
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) to be received by the Company, after deducting the underwriting commission and other estimated expenses in connection with the Global Offering, will be approximately HK\$5,655 million, assuming that the Offer Price is HK\$3.92 (being the mid-point of the Offer Price range).

We intend to use the net proceeds of the Global Offering for the following purposes:

Research and Development

- Approximately 60.0% or HK\$3,393 million, for enhancing our research and development capabilities in the next one to two years, including:

Investment in SenseCore

- Approximately 10.0% or HK\$566 million will be allocated to expand the total computing capacity of the Company including our Shanghai Lingang AIDC, which will provide key capabilities to SenseCore, and further promote SenseCore as the shared AI innovation platform for AI industrialization. Our Shanghai Lingang AIDC is an open, large-scale and energy-efficient advanced computing infrastructure with a designed computing capacity of 3.74 exaFLOPS. We plan to procure GPUs, advanced servers and other hardware equipment such as network equipment, and expand our supercomputing clusters, in order to increase the total computing capacity and support training and production of AI models. The relevant proceeds will also be used to complete construction of our AIDC building in 2022.
- Approximately 10.0% or HK\$566 million will be used to strengthen our AI chip design capabilities, such as STPU and AI ISP chips. For STPU, we will continue to develop and optimize its performance to further reduce hardware costs and improve the video processing power of SenseFoundry and SenseFoundry-Enterprise. For AI ISP chips, we will continue its development to maximize AI sensor performance; we launched development of our AI ISP chips in 2021 with target customers primarily being mobile phone and other IoT device companies. We will also develop our own AI chip-based solutions tailored to our AI models to optimize the overall performance and cost.
- Approximately 15.0% or HK\$848 million will be allocated to enhance our AI model-related capabilities. In particular, we plan to train more powerful base models

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with more generalized capabilities to handle tasks across scenarios, industries and devices. In addition, we intend to expand our portfolio of AI models. We will further increase adaptability and compatibility of our AI models to more chips, devices, sensors and cloud platforms, to deliver superior performance on most mainstream chips and hardware platforms.

Product Development and Other AI Technologies Research

- Approximately 25.0% or HK\$1,414 million will be allocated to further develop our products and enhance our other AI research and development capabilities to maintain our industry-leading position in the next two to three years. We plan to upgrade our software platforms, in particular to enhance the functionalities of SenseMARS and SenseAuto, as well as invest in the cross-domain AI application research and continuous development of new features and capabilities for our software platforms. In addition, we are committed to fundamental research and frontier science that could lead to the next generation of AI technologies. Our research initiatives include but not limited to AI-enabled content generation, next generation of AI sensors and improving the operation and power efficiency of AIDC with decision intelligence. We also plan to increase our average research and development headcount by more than 20% in the next fiscal year, by recruiting more top AI scientists and engineers, and by collaborating with universities and providing training programs to cultivate multi-skilled AI talent. Building on our close collaboration with 52 universities and 15 joint laboratories, we will continue to invest in existing and new programs and projects to train our talent across existing and new AI technology fields.

Business Expansion

- Approximately 15.0% or HK\$848 million will be allocated to investment in emerging business opportunities and increase adoption and penetration of our product and service offerings across industry verticals and scenarios both domestically and internationally in the next two to three years. We intend to explore more commercialization opportunities for our software platforms, such as commercialization of SenseME platform for IoT devices, SenseMARS platform in Metaverse, and SenseAuto platform in intelligent automobile, as well as AI-enabled carbon neutrality initiatives.

We also intend to expand our software subscription offerings. We plan to deepen customer adoption of our AI-as-a-Service offering through AIDC. We will provide our customers with cloud-based full-stack AI model production and deployment services, and flexible subscriptions for pre-trained AI models for various AI functions. We will further open up SenseCore's capabilities to both academia and industry to drive future AI productivity. Our AIDC will not only accelerate our innovations and enhance our competitiveness, but also cultivate an open and rapidly growing ecosystem that further strengthens the connections with our customers and the research community.

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We intend to expand our sales force with industry-specific or local expertise, and increase our marketing spend to strengthen client engagement capabilities for continuous business development, customer loyalty cultivation and user retention. In addition, we plan to expand our customer base in international markets, by expanding our sales presence through our overseas offices in Japan, South Korea, Singapore, Malaysia, Saudi Arabia and the UAE. We aim to strategically expand into more overseas markets with strong demand for AI and digital transformation.

Potential Strategic Investment and Acquisition Opportunities

- Approximately 15.0% or HK\$848 million will be allocated to pursue strategic investment and acquisition opportunities to implement our long-term growth strategies for products and services development and industry penetration, as well as cultivate our vibrant AI ecosystem to further expand our influence in the industry in the next one to two years, consistent with historical investment pace. Our potential investment or acquisition targets primarily include (i) businesses that possess leading technologies complementary to our technology stack; and (ii) businesses with proven commercialization models or large commercialization potential in the computer vision related markets that synergize with our business broaden our offerings.

Minority investments into targets or strategic acquisitions as such are considered common business operation in the industry to strengthen the competitiveness of technology and offerings. We have historically been flexible in terms of the amount of investment and target's location, as long as the investment opportunity fits our overall strategy. Our Directors believe that there are a sufficient number of potential investment or acquisition targets and we have a dedicated team of investment professionals to source and execute transactions. As of the Latest Practicable Date, we had not identified or pursued any strategic investment or acquisition target, and had not set any definitive investment or acquisition timeframe.

Working Capital and General Corporate Purposes

- Approximately 10.0% or HK\$566 million will be used for working capital and general corporate purposes in the next one to two years.

If the Offer Price is set at the high-end of the Offer Price range or the low-end of the Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK\$103 million and HK\$103 million, respectively. To the extent our net proceeds from the Global Offering are either more or less than expected, we will increase or decrease the intended use of our net proceeds for the above purposes on a pro rata basis.

If the Over-allotment Option is fully exercised, our Company will receive additional net proceeds of approximately HK\$862 million for 225,000,000 Shares to be allotted and issued upon

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the full exercise of the Over-allotment Option based on the Offer Price of HK\$3.92 per Offer Share, being the mid-point of the Offer Price range, and after deducting the underwriting fees and commissions payable by our Company. The additional amount raised will be applied to the above areas of use of proceeds 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 net proceeds from the Global Offering.

To the extent that the net proceeds of the Global Offering 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 proceeds in short-term interest-bearing deposits with licensed banks or authorized financial institutions.