forthwith and the Award Shares shall become lapsed Shares.

(p) Acceleration of vesting

If an offer by way of a general offer, takeover, merger, scheme of arrangement, share repurchase, voluntary winding-up or otherwise is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) resulting in a change in control of our Company, and such offer is (i) approved by the necessary number of Shareholders at the requisite meeting or (ii) becomes or is declared unconditional (i.e. all conditions to which such transaction is subject have been satisfied) prior to the vesting of Shares in the grantee, then the Board or the Administration Committee shall, prior to the offer being approved by the requisite meeting or becoming or being declared unconditional, determine at its absolute discretion whether such Award Shares shall vest and the period within which such Shares shall vest. If the Board or the Administration Committee determines that such Award Shares shall vest, it shall notify the grantee within five Business Days after the Board or the Administration Committee has so determined that such Award Shares shall vest and the period within which such Award Shares shall vest.

(q) Lapse of awards

(1) If at any time, a grantee has:

(i) been found to be any employee who resides in any country or jurisdiction where the grant of any Award or making of any payment to him or transfer of any Award Shares vested in him to the Nominee Account under the **[REDACTED]** RSU Scheme would not be permitted under the laws and regulations of such country or jurisdictions or would be subject to such requirements under those laws and regulations compliance with which would be unduly burdensome or impractical and the Board considers it necessary and expedient to exclude such employee;

(ii) been terminated by our Company or any subsidiary for cause, including dishonesty or serious misconduct, willful disobedience or non-compliance with the terms of his/her employment or any lawful orders given by our Company or its subsidiary, incompetence or negligence in the performance of his/her duties, or doing anything in the conclusive opinion of our Company or any of its subsidiaries that adversely affects his/her ability to perform his/her duties properly, causes substantial loss to our Company or brings our Company or any of its subsidiaries into disrepute;

(iii) lost, whether partially or fully, his ability to perform the duties assigned by our Company for reasons other than work injury;

(iv) been pronounced death during his employment with our Company;

(v) been in breach of any agreements with our Company during his employment with our Company, including but not limited to his employment agreement, confidentiality agreement and non-competition agreement, our Company's internal rules, any clause of rules of the **[REDACTED]** RSU Scheme, and his professional ethics;

(vi) been summarily dismissed by our Company or any of its subsidiaries in so far as such grantee is an employee;

(vii) become bankrupt or failed to pay his/her debts within a reasonable time after they become due or has made any arrangement or composition with his/her creditors generally;

(viii) been in employment relationship with any person other than our Company without our Company's consent causing adverse effect to our Company's business and failing to rectify such behavior despite the Company's request;

(ix) been convicted for any criminal offense;

(x) been charged, convicted or held liable for any breach of the relevant securities laws or regulations in Hong Kong or any other equivalent laws or regulations in another jurisdiction in force from time to time; or

(xi) been under other circumstances where the Board or the Administration Committee considers that such grantee is no longer suitable to be entitled to the Award Shares or hold the Shares,

then the Award Shares shall not vest and shall automatically lapse and such grantee shall have no claim whatsoever in respect of the Award Shares.

(r) Cancellation of Awards

The Board or the Administration Committee may at its sole discretion cancel any Award that has not vested or has lapsed.

Where our Company cancels any Award granted to a grantee and makes a new grant (whether under the **[REDACTED]** RSU Scheme or any other share scheme(s)) to the same grantee, such new grant may only be made within the available RSU Mandate Limit approved by the Shareholders. The Award cancelled will be regarded as utilized for the purpose of calculating the RSU Mandate Limit.

(s) Reorganization of capital structure

In the event of any alternation in the capital structure of our Company, such as capitalization issue, bonus issue, rights issue, consolidation, sub-division and reduction of the share capital of our Company, subject to other provisions of the **[REDACTED]** RSU Scheme, corresponding adjustments (if any) shall be made to the maximum number of Shares that may be issued by our Company in respect of all the Awards and other share awards and share options to be granted pursuant to all the share schemes of our Company under the unutilized RSU Mandate Limit with reference to the total number of issued Shares as at the date immediately before and after such event and rounded to the nearest whole Share. Any corresponding adjustments shall give a grantee the same proportion of the equity capital, rounded to the nearest whole share, as that to which that grantee was previously entitled and shall be in accordance with the guidance the Stock Exchange issued from time to time. The auditors or the independent financial adviser of our Company retained for such purpose shall confirm in writing to the Directors that the adjustments satisfy the requirements under the Listing Rules.

No alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to give the advantage of the grantees without specific prior approval of the Shareholders.

The capacity of the auditors or the independent financial advisor (as the case may be) is that of experts and not of arbitrators and their confirmation shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the auditors or the independent financial advisor (as the case may be) shall be borne by our Company.

(t) Amendment

The terms of the **[REDACTED]** RSU Scheme may be altered, amended or waived in any respect by the Board provided that such alteration, amendment or waiver shall not affect any subsisting rights of any grantee hereunder, and provisions of the **[REDACTED]** RSU Scheme relating to certain terms listed in the Listing Rules shall not be altered to the advantages of the grantees. No changes to the authority of the Board or the Administration Committee in relation to any alteration of the terms of the **[REDACTED]** RSU Scheme shall be made, without the prior approval of the Shareholders in general meeting. Any alteration, amendment or waiver to the **[REDACTED]** RSU Scheme of a material nature shall be approved by the Shareholders in general meeting. The **[REDACTED]** RSU Scheme so altered must comply with the applicable provisions of the Listing Rules. The Board shall have the right to determine whether any proposed alteration, amendment or waiver is material and such determination shall be conclusive.

Subject to compliance with the Listing Rules, any change to the terms of the Awards granted to a grantee must be approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or Shareholders, as the case may be, if the initial Awards were approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders, as the case may be. This requirement does not apply to the alterations taking effect automatically under the existing terms of the **[REDACTED]** RSU Scheme. The **[REDACTED]** Scheme so altered must comply with the applicable provisions of Listing Rules.

(u) Termination

The **[REDACTED]** RSU Scheme shall commence on the **[REDACTED]** and shall remain valid and effective for a period of 10 years from the **[REDACTED]** ("**Scheme Period**"). Notwithstanding anything contained to the contrary in the **[REDACTED]** RSU Scheme and without prejudice to any subsisting rights of any grantee and subject to the requirements under the Listing Rules, the **[REDACTED]** RSU Scheme can be terminated as determined by the Board or the Administration Committee at any time prior to the expiry of the Scheme Period.

On termination of the **[REDACTED]** RSU Scheme, the trustee shall transfer the Award Shares to any holder as the Company may direct, unless the Company requests the Award Shares to be transferred to such other employee award scheme trust as may be selected by the Company, provided that such other employee award scheme trust selected by the Company satisfies the Articles, the Listing Rules and all applicable laws, rules and regulations.

Upon termination, no further Awards shall be granted. Our Company shall notify the trustee of such termination.

Upon receipt of the notification of termination from our Company in writing, the trustee shall vest in the grantees all Award Shares referable to the date of termination which are not vested by transferring the same held by and in the trust fund of the trust to the relevant Nominee Accounts.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against our Group, that would have a material adverse effect on our business, financial conditions or results of operations.

3. Joint Sponsors

Each of the Joint Sponsors has declared its independence pursuant to Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of USD**[REDACTED]** for acting as the sponsors for the **[REDACTED]**.

The Joint Sponsors have made an application on our behalf to the **[REDACTED]** for the **[REDACTED]** of, and permission to deal in, our Shares in issue and our Shares to be issued pursuant to the **[REDACTED]**.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

4. Preliminary expenses

The Company did not incur any material preliminary expenses.

5. No material adverse change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since December 31, 2022 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

6. Promoters

Our Company has no promoter for the purpose of the Listing Rules. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the **[REDACTED]** and the related transactions described in this document within the two years immediately preceding the date of this document.

7. Taxation of holders of Share

Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.13% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfer of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications of holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the **[REDACTED]** can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this document:

China International Capital Corporation Hong Kong Securities Limited	Licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
CMB International Capital Limited	Licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor Registered in accordance with the Accounting and Financial Reporting Council Ordinance
Zhong Lun Law Firm	Legal advisor to our Company as to PRC laws
Campbells	Legal advisor to our Company as to Cayman Islands laws
China Insights Industry Consultancy Limited	Independent industry consultant

Each of the experts named above has given and has not withdrawn its consent to the issue of this document with the inclusion of its report, letter, and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

9. Binding Effect

This document shall have the effect, if an application is made pursuant to this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this document, the English language version shall prevail.

11. Miscellaneous

(a) Save as disclosed above and in the section headed "History, Reorganization and Corporate Structure" in this document, within the two years immediately preceding the date of this document:

(i) neither we nor any of our major subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries and operating entities is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commission, discounts, brokerage or other special terms have been granted in connection with the issuance or sale of any shares or loan capital of any major subsidiary and operating entities;

(iv) no commission has been paid or payable (except commission to sub-**[REDACTED]**) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our major subsidiaries and operating entities;

(v) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) Save as disclosed above and in the section headed "Information about this document and **[REDACTED]**" in this document:

(i) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(ii) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document;

(iii) the principal register of members of our Company will be maintained in the Cayman Islands by **[REDACTED]** and a branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;

(iv) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(v) our Company has no outstanding convertible debt securities or debentures;

(vi) none of the persons whose names are listed in the paragraph headed "— E. Other Information — 8. Qualifications and consents of experts" above is interested beneficially or non-beneficially in any shares in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for, any securities in any member of our Group; and

(vii) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) the written consents referred to under the paragraph headed "Statutory and General Information — E. Other Information — Qualifications and consents of experts" in Appendix IV to this document; and

(b) a copy of each of the material contracts referred to in the paragraph headed "Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts" in Appendix IV to this document.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.chumenwenwen.com during a period of 14 days from the date of this document:

(a) the Memorandum and the Articles;

(b) the Accountants' Report from KPMG, the text of which is set out in Appendix I to this document;

(c) and the report on the unaudited **[REDACTED]** financial information of our Group from KPMG, the text of which is set out in Appendix II to this document;

(d) the audited consolidated financial statements of our Company for the Track Record Period;

(e) the PRC legal opinions issued by Zhong Lun Law Firm, our legal advisor as to PRC laws, in respect of certain general corporate matters and property interests in the PRC of our Group;

(f) the letter of advice prepared by Campbells, our legal advisor on Cayman Islands laws, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this document;

(g) the Cayman Companies Act;

(h) the industry report issued by China Insights Industry Consultancy Limited, the summary of which is set forth in the section headed "Industry Overview" to this document;

(i) the written consents referred to under the paragraph headed "Statutory and General Information — E. Other Information — 8. Qualifications and consents of experts" in Appendix IV to this document;

(j) the material contracts referred to under the section headed "Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts" in Appendix IV to this document;

(k) the service contracts and appointment letters with our Directors referred to under the section headed "Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 3. Directors' service contracts and appointment letters" in Appendix IV to this document;

(l) the rules of **[REDACTED]** Share Option Scheme; and

(m) the rules of **[REDACTED]** RSU Scheme.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of the full list of all the grantees under the **[REDACTED]** Share Option Scheme, containing all the details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix D1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Zhong Lun Law Firm LLP, at 4/F, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document.