创新奇智
AInnovation

# Qingdao AInnovation Technology Group Co., Ltd
# 青島創新奇智科技集團股份有限公司

(A joint stock company incorporated
in the People's Republic of China with limited liability)
（於中華人民共和國註冊成立的股份有限公司）

Stock Code 股份代號：2121

# 2021
## ANNUAL REPORT
## 年度報告

# CONTENTS

# Chairman's and CEO's Statement

To our Shareholders,

Qingdao AInnovation Technology Group Co., Ltd was listed on Hong Kong Stock Exchange on 27 January 2022. Today, AInnovation presents the first report about its major strategic results after its listing that has been achieved in the financial year of 2021. On behalf of the Group, I hereby would like to express my heartfelt thanks to all Shareholders. Every step of our growth is inseparable from your support.

In 2021, we continued to drive the upgrading and digital transformation of the manufacturing and finance industries through our artificial intelligence (AI) technologies. The manufacturing industry is the one that we value and focus, because we believe that empowering the manufacturing industry with AI will be extraordinarily valuable to the country and to the global economy. According to the statistics, the total output of China's manufacturing industry has ranked first in the world for 12 consecutive years, and in 2021, the market value added of the manufacturing industry in China accounted for up to 27.4% of its GDP. From the new infrastructure in 2020 to the outline of the "14th Five-Year Plan" in 2021, which has proposed the "in-depth implementation of the strategy as a manufacturer of quality", and then to the 2022 Government Work Report that emphasises "enhancing the core competitiveness of the manufacturing industry and promoting the development of the digital economy", the new generation of information technology represented by AI will become one of the important technical guarantees and core driving forces for promoting high-quality economic development and realising new industrialisation, informatisation, urbanisation and agricultural modernisation. As a Chinese leading enterprise-level AI solution provider, AInnovation insists on using original AI technology to help the technological innovations made by enterprises in China, and strives to become the enabler of intelligent manufacturing industry and the backbone of the upgrading of traditional industries in China.

In the past year, we overcame numerous challenges, continued to invest more resources in the manufacturing industry, and incorporated AI technologies into rich industry scenarios in such sectors as iron and steel metallurgy, panel semiconductors, 3C high-tech, engineering construction, automotive equipments, energy and power, etc. Our technical R&D, product, industry and customer success teams worked hard and went deep into the factories, practiced on the implementation of new applications of AI technology with traditional enterprises across China, and jointly created AI in many industries with many customers and partners for the first time. We are striving to take one step forward, and help our corporate customers reduce costs and increase efficiency, upgrade industries and accelerate the industrial digital transformation. Such great efforts will eventually contribute enormous value to the optimisation of the industrial structure and the upgrading of the labor force structure in China.

AI is expected to contribute to the sustainable growth and value increments of the social economy over a long period of time. Our goal is not to become a one-time sprint champion, but to strive to prepare for a long-term marathon. In 2022, we will continue to build and accumulate technical strength, recruit more AI technology and industry talents, and continuously strengthen the combination of existing technology research and development and product solution, while adhering to the high-standard compliance codes to protect the data security and privacy of enterprises and individuals. We will prove to the world that AI is not only a leading technology in the research and development stage in the laboratory, but also can create value for enterprises and human life.

## Chairman's and CEO's Statement

As an enterprise rooted in Chinese market, we have seen opportunities from large intelligent manufacturing market and favorable industrial policies and business environment in China. We always believe in the growth potential of "AI + Manufacturing", and adhere to the original intention of "Empower Businesses with AI Technology". At the same time, we have also been soberly aware of the enormous challenges and uncertainties posed by the severe and complex international situation to the global capital market and economic recovery in the post-pandemic era. However, we are not afraid of challenges and hardships, and still deeply develop and expand by adhering to the down-to-earth farmer's spirit, so as to further increase the Group's business scale and improve profitability, enhance sustainable operation capabilities, and continue to work hard to create long-term value for Shareholders. On the road of business, we will not forget the mission of "Tech for Social Good", hold fast to the values of corporate, focus on the benign development of environment, society and governance, and fulfill our social responsibility as a corporate citizen.

Last but not least, I would like to thank all investors again for your patience with AInnovation, a young company that has set up for four years and disclosed its annual report in the public market for the first time. Thank you for your acknowledgement to the cause we are undertaking, as well as your support and encouragement to our business. In the future, let us keep the enthusiasm to go far together!

Yours sincerely,

Kai-Fu Lee
*Chairman of AInnovation*

Xu Hui
*CEO of AInnovation*

# Corporate Information

Below is the basic information of the Company:

## COMPANY'S LEGAL NAME

青島創新奇智科技集團股份有限公司

## COMPANY'S ENGLISH NAME

Qingdao AInnovation Technology Group Co., Ltd

## BOARD OF DIRECTORS

### Executive Director

Mr. Xu Hui *(Chief Executive Officer)*

### Non-Executive Directors

Dr. Kai-Fu Lee *(Chairman)*
Mr. Wang Hua
Mr. Zhou Wei

### Independent Non-Executive Directors

Mr. Xie Deren
Ms. Ko Wing Yan Samantha
Ms. Jin Keyu

## AUDIT COMMITTEE

Mr. Xie Deren *(Chairman)*
Mr. Wang Hua
Ms. Ko Wing Yan Samantha

## REMUNERATION COMMITTEE

Ms. Ko Wing Yan Samantha *(Chairwoman)*
Mr. Zhou Wei
Mr. Xie Deren

## NOMINATION COMMITTEE

Dr. Kai-Fu Lee *(Chairman)*
Ms. Ko Wing Yan Samantha
Ms. Jin Keyu

## SUPERVISORY COMMITTEE

Ms. Lin Ying
Mr. Gu Xuan Richard
Mr. Nie Mingming

## JOINT COMPANY SECRETARIES

Mr. Xiao Lei
Ms. Lam Nim Chi

## AUTHORIZED REPRESENTATIVES

Mr. Xu Hui
Mr. Xiao Lei

## REGISTERED OFFICE AND HEADQUARTER

Room 501
Block A, Haier International Plaza
No. 939 Zhenwu Road, Economic Development Zone
Jimo District, Qingdao
Shandong, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

## AUDITOR

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

## LEGAL ADVISORS

*As to Hong Kong Law*
Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

*As to PRC Law*
King & Wood Mallesons
18/F, East Tower
World Financial Center
No. 1 Dongsanhuan Zhonglu
Chaoyang District, Beijing
PRC

## COMPLIANCE ADVISER

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

## H SHARE REGISTRAR

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

## PRINCIPAL BANK

Bank of China Jimo Branch
No. 973
Lanao Road, Jimo District
Qingdao, Shandong
PRC

## STOCK CODE

2121

## COMPANY'S WEBSITE

https://www.ainnovation.com

## INVESTOR RELATIONSHIP

Telephone: (86) 1082169566
Email: ir@ainnovation.com

# Definition

| | |
|---|---|
| "Articles of Association" | the articles of association of the Company, as amended, modified or supplemented from time to time |
| "Audit Committee" | audit committee of the Board |
| "Board" or "Board of Directors" | the board of directors of our Company |
| "China" or "PRC" | the People's Republic of China, but for the purpose of this report only, do not apply to Hong Kong, the Special Administrative Region of Macau and Taiwan |
| "Company" or "our Company" or "AInnovation" | Qingdao AInnovation Technology Group Co., Ltd (青島創新奇智科技集團股份有限公司), which was established with limited liabilities under the laws of the PRC on 6 February 2018 and converted into a joint stock limited company on 19 May 2021 |
| "Director(s)" | the director(s) of our Company |
| "Group" or "our Group" or "we" or "us" | our Company and our subsidiaries |
| "H Share(s)" | overseas-listed shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are to be traded in Hong Kong dollars and are listed and permitted to be traded on the Stock Exchange |
| "HK$" or "Hong Kong Dollars" | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |
| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong Stock Exchange" or "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Latest Practicable Date" | 9 April 2022, being the latest practicable date for ascertaining certain information in this annual report before its publication |
| "Listing Date" | the date, on which the H Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange, i.e. 27 January 2022 |
| "Listing Rules" | The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented, or otherwise modified from time to time |
| "Nomination Committee" | nomination committee of the Board |

# Definition

| | |
|---|---|
| "Prospectus" | the prospectus of the Company dated 17 January 2022 |
| "Remuneration Committee" | remuneration committee of the Board |
| "Reporting Period" | the year ended 31 December 2021 |
| "RMB" or "Renminbi" | the lawful currency of the PRC |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time |
| "Share(s)" | the ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each |
| "Shareholder(s)" | holder(s) of the Shares |
| "Single Largest Shareholders Group" | a group of entities and individuals collectively holding approximately 27.61% of the equity interest in our Company, namely Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying |
| "Sinovation Ventures" | Sinovation Ventures (Beijing) Enterprise Management Limited (創新工場(北京)企業管理股份有限公司), a company incorporated under the laws of the PRC on 2 November 2010, and a member of our Single Largest Shareholders Group |
| "Sinovation Ventures Yucheng" | Beijing Sinovation Ventures Yucheng Management Consulting Co., Ltd. (北京創新工場育成管理諮詢有限公司), a company incorporated under the laws of the PRC on 13 July 2015, and a member of our Single Largest Shareholders Group |
| "Supervisor(s)" | the supervisor(s) of our Company |
| "%" | per cent |

# Financial Summary

| | Period from 6 February to 31 December | Year ended 31 December | | |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | 37,208 | 229,141 | 462,324 | **861,168** |
| Gross profit | 23,385 | 71,613 | 134,621 | **267,241** |
| Operating loss | (69,537) | (221,956) | (286,801) | **(622,841)** |
| Loss for the period/year | (71,174) | (248,359) | (360,635) | **(635,124)** |
| Add: | | | | |
| Share-based payment expenses | 23,339 | 53,230 | 133,750 | **406,967** |
| Finance cost of financial liabilities of redeemable shares | 2,457 | 35,158 | 82,406 | **34,877** |
| Listing expenses | — | — | — | **51,500** |
| **Adjusted net loss (Unaudited)** | (45,378) | (159,971) | (144,479) | **(141,780)** |

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Total assets** | 158,204 | 854,514 | 1,395,806 | **2,264,907** |
| **Cash and cash equivalent** | 74,396 | 605,631 | 1,042,502 | **1,553,150** |
| **Total liabilities** | 135,185 | 1,017,680 | 1,909,833 | **469,599** |

***KA base revenue value***

| | Period from 6 February to 31 December | Year ended 31 December | | |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 |
| Number of premium customers | — | 13 | 23 | **42** |
| Premium customer revenue (RMB in thousands) | — | 114,163 | 381,255 | **798,661** |
| Premium customer dollar based repeating rate | n.a. | n.a. | 112.7% | **102.5%** |
| Total number of customers | 50 | 150 | 157 | **159** |
| Total revenue (RMB in thousands) | 37,208 | 229,141 | 462,324 | **861,168** |

## Financial Summary

***Revenue-By Type of Products/Services***

| | Period from 6 February to 31 December 2018 amount RMB'000 | % | Year ended 31 December 2019 amount RMB'000 | % | 2020 amount RMB'000 | % | 2021 amount RMB'000 | % |
|---|---|---|---|---|---|---|---|---|
| Sales of products and solutions | 36,545 | 98.2 | 224,408 | 97.9 | 451,726 | 97.7 | **846,411** | **98.3** |
| Services of data solutions | 663 | 1.8 | 4,733 | 2.1 | 10,598 | 2.3 | **14,757** | **1.7** |
| **Total** | 37,208 | 100.0 | 229,141 | 100.0 | 462,324 | 100.0 | **861,168** | **100.0** |

***Revenue-By Customer Type***

| | Period from 6 February to 31 December 2018 amount RMB'000 | % | Year ended 31 December 2019 amount RMB'000 | % | 2020 amount RMB'000 | % | 2021 amount RMB'000 | % |
|---|---|---|---|---|---|---|---|---|
| System integrators | 5,705 | 15.3 | 136,407 | 59.5 | 351,428 | 76.0 | **643,831** | **74.8** |
| End-users | 31,503 | 84.7 | 92,734 | 40.5 | 110,896 | 24.0 | **217,337** | **25.2** |
| **Total** | 37,208 | 100.0 | 229,141 | 100.0 | 462,324 | 100.0 | **861,168** | **100.0** |

## Financial Summary

*Revenue-By Industry Verticals*

| | Period from 6 February to 31 December | | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | | 2021 | |
| | amount RMB'000 | % | amount RMB'000 | % | amount RMB'000 | % | amount RMB'000 | % |
| **Manufacturing** | 13,636 | 36.6 | 78,429 | 34.2 | 193,098 | 41.8 | **449,000** | **52.2** |
| Automotive equipment | 238 | 0.6 | 1,956 | 0.9 | 2,382 | 0.5 | **142,656** | **16.6** |
| High-tech/3C | 4,140 | 11.1 | 17,491 | 7.6 | 36,504 | 7.9 | **88,343** | **10.3** |
| OLED panel manufacturing | — | 0.0 | — | 0.0 | 36,527 | 7.9 | **60,096** | **7.0** |
| Iron and steel metallurgy | — | 0.0 | 5,165 | 2.3 | 31,418 | 6.8 | **44,765** | **5.2** |
| Energy and power | — | 0.0 | — | 0.0 | 19,240 | 4.2 | **35,780** | **4.2** |
| Engineering and construction | — | 0.0 | 1,887 | 0.8 | 4,044 | 0.9 | **5,650** | **0.7** |
| Others | 9,258 | 24.9 | 51,930 | 22.7 | 62,983 | 13.6 | **71,710** | **8.2** |
| **Financial services** | 5,356 | 14.4 | 53,539 | 23.4 | 183,520 | 39.7 | **274,117** | **31.8** |
| Banking | — | 0.0 | 17,365 | 7.6 | 40,120 | 8.7 | **122,868** | **14.3** |
| Insurance | 3,632 | 9.8 | 28,736 | 12.5 | 117,145 | 25.3 | **28,204** | **3.3** |
| Others | 1,724 | 4.6 | 7,438 | 3.2 | 26,255 | 5.7 | **123,045** | **14.2** |
| **Other industries** | 18,216 | 49.0 | 97,173 | 42.4 | 85,706 | 18.5 | **138,051** | **16.0** |
| **Total** | 37,208 | 100.0 | 229,141 | 100.0 | 462,324 | 100.0 | **861,168** | **100.0** |

# Business Overview

## PART I: BUSINESS REVIEW

Since 2021, the global economy has struggled to recover under the repeated impact of the epidemic. In particular, the digital economy driven by the new generation of information technology represented by artificial intelligence has shown strong resilience, and promoted profound changes in traditional production methods and global industrial structure. The Chinese government puts a high value on the integrated development of the digital economy and the real economy. The "Development Plan of the Digital Economy in the 14th Five-Year Plan Period" states that the country aims to raise the proportion of the added value of core digital economy industries in its GDP to 10% by 2025. At present, the focus of the integration of digital technology and industry is expanding from consumption to production. The manufacturing industry with a longer industrial chain and richer application scenarios will become the main battleground of digital applications, bringing broader growth space for the digital economy.

As an artificial intelligence enterprise rooted in China, AInnovation shoulders a corporate mission of "artificial intelligence empowering business value". Benefiting the dividend of the digital infrastructure era, AInnovation actively grasps the development opportunities from the digitalization, networking and intellectualization of traditional industries, and continuously makes breakthroughs and innovations in the fields of "AI + Manufacturing" and "AI + Financial Services", thus has achieved major strategic results in the fiscal year 2021.

As of 31 December 2021, the Group's revenue in 2021 reached RMB861.2 million, representing a year-on-year increase of 86.3%; its gross profit reached RMB267.2 million, representing a year-on-year increase of 98.5%; its gross profit margin was 31.0%, representing a year-on-year increase of 1.9 percentage points.

In 2021, we insisted that technological innovation was the primary productive force, and continued to expand the scale of our technology R&D team, enrich and improve the MMOC artificial intelligence platform, and the number of patent applications reached a new high. As of 31 December 2021, the Group had a total of 259 technicians, accounting for 56.7%. We applied for a total of 634 AI-related patents, more than 90% of which were invention patents, and successfully registered 124 patents, and further applied for 112 new patents in 2021.

In 2021, we continued to focus on our business strategy, and consolidated the business layout of "AI + Manufacturing" as our major business, followed by "AI + Financial Services". In the fiscal year 2021, the proportion of revenue from manufacturing industry has increased to 52.2%, and the proportion of revenue from "AI + Manufacturing" and "AI + Financial Services" has reached to 84.0%. Benefited from the promotion of favorable policies such as new infrastructure and the 14th Five-Year Plan for Intelligent Manufacturing Development, we expect to continue to grow in the manufacturing industry.

We have provided AI-based products and solutions to 159 customers in 2021. The expanding customer base and increasing customer spending became the key drivers of revenue growth. The number of high-quality customers has increased from 23 in 2020 to 42 in 2021. The repurchase rate of high-quality customers in terms of amount is 102.5%, highlighting our ability to continuously expand and deepen our ability to serve our premium customer base.

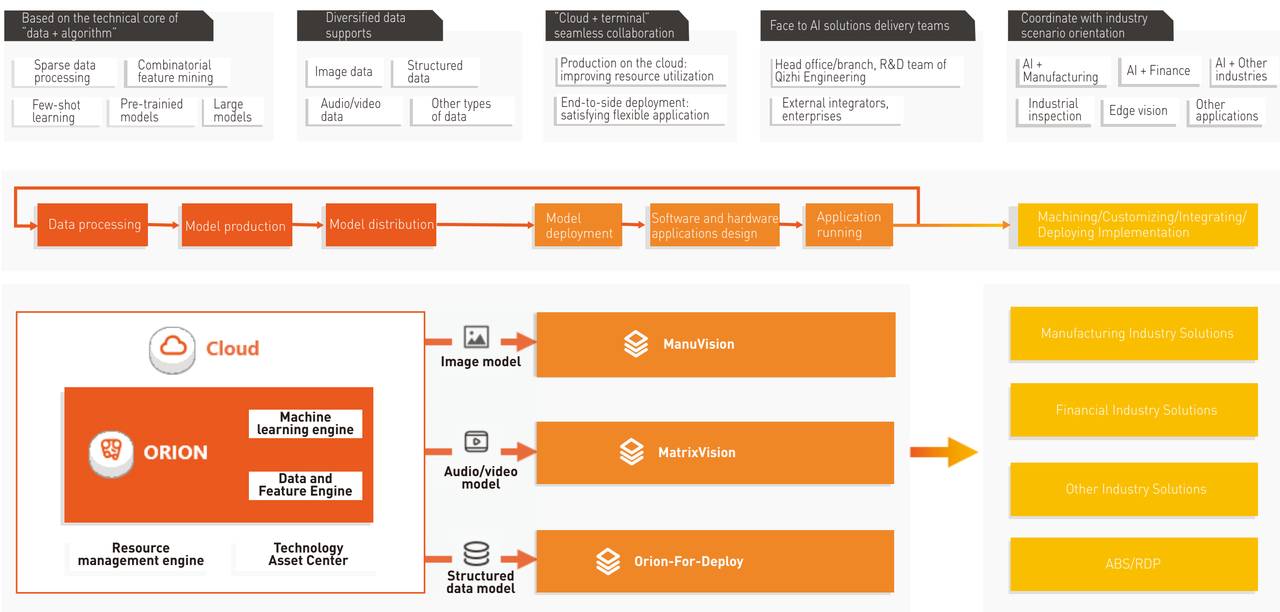
## Business Overview

### Continue to expand MMOC AI platform capabilities

The Company firmly takes the AI platform as its technical base, reuses technology assets, and creates full-stack AI-based solutions for customers. The Company continues to invest in research and development resources, and is committed to building its proprietary AI platform into a development ecosystem. In order to better implement such strategy, the Company has introduced the Cloud platform on top of the original MMO platform in 2021. The Cloud platform offers better infrastructure capabilities for the MMO platform, forming an organic and unified MMOC artificial intelligence platform. Nowadays, the Company is fully promoting its research and development and has made significant progress in the past year.

MMOC is an end-to-end platform that supports innovation, R&D and delivery of AI solutions. Leveraging the technical core of "data + algorithm" and built-in cutting-edge technology cores such as combinatorial feature mining, few-shot learning and pre-trained models, etc., the MMOC platform offers structured and unstructured diversified data supports, and realizes the seamless collaboration of "cloud + terminal" to improve resource utilization and meet flexible application requirements.

Building an AI solution based on the MMOC platform can shorten the pre-sales POC cycle and solution delivery cycle, reduce the skill requirements of delivery personnel, improve the business effect of the solution and the standardization of delivery tools/processes, and accumulate technology assets to achieve cross-project reuse.




Technical architecture of the MMOC platform

MMOC's powerful platform capabilities have effectively supported the business side and delivery side to win more end-user orders, improve end-to-end delivery capabilities, reduce costs, increase profits and improve customer satisfaction and repurchase rates. The main applicable scenarios of MMOC include: industrial CV applications (for example, surface defect detection), AI-based video analysis projects (for example, security inspection, intelligent monitoring, etc.), AI basic platform construction projects (for example, machine learning platform, feature platform, asset management platform, etc.), data intelligence solution projects (for example, intelligent operation and maintenance of wind power units, intelligent AGV car scheduling, intelligent production and scheduling, etc.).

## Continuously focused on business layout

In 2021, based on the two major industries of manufacturing and financial services, we have refined four business themes from the perspective of customer value, namely "manufacturing intelligence, edge vision, intelligent data center, intelligent data governance", and provided full-stack AI-based products and solutions around each business subject. Each type of AI-based products and solutions can be reduplicated, extended and customized to meet the differentiated requirements from customers.

We continue to expand the lineup of AI-based products and solutions, strengthen the accumulation of asset pools including assets-based solutions, (ABS) and rapid deployed products (RDP) and refine more standardized and modular products. By utilizing these differentiated combinations of reusable and asset-based RDP/ABS, we can achieve the ability to provide long-term service to customer for scenario needs, thereby improving customer stickiness and repurchase rate. With the continuous accumulation and iteration of ABS and RDP on our AI platforms, this approach based on technology assets can ensure the development of solutions that can be delivered in mass production in the shortest time, less engineering and lower cost.

As for market expansion, we continue to implement the "1+N/1*N" market expansion model, which is effectively administrated. Starting from a single application scenario for industry customer, we set a model through the success of the first project, and encourage customers to use AI to solve more problems appeared in application scenarios, thereby creating customer stickiness. We regard this as the "1+N" cooperation. After making successful cases for such customers, we regard this as the "1*N" expansion to achieve network effect of large-scale application in view of the reusability of our technology assets, ABS and RDP, which can be quickly replicated to more customers in the same field. For example, our solution in intelligent molten iron transportation management has been used in multiple large iron enterprises, and our solution in intelligent liquid crystal semiconductor production was also applied by many leading customers in the industry.

Business Overview

## AI-based products and solutions

In 2021, we have successfully built the AInnovation Intelligent Manufacturing System (AIMS) based on customer needs and industry characteristics, which injects AI capabilities into the daily operations of manufacturing companies, so as to help customers achieve intelligent transformation from the two dimensions of operational efficiency and information intelligence. We focus on digging the value of sub-sectors such as iron and steel metallurgy, energy and power, panel semiconductors, automotive equipments, and intelligent data centers, and make a number of classic cases about intelligent transformation in the industry.

In the field of iron and steel metallurgy, we continue to improve the standardization and enrich the functions of the intelligent molten iron transportation solution. We have added a series of functions at safety level to make the core components of such solution meet the high safety level requirements of CRCC/SIL4. In cooperation with a large steel company in northern China, we applied the intelligent molten iron transportation solution to hybrid locomotives for the first time in the industry, and the whole system also passed strict tests in a low temperature environment of −40°C, ensuring that our solution can provide stable output value for customers in different production environments. At the same time, focusing on the existing intelligent molten iron transportation solution, we have developed an iron-steel interface intelligent management and control platform to realize the whole-process of the iron-steel interface, including information collection, data analysis and intelligent management and control, and successfully deployed and operated it in a steel base of one of the largest steel manufacturing groups in China. By implementing the "1+N" strategy of deeply cultivating key customers, we also cooperated deeply with such group to incubate the intelligent metallographic analysis solution on the MMOC platform, which is used for intelligent classification and rating of non-metallic debris in steel, thereby greatly improving the efficiency and accuracy of detection.

In the field of energy and power, we have developed the intelligent wind power operation and maintenance solution in 2021, which is equipped with the ability to combine computer vision algorithms and automated prediction models to conduct multi-dimensional structured analysis of video signals at the wind power plant site, and use the remotely collected IoT data relevant with the operation of equipment to monitor the operation status of the wind farm in real-time, such as detecting abnormal safety events, timely predicting wind turbine equipment that needs maintenance, and providing alerts. Wind farms that use our intelligent wind power operation and maintenance solution are usually located on inaccessible land, or even in seas far away from land. Our intelligent wind power operation and maintenance solution can help customers to conduct remote operation and maintenance of these wind farms more efficiently, and identify potential maintenance needs in a timely manner without unnecessary downtime. For example, we recently signed an offshore wind power operation and maintenance project with a world-class green energy group in China, which is expected to increase power generation by 1.5–4% for this customer, while reducing operation and maintenance costs by 5–8%.

In the field of panel semiconductors, using the pre-trained model and cutting-edge few-shot learning training algorithm provided by the MMOC platform, the panel glass quality inspection solution we researched and developed can flexibly and quickly adjust its detection algorithm and scheme according to different production lines of customers and the defect patterns that change from time to time, in order to ensure a false detection rate of less than 0.1% and a missed detection rate of less than 0.01%. Such solution has been put into trial operation in several production lines of one of the largest panel glass manufacturers in China and has obtained excellent customer feedback.

In the field of automotive equipments, through the deep integration of machine vision technology and traditional manufacturing platform technology, we have developed a series of solutions in automotive sunroof gluing, the assembling and quality inspection of core components, and vehicle appearance quality inspection, etc., to help customers improve the detection efficiency of key production nodes, reduce the workload of quality inspectors and improve the stability of quality management.

In the financial service industry, we continue to develop data center IT and infrastructure intelligent operation and maintenance solutions, and focus on helping customers improve the operation and maintenance efficiency of data center assets. The intelligent hybrid cloud management solution we have developed helps many financial industry clients including a large insurance company to efficiently manage their computing power resources across multiple heterogeneous clusters. With the intelligent computing power resource optimization technology provided by the Orion platform, we further help customers maximize the use of the computing power resources they manage, so as to serve more computing needs and reduce the overall computing cost. Our proprietary AIOps intelligent operation and maintenance solution uses artificial intelligence technology to analyze the operation logs of computing power resources in customer data centers, so as to detect potential faults in time and perform rapid intelligent root cause analysis of faults, and use the ever-enhancing knowledge graph to automatically recommend the fault solutions for operation and maintenance personnel, which will in turn improve the efficiency and quality of operation and maintenance.

## PART II: FUTURE PROSPECTS

To sustain the growth momentum in 2021 and further consolidate our leading position in "AI + Manufacturing" sector, we will take benign sound growth and sustainable operation as our basic guiding ideologies, allocate resources from various aspects such as technologies, products, industries, engineering and commercialization, and promote the coordinated development and organic growth of the Group.

We plan to (i) continuously optimize our AI platforms and strengthen our R&D capabilities; (ii) continuously grow and enrich our solution offerings; (iii) continuously enhance our commercialization capabilities; (iv) continuously broaden our customer base and deepen the cooperation relationships with customers; and (v) continuously pursue strategic investments and acquisitions to strengthen our market position.

As a proprietary AI platform that will be researched, developed and invested by the Company in the long term, MMOC has the three-stage goals set by the Company. At present, the first-stage research and development goal has been completed, and the Company is researching and developing it as planned, with an aim to achieve the second and third-stage goals of MMOC. Specifically, in the coming year, we will continue to increase technological innovation to improve the competitiveness of the MMOC AI platform from the perspectives of both depth and breadth. In particular, we will deepen the thickness of technologies through accumulating more technology assets and increasing asset reuse rates of the platform, and broaden the scope of application through exploring the ecological construction of the MMOC platform, supporting more mainstream hardware and broadening the application scope of the platform. We also plan to improve the development efficiency and end-to-end engineering level of the MMOC platform, and realize the unified management of more AI technology assets such as algorithms, data and models based on the cloud native architecture.

Business Overview

| | Goal at stage 1: Support internal delivery | Goal at stage 2: Consolidate commercialization | Goal at stage 3: Construct a development ecosystem |
|---|---|---|---|
| Manu Vision | To become the basic supporting platform for the research and development and delivery of our internal industrial visual scenarios. | Delivery and assembly of industrial visual scenarios for ManuVision paid for use by third-party companies. | To continuously construct ManuVision platform and develop an open biosystem where customers, developers and suppliers are growing. |
| MatrixVision | To become the basic supporting platform for the research and development and delivery of internal peripheral visual scenarios. | Delivery and assembly of peripheral visual scenarios for MatrixVision paid for use by third-party companies. | To continuously construct MatrixVision platform and develop an open biosystem where customers, developers and suppliers are growing. |
| Orion & Cloud | To enrich the functions of the infrastructures of our Orion and Cloud platforms and become the base of our internal research and development and deployment of AI products and solutions. | Orion and Cloud platforms paid for use by third-party companies for the purpose of deploying, researching and developing AI products and solutions for their customers. | To continuously construct Orion and Cloud platform and develop an open biosystem where customers, developers and suppliers are growing. |

In 2022, we will continue to increase investment in products and solutions in key segments. In manufacturing, we will i) further consolidate operational efficiency related solutions in AIMS, and ii) accelerate the transition from operational efficiency-related solutions to information intelligence related solutions in certain subsectors of manufacturing. In the financial industry, we will deepen data center-related solutions, while incubating enterprise-featured platforms based on our Orion platforms, to help customers to achieve efficient structured management of massive business data and rapid development and iteration of various intelligent applications of data.

## AI + Manufacturing

*(i) Consolidate operational efficiency-related solutions*

We believe that increased automation and operational efficiency for the production lines will remain a major demand for manufacturing companies in 2022, and we will also focus on improving the capabilities of AIMS operational efficiency-related solutions and rolling them out to our targeted customer base.

In the iron and steel metallurgy sector, we will continue to refine and develop our standardized modules for the Intelligent Molten Iron Transportation Solution, and increase delivery efficiency and reduce delivery cost to meet the expanding needs of the resolution; further enrich the detection types and detection performance of intelligent metallographic analysis-related solutions, and improve the standardization degree of product forms, thus gradually forming RDP products with highly standardized delivery. We will realize the 1*N replication of existing customers to other steel manufacturers. In the OLED panel manufacturing sector, we will make batch replication of customers of panel glass defect detection solutions, and continuously enhance the standardization of the solution and further enrich the types of defect detection. In addition, we will explore the application of the MMOC platform to semiconductor industry-related solutions, such as silicon chip detection, to further enrich our portfolio of resolutions in the segment of panel semiconductor. In the automotive equipment sector, we will broaden the application of visual solutions at typical replicable scenarios at more stages of manufacturing process, and realizing the batch customer replication of the relevant resolutions.

Business Overview

*(ii) Transition to information intelligence-related resolutions*

In 2022, we will promote AIMS information intelligent-related solutions among customers by choosing a number of segments and scenarios with a high level of information technologies and a strong customer base.

In the energy and power sector, in response to the national call of "dual carbon", we will further extend our energy digitalization and intelligent solutions for the whole chain of source-network-load-storage based on the existing Intelligent Wind Power Operation and Maintenance solution. In 2022, we will offer more diversified operational IoT data collection and analysis related to power generation, promoting the development of the power generation sector, including photovoltaic power generation, thermal power. Meanwhile, we will realize the construction of an integrated and high-efficient closed-loop operation and maintenance platform tailor-made for power generation enterprises by leveraging on the powerful data analysis and modeling capabilities of the MMOC platform and the application of digital twinning technology.

In the iron and steel metallurgy sector, we will gradually achieve the best practices of iron and steel interface control employing the demonstration effect from leading enterprises and approach more leading enterprises steel enterprises, thus building the iron and steel interface management and control platform into the "AI brain" of iron and steel enterprises to realizing the whole process, systematic and intelligent management of the complicated iron and steel interface in the past.

In the automotive equipment sector, we will, in response to the national requirement of "intelligent, informationized and digital construction" for manufacturing enterprises, conduct in-depth data analysis on the manufacturing process based on customers' existing production processes, production techniques, quality inspection methods and manufacturing data, so as to anticipate risks and solve problems more proactively. For example, we will carry out trend analysis on the equipment running status and monitoring results of key components, seek local tuning recommendations and early warning based on future production plans, and effectively make measures for making initiative anticipation, so as to pave the way for customers to digital production and intelligent manufacturing.

## AI + Financial Services

With the implementation of the "East-West Transfer of Computing Power (東數西算)", our data center solutions, incubated by customers in the financial industry, will usher in a broader market opportunity in 2022. In terms of solutions, we will continue to firmly emphasize differences and vigorously develop green computing and intelligent operation and maintenance. Specifically, we will further expand and strengthen the intelligent computing power in terms of green computing and continuously improve the computing tasks supported by the unit computing power of customers, so as to substantially reduce the computing power consumption of data centers and the operating cost of the customer. At the same time, we will build our intelligent energy consumption management solutions for IT equipment and infrastructure of data centers to improve power consumption efficiency of data centers, improving the power efficiency in data centers. As for smart operation, we will continue to increase our investment in AIOps solutions to ensure high availability of data centers while demonstrating that customers can reduce the cost of data center IT and infrastructure operations.

Being relatively developed in term of informatization, the banking business has universal rigid requirements for data intelligence applications. In 2022, we will incubate an enterprise-featured platform for data intelligence applications by based on our Orion Distributed Machine Learning Platform. The platform is capable of extracting data features related to the intelligent application of various typical data from massive data from different business systems and facilitating the systematic management. Leveraging the proprietary automated machine learning and rapid deployment technologies of our Orion platform, customers can quickly build intelligent applications by selecting data features, training prediction models and deploying them with one click for different business scenarios. We will first build a scenario-oriented enterprise-featured platform for the banking industry, and will gradually expand to other sectors with demand for rich data intelligence application in the future.

### Fulfill more corporate social responsibilities

In the coming year, we will also assume more corporate social responsibility. We will actively promote energy conservation and emission reduction, industrial upgrading, and epidemic prevention and control by developing our AI products and resolutions, further promote the application of AI technologies in factories, workshops, and production lines, so as to reduce the labour intensity, improve working environment and safety, and increase the workers' welfare.

# Management Discussion and Analysis

## OVERVIEW

We are a fast-growing enterprise AI solutions provider in China. Leveraging our research capabilities in deep learning, we have developed proprietary computer vision and machine learning AI technologies to empower businesses in China. Through integration of AI technologies with our industry insights, powered by our proprietary MMOC platforms (ManuVision, MatrixVision, Orion and Cloud), we offer full-stack AI-based products and solutions to enable businesses to reduce costs, improve operational efficiency, and optimize decision-making.

In four years since our inception, we have established our brand in enterprise AI solutions industry in China. We focus on developing and delivering AI-based products and solutions for the manufacturing and financial services industries in China. We were the only Chinese company to be listed as an "Example Vendor" in machine vision and "Cool Vendor" in AI for computer vision by Gartner in 2021.

## REVENUE

Our revenue increased by 86.3% from RMB462.3 million in the fiscal year ended 31 December 2020 to RMB861.2 million in the fiscal year ended 31 December 2021. The increase was primarily attributable to the increase in revenue realized from manufacturing industry and financial services industry, and the increase in number of premium customers and the average revenue per premium customer.

Manufacturing industry. Revenue from manufacturing industry increased by 132.5% from RMB193.1 million in the fiscal year ended 31 December 2020 to RMB449.0 million in the fiscal year ended 31 December 2021.

Financial services industry. Revenue from financial services industry increased by 49.4% from RMB183.5 million in the fiscal year ended 31 December 2020 to RMB274.1 million in the fiscal year ended 31 December 2021.

We define the customer with revenue contribution of RMB4.5 million or more in a fiscal year as a premium customer. The number of premium customers increased from 23 in the fiscal year ended 31 December 2020 to 42 in the fiscal year ended 31 December 2021, with the average revenue per premium customer increased from RMB16.6 million in the fiscal year ended 31 December 2020 to RMB19.0 million in the fiscal year ended 31 December 2021.

## COST OF SALES

Our cost of sales increased by 81.2% from RMB327.7 million in the fiscal year ended 31 December 2020 to RMB593.9 million in the fiscal year ended 31 December 2021. The increase was caused by business expansion in manufacturing industry and financial services industry in the fiscal year ended 31 December 2021.

Manufacturing industry. Cost of sales from manufacturing industry increased by 124.1% from RMB128.1 million in the fiscal year ended 31 December 2020 to RMB287.0 million in the fiscal year ended 31 December 2021, primarily due to the increase of the revenue from manufacturing industry from RMB193.1 million in the fiscal year ended 31 December 2020 to RMB449.0 million in the fiscal year ended 31 December 2021.

Financial services industry. Cost of sales from financial services industry increased by 51.0% from RMB132.3 million in the fiscal year ended 31 December 2020 to RMB199.8 million in the fiscal year ended 31 December 2021, primarily due to the increase of the revenue from financial services industry from RMB183.5 million in the fiscal year ended 31 December 2020 to RMB274.1 million in the fiscal year ended 31 December 2021.

## GROSS PROFIT AND GROSS MARGIN

As a result of foregoing, our overall gross profit in the fiscal years ended 31 December 2020 and 31 December 2021 were RMB134.6 million and RMB267.2 million respectively. Our overall gross margin was 29.1% and 31.0% respectively. This was primarily attributable to (i) economies of scales; (ii) increased pricing power; (iii) more standardized products and solutions with more technology assets accumulated upon our platforms.

## SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses increased by 92.0% from RMB60.4 million in the fiscal year ended 31 December 2020 to RMB116.0 million in the fiscal year ended 31 December 2021, primarily due to (i) the expansion of the business; (ii) the increase in share-based payments engaged in selling and distribution expenses increased from RMB8.4 million to RMB45.6 million.

Selling and distribution expenses as percentages of revenue in the fiscal year ended 31 December 2020 and the fiscal year ended 31 December 2021 remained relatively stable, with 13.1% and 13.5% respectively.

Selling and distribution expenses excluding share-based payments as a percentage of revenue declined from 11.3% in the fiscal year ended 31 December 2020 to 8.2% in the fiscal year ended 31 December 2021, as we grew our revenue at a much faster rate.

## GENERAL AND ADMINISTRATIVE EXPENSES

Our general and administrative expenses increased by 130.2% from RMB195.2 million in the fiscal year ended 31 December 2020 to RMB449.4 million in the fiscal year ended 31 December 2021, primarily due to (i) the increase in share-based payments engaged in general and administrative expenses increased from RMB101.1 million to RMB290.5 million; (ii) listing fee was 0 in the fiscal year ended 31 December 2020 and RMB51.5 million in the fiscal year ended 31 December 2021.

General and administrative expenses as a percentage of revenue increased from 42.2% in the fiscal year ended 31 December 2020 to 52.2% in the fiscal year ended 31 December 2021.

General and administrative expenses excluding share-based payments and listing fee as a percentage of revenue declined from 20.4% in the fiscal year ended 31 December 2020 to 12.5% in the fiscal year ended 31 December 2021, as we grew our revenue at a much faster rate.

## RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses increased by 80.5% from RMB181.5 million in the fiscal year ended 31 December 2020 to RMB327.7 million in the fiscal year ended 31 December 2021, primarily due to the increase of subcontracting costs from RMB54.9 million in the fiscal year ended 31 December 2020 to RMB175.2 million in the fiscal year ended 31 December 2021.

Research and development expenses as percentages of revenue in the fiscal year ended 31 December 2020 and the fiscal year ended 31 December 2021 remained relatively stable, with 39.3% and 38.1% respectively.

Research and development expenses excluding share-based payments as a percentage of revenue declined from 34.0% in the fiscal year ended 31 December 2020 to 29.8% in the fiscal year ended 31 December 2021, as we grew our revenue at a much faster rate.

## NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

We had a net impairment loss of RMB24.1 million for the year ended 31 December 2021 compared to a net impairment loss of RMB19.0 million for the year ended 31 December 2020, primarily because we increased our provision on the trade receivables increased in the Reporting Period.

## OTHER INCOME

Other income consists primarily of other government grants, which mainly relate to financial assistance from local governments in China.

We recorded other income of RMB28.1 million for the year ended 31 December 2021, as compared to that of RMB35.0 million for the year ended 31 December 2020, primarily due to reduction in the government grants.

## OTHER LOSSES, NET

Our other losses, net primarily consist of (i) interests received on investments in financial assets at fair value through profit or loss, (ii) foreign exchange losses, and (iii) donation.

Our other losses, net recorded RMB1.0 million for the year ended 31 December 2021, as compared to that of RMB0.3 million for the year ended 31 December 2020, primarily due to increasing in the interests received on FVPL and the foreign exchange losses.

## OPERATING LOSS

As a result of the foregoing, we had an operating loss of RMB622.8 million for the year ended 31 December 2021, compared to an operating loss of RMB286.8 million for the year ended 31 December 2020, primarily due to an increase in share-based payment expenses and listing expenses.

## FINANCE INCOME

Our finance income increased from RMB9.4 million for the year ended 31 December 2020 to RMB24.0 million for the year ended 31 December 2021, primarily due to an increase in interest income from bank deposits.

## FINANCE COSTS

Our finance costs are primarily comprised of (i) finance costs of financial liabilities of redeemable shares, and (ii) interest expenses on our lease liabilities.

Our finance costs reduced from RMB83.1 million for the year ended 31 December 2020 to RMB36.1 for the year ended 31 December 2021, primarily due to a decrease in finance costs of financial liabilities of redeemable shares.

## LOSS FOR THE YEAR

As a result of the foregoing, we reported a loss of approximately RMB635.1 million for the year ended 31 December 2021, compared to the loss of approximately RMB360.6 million for the year ended 31 December 2020.

## NON-IFRS MEASURES

### Adjusted Net Loss

We define adjusted net loss as net loss for the year adjusted by adding back finance costs of financial liabilities of redeemable shares, share-based payment expenses and listing expenses.

The following table reconciles our adjusted net loss for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which are net loss or income for the years.

| | Year ended 31 December | |
|---|---|---|
| | 2020 | **2021** |
| | *RMB'000* | ***RMB'000*** |
| Reconciliation of net loss to adjusted net loss: | | |
| Loss for the year | (360,635) | **(635,124)** |
| Add: | | |
| Share-based payment expenses | 133,750 | **406,967** |
| Finance cost of financial liabilities of redeemable shares | 82,406 | **34,877** |
| Listing expenses | — | **51,500** |
| Adjusted net loss (Unaudited) | (144,479) | **(141,780)** |

## LIQUIDITY AND CAPITAL RESOURCES

### Cash and Cash Equivalents

As at 31 December 2021, cash and cash equivalents of the Group was approximately RMB1,553.2 million, compared to approximately RMB1,042.5 million as at 31 December 2020. The increase was mainly due to the proceeds we received from our pre-IPO round fund raise. Most of the cash and cash equivalents of the Group were denominated in RMB.

### Gearing Ratio

The Group monitors capital on basis of the gearing ratio, which is calculated as net debt divided by total equity/deficits. Net debt is calculated as total liabilities which are considered as borrowings less cash and cash equivalents. As of 31 December 2021 and 2020, the Group has a net cash position and the gearing ratio was not applicable.

## MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the fiscal year ended 31 December 2021.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSET

As at 31 December 2021, the Group did not have detailed future plans for material investments or capital assets.

## FOREIGN EXCHANGE EXPOSURE

During the fiscal year ended 31 December 2021, the Group mainly operated in China with most of the transactions settled in RMB. The functional currency of our Company and the subsidiaries are RMB. Our management considers that the business is not exposed to any significant foreign exchange risk as each of the group entities did not hold significant assets and liabilities denominated in a currency other than its functional currency. As at 31 December 2021, we had currency translation loss of RMB5.8 million, as compared with nil as at 31 December 2020. We did not hedge against any fluctuation in foreign currency during the fiscal years ended 31 December 2021 and 2020.

## PLEDGE OF ASSETS

As at 31 December 2021, the Group has no material pledge of assets.

## BORROWING

As at 31 December 2021, borrowings of the Group were nil (31 December 2020: nil).

## CONTINGENT LIABILITIES

As at 31 December 2021, we did not have any material contingent liabilities.

## SUBSEQUENT EVENT

***Listing on the Main Board of the Stock Exchange***

On 27 January 2022, the Company completed its listing on the Stock Exchange. 44,744,400 shares of the Company with nominal value of RMB1.00 each were issued at an offer price of HK$26.3 per share for a total consideration, net of listing expenses, amounting to HK$1,070.1 million (equivalent to RMB874.4 million).

***Change to the Use of Proceeds***

To increase the efficiency in use of capital, the Company intends to extend the use of proceeds as set out in the Prospectus by amending "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 in Hong Kong or China." to "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 intend to place such proceeds in short-term interest-bearing deposits with licensed banks or authorized financial institutions in Hong Kong or China, or use it to purchase wealth management products issued by licensed banks or other licensed institutions in Hong Kong or China, including but without limitation to structured deposits, treasury bonds, central bank bills, bond repurchase, money funds and bond funds."

# Report of the Directors

The Board of Directors hereby present to the Shareholders the annual report of the Group for the year ended 31 December 2021, together with the audited consolidated financial statements of the Group for 2021, which were prepared in accordance with the International Financial Reporting Standards.

## GENERAL INFORMATION

The Company is a joint stock limited company incorporated in the PRC on 6 February 2018. The H shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 27 January 2022.

The general information of the Company was set out on pages 4 to 5 in the section headed "Corporate Information" of this report.

## DIRECTORS AND SUPERVISORS

For the year ended 31 December 2021 and up to the Latest Practicable Date, the Directors and Supervisors in office were as follows:

### Executive Director

Mr. Xu Hui (Chief Executive Officer)

### Non-executive Directors

Dr. Kai-Fu Lee (Chairman)
Mr. Wang Hua
Mr. Zhou Wei

### Independent non-executive Directors

Mr. Xie Deren
Ms. Ko Wing Yan Samantha
Ms. Jin Keyu

### Supervisors

Ms. Lin Ying
Mr. Gu Xuan Richard
Mr. Nie Mingming

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 61 to 68 in the section headed "Directors, Supervisors, Senior Management and Employees" of this annual report.

## BUSINESS REVIEW

The business review of the Company for the year and an indication of likely future development in the business of the Group are set out in the "Management Discussion and Analysis" of this annual report.

### Major Risks and Uncertainties

We are subject to the following major risks and uncertainties:

- The AI industries in which we operate are characterized by constant changes. If we fail to continuously improve our technology and provide innovative solutions that meet the expectations of our customers, our business, financial condition and results of operations may be materially and adversely affected.

- The AI solutions industries in which we operate are highly competitive and fragmented, and we face competition in several major aspects of our business. If we fail to compete successfully against our current or future competitors, our business, financial condition and results of operations may be materially and adversely affected.

- AI technologies are constantly evolving. Any flaws or misuse of the AI technologies, whether actual or perceived, whether intended or inadvertent, whether committed by us or by other third parties, could have negative impact on our business, reputation and the general acceptance of AI solutions by the society.

- We have a limited operating history, which makes it difficult to evaluate our business and future prospects.

- We are investing heavily in our R&D efforts, which may negatively impact our profitability and operating cash flow in the future and may not generate the results we expect to achieve.

- If we fail to retain existing customers, attract new customers or increase the spending by our customers, our business and results of operations may be materially and adversely affected.

- If our expansion into new verticals is not successful, our business, prospects and growth momentum may be materially and adversely affected.

- We may be subject to complex and evolving laws and regulations regarding privacy and data protection. Actual or alleged failure to comply with privacy and data protection laws and regulations could damage our reputation, deter current and potential customers from using our solutions and could subject us to significant legal, financial and operational consequences.

As the major risks and uncertainties mentioned above are not exhaustive, please refer to the section headed "Risk Factors" in the Prospectus for detailed information.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group integrates the concept of sustainable development into corporate strategy and business operation management, and is committed to building a resource-saving and environment-friendly enterprise through scientifically managing important environmental factors by setting environmental goals, indicators, and management plans, reducing pollution emissions and carrying out effective control during the operation process, as well as improving resources utilization.

For details, please refer to the 2021 Environmental, Social and Governance Report of Qingdao AInnovation Technology Group Co., Ltd to be disclosed by the Company in due course.

## COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company recognizes that employees are one of the significant assets of the Group. The Company provides good working environment and effective incentive mechanism for employees, continuously optimizes employee training system, provides different career development paths for employees, guides employees to grow together with the enterprise, and protects the rights and interests of employees.

The Company maintains a good relationship with its customers and suppliers. The Company deeply understands the changing market demand and maintains a close relationship with customers by strengthening communication with customers. The Group actively and effectively strengthens the business cooperation with suppliers to ensure the timely delivery and the stability of the Company's business through continuous communication.

## CONNECTED TRANSACTIONS

### Image Detection Technology Service Framework Agreement

*Parties:*

The Company; and

Sinovation Ventures

*Principal terms*

The Group entered into a framework agreement with Sinovation Ventures (the "**Image Detection Technology Service Framework Agreement**") on 12 January 2022, pursuant to which the Group will provide customized image detection technology services including development, operation and maintenance of automatic machine learning image detection platforms, to Inner Mongolia Yili Industrial Group Co., Ltd. (內蒙古伊利實業集團股份有限公司), a customer designated by Sinovation Ventures (the "**Designated Customer**"). To improve its operational efficiency and promote its digitalized business process, the Designated Customer began to establish business relationship with us in 2020. The Designated Customer requires a large number of sales management personnel covering regions where its products are sold to inspect the retail points of sale, and review the sales performance on a regular basis, which results in a large amount of labor costs. The image detection technology could assist the Designated Customer to efficiently screen the displayed products and analyze the percentage of displayed products of the Designated Customer and its competitors and respective prices in retail points of sales, so that the Designated Customer could conveniently track the sales performance on a real-time basis, and thus improve the inspection efficiency, strengthen supervision, and reduce the inspection costs.

The initial term of the Image Detection Technology Service Framework Agreement will commence on the Listing Date (i.e. 27 January 2022) and end on 31 December 2024, and can be renewed upon its expiry as agreed by the parties to the agreement.

Subject to the general principles as set out in the Image Detection Technology Service Framework Agreement, separate underlying agreements will be entered into which will set out the details of the services provided, price, payment method and other details of the service arrangements. The definitive terms of each of such agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties.

*Reasons for the transaction*

The Designated Customer is a leading dairy enterprise listed on the Shanghai Stock Exchange (stock code: 600887). As a listed company, it has in place an internal policy for selection of suppliers, considering such factors including length of operational period, amount of registered capital, independence, its current business relationship with the Designated Customer's competitor, profitability and industry knowledge. Although the Group fulfill the requirements of amount of registered capital, independence of the Designated Customer and its competitors, and industry knowledge based on our technical capabilities, due to relatively short operation history of the Group, the Group has not met the requirements of the length of operational period and profitability, but Sinovation Ventures has met all the requirements set out by the Designated Customer. Established in November 2011, Sinovation Ventures is a platform for supporting business startups and technology innovation, primarily engaged in providing entrepreneurial services including consultation and financing for startups, and fund management outsourcing services. Sinovation Ventures recognized profit of approximately RMB28.9 million for the six months ended 30 June 2019. In particular, the Designated Customer also considers Sinovation Ventures has met the requirements of industry knowledge considering its long-term investment in our Company, as well as our business capability and experience. Accordingly, the Designated Customer chose to enter into agreements with Sinovation Ventures, considering it would in turn engage the Group to provide image detection technology services to the Designated Customer directly. Sinovation Ventures was not engaged in any businesses which compete or were likely to compete with the Group as of the Latest Practicable Date.

Sinovation Ventures began to enter into agreements with the Designated Customer in December 2019, and generated image detection service fees in 2020 with an amount of approximately RMB0.80 million. It is expected that the service fees payable to Sinovation Ventures by the Designated Customer would be approximately RMB3.67 million, RMB4.72 million and RMB6.3 million for the three years ended 31 December 2024, respectively.

The provision of image detection technology services to Sinovation Ventures will be conducted in our ordinary course of business and on a continuing basis, which will provide the Group with a stream of recurrent income and enhance our financial performance.

*Pricing policies*

Fees to be received by the Group consist of (i) a fixed fee charged for the development of the image detection platforms; and (ii) fees for the subsequent use of the platforms with different ranges categorized by number of images detected. Such fees shall be determined by relevant parties at arm's length negotiation on a cost-plus basis and shall be no more favorable than similar services the Group provided to other Independent Third Parties. Fee structure charged by Sinovation Ventures on the Designated Customer is identical to the fee structure charged by us on Sinovation Ventures under the Image Detection Technology Service Framework Agreement. Fees paid by Designated Customer to Sinovation Ventures and fees paid by Sinovation Ventures to the Group were negotiated and agreed among the Designated Customer, Sinovation Ventures and the Group. After the Designated Customer pays the service fees to Sinovation Ventures, Sinovation Ventures would charge no more than 5% of such fees as rewards for facilitating the business cooperation of the Group and the Designated Customer which is determined at the arm's length negotiation between Sinovation Ventures and our Company, and pay the rest of the amounts to the Group. Fees paid to the Group after such deduction shall be still no less favorable than similar services the Group provides to other Independent Third Parties.

*Historical amounts*

The Group has started to provide image detection technology services to Sinovation Ventures from 2020. The historical amounts of fees relating to the provision of image detection technology services by the Group to Sinovation Ventures for the year ended 31 December 2020 and for the year ended 31 December 2021 were approximately RMB734,000 and RMB2,388,000, respectively.

*Annual caps*

The following table sets forth the proposed annual caps under the Image Detection Technology Service Framework Agreement:

| | Proposed annual caps for the year ending 31 December | | |
|---|---|---|---|
| | **2022** | 2023 | 2024 |
| | | (RMB'000) | |
| Maximum fees to be received by the Group relating to the provision of image detection technology services to the Designated Customer | **3,500** | 4,500 | 6,000 |

*Basis of caps*

When determining the annual caps, our Directors have taken into consideration the following factors:

(i) the historical service fees received by the Group relating to the provision of image detection technology services to Sinovation Ventures were relatively low due to the fact that the image detection platforms were mainly under development in 2020, and have been put into full use since 2021, which is expected to result in a significant increase in our service fees;

(ii) the expected increase in Sinovation Ventures' provision of services to the Designated Customer as a result of the expansion of application of our services across different business units and scenarios of the Designated Customer given our established satisfactory business relationship with the Designated Customer. In particular, The Group has entered into several service order agreements under the Image Detection Technology Service Framework Agreement since April 2021, pursuant to which the Group expanded our image detection services to two new business units of the Designated Customer. In addition, The Group also participated in a special event program which requires image detection platforms to facilitate the marketing activities of the Designated Customer during a sporting event. The relevant image detection platforms pursuant to these agreements have been put into use since May 2021. The Group expects to receive approximately RMB6 million in total pursuant to existing agreements, as the relevant image detection platforms are gradually put into full use; and

(iii) the expected increase in images detected as a result of the increased usage frequency of the existing image detection platforms.

*Listing Rules implications*

As of the Latest Practicable Date, as Sinovation Ventures held 27.61% interest in the Company, it is a connected person of the Company. The transactions under the Image Detection Technology Service Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. In respect of the Image Detection Technology Service Framework Agreement, as the highest applicable percentage ratio (as defined in the Listing Rules) under it for each of the three years ending 31 December 2022, 2023 and 2024 is expected to exceed 0.1% but be less than 5%, it is subject to the annual reporting requirement and the announcement requirement but will be exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## Confirmation from the Independent Non-executive Directors

The independent non-executive Directors of the Company have reviewed the above-mentioned continuing connected transactions and confirmed that:

(1) the above-mentioned continuing connected transactions are conducted in the ordinary and usual course of business of the Group;

(2) the above-mentioned continuing connected transactions are entered into on normal commercial terms or better terms; and

(3) the above-mentioned continuing connected transactions are conducted according to the Framework Agreement on terms which are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

## Confirmation from the Independent Auditor

The independent auditor has performed the relevant procedures regarding the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The independent auditor has issued an unqualified letter stating that:

(1) nothing has come to their attention that may cause them to believe that the continuing connected transactions disclosed have not been approved by the Board;

(2) in respect of the continuing connected transactions which involve the products and services by the Group, nothing has come to their attention that may cause them to believe that these transactions are not, in all material respects, in accordance with the pricing policy of the Group; and

(3) nothing has come to their attention that may cause them to believe that these transactions are not entered into, in all material respects, in accordance with the relevant agreements governing these transactions.

Save as disclosed above, no related party transactions set out in note 38 to the consolidated financial statements constitute disclosable connected transactions or continuing connected transactions under the Listing Rules. During the Reporting Period, the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

## RESULTS AND APPROPRIATIONS

The Group's results and financial position for the year ended 31 December 2021 are set out on pages 19 to 24 in the section headed "Management Discussion and Analysis" of this report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

## TAX RELIEF AND EXEMPTION

The Board is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

## ISSUED SHARE CAPITAL

As at 31 December 2021, the total share capital of the Company was RMB514,560,438, divided into 514,560,438 shares of RMB1.00 per each. Details of the movement of the share capital of the Company during the Reporting Period are set out in Note 25 to the financial statements.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, the Company and the Group did not purchase, sell or redeem any of the Company's listed securities.

## PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment of the Group for 2021 are set out in Note 15 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, total sales to the five largest customers of the Company accounted for approximately 38.21% of the total revenue for the year, while the total sales to the largest customer accounted for 10.17% of the total revenue for the year.

For the year ended 31 December 2021, the total purchase from the five largest suppliers of the Company accounted for approximately 36.02% of the cost of sales for the year, while the total purchase from the largest supplier accounted for 17.92% of the cost of sales for the year.

For the year ended 31 December 2021, to the knowledge of the Directors, none of the Directors, their associates, or Shareholders of the Company (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had interests in the five largest customers or suppliers of the Group.

## EMPLOYEES

Employees are the key to the Group's sustainable development. For details of the Group's employees, please refer to "Directors, Supervisors, Senior Management and Employees — Employees" on pages 67 to 68.

## BANK LOANS AND OTHER BORROWINGS

As of 31 December 2021, the Group has no bank loans and other borrowings.

## EXTERNAL DONATION

In 2021, the Company donated nine temperature check and nucleic acid sampling chambers with the total value of approximately RMB266,000 to centers for disease control and prevention in several cities such as Jiaxing, Qingdao, Guangzhou and Shanghai.

## SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISOR

Each of the Directors and Supervisors has entered into a service contract with the Company. The principal particulars of these service contracts: (1) include the term of appointment, which commences from the date of appointment and ends on the date of expiry of the current session of the Board/Board of Supervisors; and (2) are subject to termination in accordance with the respective terms.

None of Directors or Supervisors has entered into a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

## REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors and Supervisors receive compensation in the form of fees, salaries, allowance, discretionary bonus, pension scheme contributions and other benefits in kind (if applicable). The remuneration of the Directors is determined in accordance with reference to the recommendation from the Remuneration Committee, the market levels and the competency, contributions and the responsibilities towards the Company.

Details of the Directors and the five highest paid individuals of the Company are set out in note 12 and note 40 to the financial statements.

No Directors waived or agreed to waive any emoluments, and no emoluments were paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

During the Reporting Period, the Group did not participate in, directly or indirectly, concluding transactions, arrangements and contracts of significance in which the Director or the Supervisor or any entity which he or she was related to was materially interested, and related to the businesses of the Company and were subsisting during or by the end of the year.

## INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN COMPETING BUSINESSES

During the Reporting Period, none of the Directors, Supervisors, the senior management or their respective associates had any interests in any business which competes or is likely to compete directly or indirectly with the business of the Group or had any other conflicts of interest with the Group.

## CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed under the section headed "Connected Transactions" and paragraphs under note 38 of the Notes to the Financial Statements of this report, there is no contract of significance, whether for the provision of services or otherwise, to the business of the Group between the Company, or any of its subsidiaries, or a controlling Shareholder or any of its subsidiaries during the Reporting Period.

## INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of 31 December 2021, save as disclosed in "Changes in Share Capital and Information of Shareholders" and "Directors, Supervisors, Senior Management and Employees" in this report, none of the Directors, Supervisors and chief executives of the Company had any interests and/or short positions in Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she has taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

## RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

For the year ended 31 December 2021, the Company, its holding company, or any of its subsidiaries or fellow subsidiaries did not have or has participated at any time during the Year in any arrangement through which the Directors and Supervisors of the Company may benefit by purchasing shares or debentures of the Company or any other entities.

## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

## EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2021.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

For details of shareholding of substantial Shareholders in the Company, please refer to "Changes in Share Capital and Information of Shareholders — Interests or Short Positions of Substantial Shareholders in the Shares or Underlying Shares of the Company" on pages 42 to 44.

## PRE-EMPTIVE RIGHT AND SHARE OPTION ARRANGEMENTS

During the year ended 31 December 2021, the Company had no pre-emptive right and share option arrangements. There are no specific provisions under the PRC laws or the Articles of Association of the Company in relation to pre-emptive rights.

## PERMITTED INDEMNITY PROVISIONS

The Company has maintained appropriate liability insurance for its Directors, Supervisors and senior management. Such liability insurance is set out in the permitted indemnity provisions. Save as the above, none of the Directors of the Company were benefited from any effective permitted indemnity provisions as of 31 December 2021.

## DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company had no reserves available for distribution to shareholders.

Details of movements in reserves of the Group and the Company are set out in Note 28 and Note 39 to the financial statements, respectively.

## COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

None of the controlling shareholders of the Company (the "**Controlling Shareholders**") is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, each of the Controlling Shareholders has entered into the Deed of Non-Competition (as stated below) in favor of the Company.

Each of Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying has signed a non-competition undertaking on 12 January 2022 in favor of our Group (the "**Non-competition Undertaking**"). Pursuant to the Non-competition Undertaking, the Single Largest Shareholders Group has irrevocably undertaken that, it would not and will procure that its close associates (except any members of our Group) would not, directly or indirectly, whether as principal or agent, either on its own account or in conjunction with or on behalf of any person, firm or company, whether inside or outside the PRC, among other things, carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is or may be in competition with the principal business of any member of our Group from time to time (the "**Restricted Business**").

## PUBLIC FLOAT

The H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 27 January 2022. As of the Latest Practicable Date, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

## USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on 27 January 2022. The net proceeds received by the Company from the Global Offering, after deducting underwriting commissions and other estimated expenses payable by the Company, amounted to approximately HK$1,070.1 million. The Company intends to use the net proceeds for the purposes set forth below:

| Use | Amount | Percentage | Expected timeline for utilization of the unutilized net proceeds |
|---|---|---|---|
| Enhancing our R&D capabilities | Approximately HK$481.6 million | Approximately 45.0% | On or before 31 December 2024 |
| Enhancing our commercialization capabilities | Approximately HK$267.5 million | Approximately 25.0% | On or before 31 December 2024 |
| For potential strategic investments and acquisitions | Approximately HK$107.0 million | Approximately 10.0% | On or before 31 December 2023 |
| Enhancing our internal system and upgrading our information infrastructure | Approximately HK$107.0 million | Approximately 10.0% | On or before 31 December 2024 |
| For working capital and general corporate use | Approximately HK$107.0 million | Approximately 10.0% | On or before 31 December 2023 |

To increase the efficiency in use of capital, with the approval of the Board, the Company has extended the use of proceeds as set out in the Prospectus by changing "short-term deposits with banks or qualified financial institutions" to "short-term deposits with banks or qualified financial institutions, or to purchase wealth management products, including but without limitation to structured deposits, treasury bonds, central bank bills, bond repurchase, money funds and bond funds".

As of the Latest Practicable Date, the Company totally used HK$47.65 million from the net proceeds of the Global Offering for purchasing monetary financial products. The Company intends to use the net proceeds of the Global Offering as set out in the Prospectus and according to the above changed purposes.

## AUDIT COMMITTEE

The Audit Committee under the Board has reviewed the annual results and the annual report of the Company for 2021 and the audited consolidated financial statements for the year ended 31 December 2021 which was prepared in accordance with the International Financial Reporting Standards.

## AUDITOR

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers, who shall retire from the forthcoming annual general meeting and, being eligible, offer itself for reappointment.

The Company did not change its auditor since the Listing Date.

By Order of the Board
**QINGDAO AINNOVATION TECHNOLOGY GROUP CO., LTD**
青島創新奇智科技集團股份有限公司
**Xu Hui**
*Executive Director and Chief Executive Officer*

Hong Kong, 30 March 2022

# Report of the Supervisory Committee

## COMPOSITION OF THE SUPERVISORY COMMITTEE

As at 31 December 2021, the Supervisory Committee consists of three Supervisors, including two Supervisors appointed by shareholders' general meeting and one employee representative Supervisor. The Supervisors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

Composition of the Supervisory Committee of the Company is set out as follows:

| Name | Position | Date of appointment | Duties |
|---|---|---|---|
| Ms. Lin Ying | Supervisor | 6 February 2018 | Overseeing our operations and financial activities |
| Mr. Gu Xuan Richard | Supervisor | 14 May 2021 | Overseeing our operations and financial activities |
| Mr. Nie Mingming | Employee Representative Supervisor | 14 May 2021 | Overseeing our operations and financial activities |

## MAJOR ACTIVITIES UNDERTAKEN BY THE SUPERVISORY COMMITTEE IN 2021

In 2021, all members of the Supervisory Committee abided by the principle of good faith, strengthened the coordination and cooperation with the Board and the senior management, diligently performed its supervisory duties and effectively safeguarded the legitimate rights and interests of the Company, the Shareholders and employees based on the principle of accountability to all Shareholders of the Company.

### (1) Convening the Supervisory Committee meetings according to law and duly performing the duties of the Supervisory Committee

In 2021, the Supervisory Committee convened a total of 2 Supervisory Committee meetings.

The Supervisors carefully reviewed the meeting materials before attending the Supervisory Committee meetings, and fully studied and discussed the proposals. The Supervisors attended all Supervisory Committee meetings in person and earnestly performed supervisory duties. The details of Supervisors' attendance at the Supervisory Committee meetings held are as follows:

| Name | Number of meetings attended |
|---|---|
| Ms. Lin Ying | 2/2 |
| Mr. Gu Xuan Richard | 2/2 |
| Mr. Nie Mingming | 2/2 |

### (2) Supervising the Directors and senior management of the Company in their performance of duties

In 2021, the Supervisory Committee earnestly performed its supervision duties, had a better knowledge of corporate governance workflow, major operational decision making and the implementation thereof by attending meetings of the Board and its special committees, implementation of the general meetings' resolutions by the Board and that of the Board's resolutions by the management, and supervised the performance of duties by the Directors and the senior management of the Company. The Supervisory Committee considered that the operation of the Board and the management of the Company were normal and the decision procedures were legal. The Board and senior management of the Company conscientiously and dutifully performed their work and fully performed the duty of diligence. When performing their duties, none of the directors or senior management of the Company acted illegally nor in violation of regulations or in such manner the rights and interests of the Company and shareholders were damaged.

## MAJOR INITIATIVES BY THE SUPERVISORY COMMITTEE IN 2022

The Supervisory Committee will strictly comply with the laws and regulations, Articles of Association and the terms of reference of the Supervisory Committee of the Company and diligently and responsibly perform their duties to safeguard the interests of the Company and all Shareholders, including:

(1) to convene meetings of the Supervisory Committee according to the actual situation of the Company, and review and approve various proposals;

(2) to attend Board meetings and general meetings in accordance with the law, understand the major decision of the Company in a timely manner, supervise the legitimate operation of the decision-making procedures of the Board and general meetings, and earnestly safeguard the legitimate rights and interests of the Company and all Shareholders;

(3) to promote standardized operation of the Company and prevent operational risks, through the supervision and inspection of the Company's financial management, internal control, risk management, major decisions and other matters.

# Changes in Share Capital and Information of Shareholders

## SHARE CAPITAL

Upon the establishment of our Company on 6 February 2018, the registered capital of our Company was RMB10,000,000. Since its establishment, our Company has undertaken a series of capital increases to, among others, raise funds for the development of its business and bring in new shareholders to our Company. In May 2021, our Company was converted into a joint stock company with limited liabilities. On 3 June 2021, the registered capital of our Company was increased to RMB514,560,438 by way of conversion of reserved capital into share capital according to the then existing shareholding structure. As of 31 December 2021, our Company has an issued share capital of 514,560,438 Shares in a nominal value of RMB1.00 each.

## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

Since the Company was not listed on the Stock Exchange as at 31 December 2021, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors, the Supervisors and chief executives of the Company as at 31 December 2021.

As at the Latest Practicable Date, the interests and short positions of the Directors, Supervisors or the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code are set out below:

### (i) Interest in the Shares

| Name of Director/ Supervisor/chief executive | Nature of interest | Number of ordinary shares held | Long/short position | Approximate percentage of the issued shares |
|---|---|---|---|---|
| Mr. Xu Hui | Beneficial Interest | 47,581,290 | Long positions | 8.51% |
| | Interest in controlled corporation | 9,503,712 | Long positions | 1.70% |
| Mr. Wang Hua[1] | Beneficial Interest | 8,640,000 | Long positions | 1.54% |
| | Interest held jointly with other persons | 145,800,000 | Long positions | 26.07% |

Note:

(1) Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua and Ms. Tao Ning directly held 135,000,000, 8,640,000, 8,640,000 and 2,160,000 Shares in our Company, respectively. Pursuant to concert party arrangement, Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying formed our Single Largest Shareholders Group. As such, each of Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying is deemed to be interested in the Shares held by other member of our Single Largest Shareholders Group.

## (ii) Interest in associated corporations

| Name of Director/ Supervisor/chief executive | Name of associated corporation | Nature of interest | Number of ordinary shares held | Approximate percentage of the issued share of the associated corporation |
|---|---|---|---|---|
| Mr. Wang Hua[1] | Sinovation Ventures | Beneficial Interest | 34,168,500 | 25.31% |
| | Sinovation Ventures | Interest held jointly with other persons | 69,795,000 | 51.70% |
| | Sinovation Ventures Yucheng | Beneficial Interest | 3,780,000 | 43.75% |
| | Sinovation Ventures Yucheng | Interest held jointly with other persons | 4,860,000 | 56.25% |

Note:

(1) Pursuant to a concert party agreement, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying jointly control Sinovation Ventures and Sinovation Ventures Yucheng. As such, each of Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying is deemed to be interested in the shares held by each other in Sinovation Ventures and Sinovation Ventures Yucheng.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## INTERESTS OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES OR UNDERLYING SHARES

As the Company was not yet listed on the Hong Kong Stock Exchange on 31 December 2021, Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable to any substantial shareholder as at 31 December 2021.

So far as known to any Director or chief executives of the Company, as at the Latest Practicable Date, the persons (other than Director or chief executives of the Company) or corporations who had interest or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

| Name of shareholder | Nature of interest | Number of ordinary shares held | Long position/ short position | Approximate percentage of the issued shares |
|---|---|---|---|---|
| Sinovation Ventures[1] | Beneficial interest | 135,000,000 | Long position | 24.14% |
| | Interest held jointly with other persons | 19,440,000 | Long position | 3.47% |
| Sinovation Ventures Yucheng[1] | Beneficial interest | 8,640,000 | Long position | 1.54% |
| | Interest held jointly with other persons | 145,800,000 | Long position | 26.07% |
| Mr. Wang Hua[1] | Beneficial interest | 8,640,000 | Long position | 1.54% |
| | Interest held jointly with other persons | 145,800,000 | Long position | 26.07% |
| Ms. Tao Ning[1] | Beneficial interest | 2,160,000 | Long position | 0.39% |
| | Interest held jointly with other persons | 152,280,000 | Long position | 27.22% |
| Ms. Lang Chunhui[1] | Interest held jointly with other persons | 154,440,000 | Long position | 27.61% |
| Mr. Zhang Ying[1] | Interest held jointly with other persons | 154,440,000 | Long position | 27.61% |
| Beijing Financial Street Xicheng Equity Investment Fund (Limited Partnership) (北京金融街熙誠股權投資基金(有限合夥)) ("**Xicheng Fund**")[2] | Interest in controlled corporation | 59,327,262 | Long position | 10.61% |

| Name of shareholder | Nature of interest | Number of ordinary shares held | Long position/ short position | Approximate percentage of the issued shares |
|---|---|---|---|---|
| Mr. Lu Yin[2] | Interest in controlled corporation | 59,327,262 | Long position | 10.61% |
| Mr. Yin Xiaobin[2] | Interest in controlled corporation | 59,327,262 | Long position | 10.61% |
| Zhongjin Xicheng (Beijing) Investment Co., Ltd. (仲金熙誠(北京)投資有限公司) ("**Zhongjin Xicheng**")[2] | Investment manager | 59,327,262 | Long position | 10.61% |
| Mr. Xu Hui[3] | Beneficial interest | 47,581,290 | Long position | 8.51% |
| | Interest in controlled corporation | 9,503,712 | Long position | 1.70% |
| SB Global Advisers Capital Markets Limited | Interest in controlled corporation | 39,826,630 | Long position | 7.12% |
| SB Global Advisers Limited | Interest in controlled corporation | 39,826,630 | Long position | 7.12% |
| SoftBank Group Corp. | Interest in controlled corporation | 39,826,630 | Long position | 7.12% |
| SoftBank Vision Fund II-2 L.P. | Interest in controlled corporation | 39,826,630 | Long position | 7.12% |
| SVF II Aggregator (Jersey) L.P. | Interest in controlled corporation | 39,826,630 | Long position | 7.12% |
| SVF II GP (Jersey) Limited | Interest in controlled corporation | 39,826,630 | Long position | 7.12% |
| SVF II Holdings (DE) LLC | Interest in controlled corporation | 39,826,630 | Long position | 7.12% |
| SVF II Holdings (Singapore) Pte Ltd. | Interest in controlled corporation | 39,826,630 | Long position | 7.12% |
| SVF II Investment Holdings (Subco) LLC | Interest in controlled corporation | 39,826,630 | Long position | 7.12% |
| SVF II Investment Holdings LLC | Interest in controlled corporation | 39,826,630 | Long position | 7.12% |
| SVF II Zeal Subco (Singapore) Pte. Ltd. | Beneficial interest | 36,640,530 | Long position | 6.55% |
| | Others | 3,186,100 | Long position | 0.57% |
| Xinhui Zhiqi Technology Co, Ltd. (青島新輝智奇科技有限公司) ("**Xinhui Zhiqi**")[4] | Interest in controlled corporation | 47,097,864 | Long position | 8.42% |
| Mr. Lu Yiming[4] | Interest in controlled corporation | 47,097,864 | Long position | 8.42% |
| Xinnuo Zhiqi[5] | Beneficial interest | 38,291,634 | Long position | 6.85% |
| Qingdao Xinnuo Zhihe Technology Co., Ltd. (青島新諾智合科技有限公司) ("**Xinnuo Zhihe**")[5] | Interest in controlled corporation | 38,291,634 | Long position | 6.85% |
| Mr. He Tao[5] | Interest in controlled corporation | 38,291,634 | Long position | 6.85% |
| China International Capital Corporation Limited | Interest in controlled corporation | 88,824,470 | Long position | 15.88% |

## Changes in Share Capital and Information of Shareholders

| Name of shareholder | Nature of interest | Number of ordinary shares held | Long position/ short position | Approximate percentage of the issued shares |
|---|---|---|---|---|
| CICC ALPHA (Beijing) Private Equity Investment Fund Management Co., Ltd. | Executor or administrator | 85,968,684 | Long position | 15.37% |
| CICC Capital Management Co., Ltd. | Interest in controlled corporation | 85,968,684 | Long position | 15.37% |

Notes:

(1) Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua and Ms. Tao Ning directly held 135,000,000, 8,640,000, 8,640,000 and 2,160,000 Shares in our Company, respectively. Sinovation Ventures and Sinovation Ventures Yucheng are collectively controlled by Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying pursuant to a concert party agreement among themselves. Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua and Ms. Tao Ning, have been acting in concert and will continue to act in concert in the Company's Shareholders meetings and Board meetings pursuant to a concert party agreement among themselves. As a result, Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying form our Single Largest Shareholders Group. As such, each of Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying is deemed to be interested in the Shares held by other member of our Single Largest Shareholders Group.

(2) Hongxi Investment, Hongyue Investment and Honger Investment held 23,824,026, 17,751,924 and 17,751,312 Shares in our Company, respectively. Zhongjin Xicheng is the general partner for each of Hongxi Investment, Hongyue Investment and Honger Investment, meanwhile Xicheng Fund is their sole limited partner with almost 100% of partnership interest whose administrator is CICC ALPHA (Beijing) Private Equity Investment Fund Management Co., Ltd. (中金甲子(北京)私募投資基金管理有限公司) ("**CICC ALPHA**"). CICC ALPHA is held as to 51% by CICC Capital Management Co., Ltd. (中金資本運營公司) ("**CICC Capital**"), which is wholly owned by CICC. Therefore, each of Xicheng Fund, CICC ALPHA, CICC Capital and CICC is deemed to be interested in 23,824,026, 17,751,924 and 17,751,312 Shares held by Hongxi Investment, Hongyue Investment and Honger Investment, respectively. Chuangzhi Fund held 26,641,422 Shares in our Company whose administrator and general partner is CICC ALPHA. CICC ALPHA is held as to 51% by CICC Capital, which is wholly owned by CICC. Therefore, each of CICC ALPHA, CICC Capital and CICC is deemed to be interested in 26,641,422 Shares held by Chuangzhi Fund.

(3) Innovation Zhicheng held 6,621,912 Shares in our Company and is beneficially owned by Mr. Xu Hui. Therefore, Mr. Xu Hui is deemed to be interested in the 6,621,912 Shares held by Innovation Zhicheng for purpose of Part XV of the SFO. Qingdao Xinda held 2,881,800 Shares in our Company, whose general partner is Qingdao Xinnuo Zhicheng Technology Co., Ltd. (青島新諾智成科技有限公司) ("**Qingdao Xinnuo**"), which is wholly owned by Mr. Xu Hui. Therefore, each of Qingdao Xinnuo and Mr. Xu Hui is deemed to be interested in the 2,881,800 Shares held by Qingdao Xinda for the purpose of Part XV of the SFO.

(4) Qingdao Xinhui, Qingdao Xinqi and Qingdao Xinyun, our Employee Incentive Platforms, collectively directly held 47,097,864 Shares in our Company whose general partner is Xinhui Zhiqi, which is wholly owned by Mr. Lu Yiming. Therefore, each of Xinhui Zhiqi and Mr. Lu Yiming is deemed to be interested in the 47,097,864 Shares held by Qingdao Xinhui, Qingdao Xinqi and Qingdao Xinyun for purpose of Part XV of the SFO.

(5) Xinnuo Zhiqi directly held 38,291,634 Shares in our Company whose general partner is Xinnuo Zhihe, which is wholly owned by Mr. He Tao. Therefore, each of Xinnuo Zhihe and Mr. He Tao is deemed to be interested in the 38,291,634 Shares held by Xinnuo Zhiqi for purpose of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors, the Supervisors and the chief executives of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

# Corporate Governance Report

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2021 and up to the date of this annual report.

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders of the Company, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practice. The Company is committed to the view that the Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As the Company was listed on 27 January 2022, it was not required to comply with the CG Code during the year ended 31 December 2021. The Company has complied with all applicable code provisions set out in the CG Code throughout the period from the Listing Date up to the date of this annual report.

The Company has also put in place certain recommended best practices as set out in the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND EMPLOYEES

The Company has adopted the Model Code to regulate all dealings by Directors, Supervisors and relevant employees of securities in the Company and other matters covered by the Model Code since the Listing Date.

As the Company was listed on 27 January 2022, it was not required to comply with the Model Code during the year ended 31 December 2021.

All Directors, Supervisors and relevant employees, having made specific enquiries, confirmed that they have been in compliance with the Model Code during the period from the Listing Date and up to the date of this report.

The Company has also adopted the Model Code for securities transactions by employees who may hold price-sensitive information of the Company that is not publicly available. The Company was not aware of any incompliance with the Model Code by any employee during the period from the Listing Date and up to the date of this report.

## THE BOARD

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

## BOARD COMPOSITION

The Board consists of seven Directors, including one executive Director, three non-executive Directors and three independent non-executive Directors. The current members of the Board of the Company are listed as follows:

### Executive Director

Mr. Xu Hui (Chief Executive Officer)

### Non-executive Directors

Dr. Kai-Fu Lee (Chairman)
Mr. Wang Hua
Mr. Zhou Wei

### Independent non-executive Directors

Mr. Xie Deren
Ms. Ko Wing Yan Samantha
Ms. Jin Keyu

### Supervisors

Ms. Lin Ying
Mr. Gu Xuan Richard
Mr. Nie Mingming

Biographical details of the Directors are set out on pages 61 to 68 in the section headed "Directors, Supervisors, Senior Management and Employees" of this annual report.

Save as disclosed above, there are no financial, business, family, or other material or relevant relationships among members of the Board.

## BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

Pursuant to code provision A.1.1 (such code provision has been rearranged to C.5.1 with effect from 1 January 2022) of the CG Code, regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors. As of the year ended 31 December 2021, 11 Board meetings were held.

Directors may participate in meetings either in person or through electronic means of communication. All Directors are given not less than fourteen days' notice for regular Board meetings. For other Board and Board committee meetings, reasonable notice will be given.

As the Company was listed on 27 January 2022, it was not required to comply with the requirements of the CG Code which stipulates that the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors during the year ended 31 December 2021.

As of the year ended 31 December 2021, the Company did not have to hold an annual general meeting.

A summary of the attendance records of the Directors at the Board meetings held:

| Name of Director | Attendance |
|---|---|
| **Executive Director** | |
| Mr. Xu Hui | 11/11 |
| **Non-executive Directors** | |
| Dr. Kai-Fu Lee | 11/11 |
| Mr. Wang Hua | 11/11 |
| Mr. Zhou Wei | 11/11 |
| **Independent non-executive Directors** | |
| Mr. Xie Deren[1] | 6/6 |
| Ms. Ko Wing Yan Samantha[2] | 6/6 |
| Ms. Jin Keyu[3] | — |

(1) Mr. Xie Deren was appointed as a Director on 14 May 2021.

(2) Ms. Ko Wing Yan Samantha was appointed as a Director on 14 May 2021.

(3) Ms. Jin Keyu was appointed as a Director on 16 November 2021.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICE

Dr. Kai-Fu Lee is the Chairman of the Board and Mr. Xu Hui is the Chief Executive Office of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors play a significant role in the Board by virtue of their independent judgement and their views carry significant weight in the Board's decisions. They are experienced professionals in areas such as financial accounting and financial management. Their extensive experiences significantly contribute to enhancing the decision-making of the Board and achieving a sustainable and balanced development of the Group. In particular, they bring impartial views and opinions on issues of the Company's strategy, performance and control, and take the lead in solution where potential conflicts of interests arise. The Board believes that its culture of openness and debate facilitates the effective contribution of executive Directors, non-executive Directors and independent non-executive Directors, in particular, to the Board and ensures constructive relationship among executive Directors, non-executive Directors and independent non-executive Directors.

During the period from the Listing Date and up to the date of this report, the Board has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board, with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into a service agreement with the Company for a fixed term of three years commencing from the appointment date.

Directors shall be elected at a general meeting and shall serve a term of three years. A Director may serve consecutive terms if re-elected upon the expiration of his/her term. Any person appointed by the Board to fill up a casual vacancy in the Board or as an addition to the Board shall hold office only until the next shareholders' general meeting of the Company and shall then be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association and the nomination policy of the Company. The Nomination Committee is responsible for reviewing the Board structure, size and composition, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

## RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the affairs of the Company.

The Board leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors have disclosed to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve any conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operations and management of the Company are delegated to the management.

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

All Directors have participated in appropriate continuous professional development to develop and refresh their knowledge and skills. For the year ended 31 December 2021 and up to the Latest Practicable Date, all Directors has participated in the training session on directors' duties, responsibilities and obligations under the Listing Rules and the SFO, which was carried out by Clifford Chance, the legal adviser of the Company in respect of Hong Kong laws.

The Company will arrange regular trainings to provide Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

## BOARD COMMITTEES

The Board has established three committees namely, the Audit Committee, the Remuneration Committee and the Nomination Committee (the "**Board Committees**"). All Board Committees are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of each of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 4.

## AUDIT COMMITTEE

The Audit Committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. Xie Deren, Mr. Wang Hua and Ms. Ko Wing Yan Samantha. Mr. Xie Deren is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code.

The primary duties of the Audit Committee are as follows: (i) to make recommendations to the Board on the appointment, re-appointment and dismissal of the external auditor; (ii) to review the financial information of the Company; (iii) to review the financial controls, risk management and internal control system of the Company; (iv) to review the operation, financial and accounting policies and practices of the Company and its subsidiaries as well as its consolidated affiliated entities; and (v) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

As of the year ended 31 December 2021, two meetings of the Audit Committee were held. A summary of work of the Audit Committee during the year is set out below:

- reviewed the accounting report-related matters concerning the listing of the shares of the Company; and

- considered the audit plan for 2021 annual financial report.

The Audit Committee also met the external auditor twice without the presence of the executive Directors for the year ended 31 December 2021 to discuss matters relating to its audit fees, any issue arising from the audit and any other matters the auditor may wish to raise. The Board has not taken any different view from that of the Audit Committee regarding the re-appointment of the external auditor.

The attendance records of the members of the Audit Committee are as follows:

| Name of members of the Audit Committee | Number of meeting attended |
|---|---|
| **Non-executive Director** | |
| Mr. Wang Hua | 2/2 |
| **Independent non-executive Directors** | |
| Mr. Xie Deren | 2/2 |
| Ms. Ko Wing Yan Samantha | 2/2 |

## REMUNERATION COMMITTEE

The Remuneration Committee consists of two independent non-executive Directors and one non-executive Director, namely Ms. Ko Wing Yan Samantha, Mr. Zhou Wei and Mr. Xie Deren. Ms. Ko Wing Yan Samantha is the chairwoman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code.

The primary duties of the Remuneration Committee are as follows: (i) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) to make recommendations to the Board on the remuneration packages of executive Directors and senior management; (iii) to consider the level of remuneration required to attract and retain directors to run the Company successfully; and (iv) to ensure that no Director or any of their associates is involved in deciding their own remuneration.

As of the year ended 31 December 2021, one meeting of the Remuneration Committee was held. A summary of work of the Remuneration Committee during the year is set out below:

- considered the remunerations of independent non-executive Directors.

The Group's remuneration policy is structured to attract and retain high quality staff and to enable smooth operation. The Group offered competitive remuneration packages which considered factors such as corporate result, individual capability and performance, salaries paid by comparable companies, time commitment, responsibilities and employment conditions. The remuneration packages are subject to review on a regular basis. Details of the remuneration of the senior management by band are set out in Note 38 to the Financial Statements for the year ended 31 December 2021.

The attendance records of the members of the Remuneration Committee are as follows:

| Name of members of the Remuneration Committee | Number of meeting attended |
|---|---|
| **Non-executive Director** | |
| Mr. Zhou Wei | 1/1 |
| **Independent non-executive Directors** | |
| Mr. Xie Deren | 1/1 |
| Ms. Ko Wing Yan Samantha[1] | — |

(1) Ms. Ko Wing Yan Samantha was appointed as a member of the committee on 16 November 2021.

In accordance with code provision B.1.5 (such code provision has been rearranged to E.1.5 with effect from 1 January 2022) of the CG Code, the emoluments paid of the members of senior management for the year ended 31 December 2021 were within the following bands:

| Remuneration band (RMB) | Number of individuals |
|---|---|
| 0 to 1,500,000 | 2 |
| 1,500,000 to 2,000,000 | 2 |
| 2,000,000 to 3,000,000 | 1 |

Details of Directors' emoluments and five highest paid individuals, which are disclosable under Appendix 16 to the Listing Rules, are set out in note 12 and note 40 to the audited financial statements of this report.

## NOMINATION COMMITTEE

The Nomination Committee consists of two independent non-executive Directors and one non-executive Director, namely Dr. Kai-Fu Lee, Ms. Ko Wing Yan Samantha and Ms. Jin Keyu. Dr. Kai-Fu Lee is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The primary duties of the Nomination Committee are as follows: (i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; (ii) to identify individuals suitably qualified as potential Directors (including advising whether such individuals will bring knowledge, skills and experience to the Board, and how they will promote the diversity of the Board), and select or make recommendations to the Board on the selection of individuals nominated for directorships pursuant to the nomination policies of the Company; (iii) assess the independence of independent non-executive Directors; and (iv) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy as stated below. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy as stated below that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

For the year ended 31 December 2021, the Nomination Committee held one meeting. A summary of work of the Nomination Committee during the year is set out below:

- considered Ms. Jin Keyu's qualification as an independent non-executive Director.

The attendance records of the members of the Nomination Committee are as follows:

| Name of members of the Nomination Committee | Number of meeting attended |
|---|---|
| **Non-executive Director** | |
| Dr. Kai-Fu Lee | 1/1 |
| **Independent non-executive Directors** | |
| Ms. Ko Wing Yan Samantha | 1/1 |
| Ms. Jin Keyu[1] | — |

(1) Ms. Jin Keyu was appointed as a member of the committee on 16 November 2021.

## BOARD DIVERSITY POLICY

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee of the Board is committed to diversity at all levels and will consider a number of aspects, including but not limited to knowledge, skills, professional experience, gender, age, cultural and educational background, ethnicity, length of service and any other factors that the Board may consider appropriate from time to time taking into account the Company's business model and specific needs.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

At present, the Nomination Committee considered that the Board is sufficiently diverse. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

## DIRECTOR NOMINATION POLICY

The ultimate responsibility for the selection and appointment of Directors rests with the Board.

The Company has adopted the Director Nomination Policy, which sets out the selection criteria and process for the nomination and appointment of Directors and the succession planning considerations, so as to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to business operations of the Company.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Achievements and experience in related industries and other professional qualifications related to the businesses of the Company;
- Commitment for responsibilities of the Board in respect of available time and relevant interest;
- Diversity in the aspects, amongst others, of gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;
- Potential contributions that proposed candidate, can bring to the Board; and
- A succession plan for the Board.

The Nomination Committee of the Board will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 (such code provision has been rearranged to A.2.1 with effect from 1 January 2022) of the CG Code.

The Board will review the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness.

Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee of the Board assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales, financial reporting, human resources and information technology.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

The Board will cautiously review any material risk related to significant business decisions before making or approving such decisions.

Each department head and senior management of the Group monitor daily operations and any associated operational risks of the Group. They are also responsible for identifying and assessing potential market risks related to changes in macroeconomic environment and movements in market variables and report irregularities in connection with operational and market risks to the executive Directors for formulating policies to mitigate these risks.

The Internal Audit and Internal Control Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit and Internal Control Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, through the Audit Committee, has continuously monitored and annually reviewed the adequacy and effectiveness of the Group's risk management and internal control systems.

The Group has appointed Somerley Capital Limited as compliance adviser of the Company in compliance with the Listing Rules and appointed a PRC legal adviser to advise us on PRC laws and regulations related to the Group's business operations.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2021.

During the Reporting Period, the Company reviewed the risk management and internal control systems for once, including the financial, operational and compliance controls, and considered that such systems for the year ended 31 December 2021 were effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources. Whistle-blowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited. In addition, the Company's internal audit department assists the Board and the Audit Committee in continuously monitoring the Company's risk management and internal control systems, and reports to the Board and the Audit Committee in a timely manner in case that any serious lack of internal control has been found, ensuring that immediate remedial action could be taken.

The Company carried out comprehensive risk management to achieve the following objectives: (i) to ensure that risks are kept within tolerable limits that are appropriate to the overall objective; (ii) to ensure real and reliable information communication internally and externally, especially that between the Company and the Shareholders, in respect of, among other things, the reparation and representation of truthful and reliable financial reports; (iii) to ensure compliance with relevant laws and regulations; (iv) to ensure the implementation of the Company's relevant rules and regulations and major measures taken to achieve business objectives and ensure the effectiveness of management, to improve the efficiency and effectiveness of business activities, and reduce uncertainty in achieving business objectives; (v) to ensure that a crisis management plan is in place for subsequent management upon occurrence of various significant risks and to ensure that the Company is free of significant loss arising from catastrophic risks or human error.

All relevant departments and business units of the Company shall conduct regular self-examinations and inspection of risk management work, discover defects and improve them, and submit their inspection reports to the Internal Audit and Internal Control Department of the Company in a timely manner. The Internal Audit and Internal Control Department of the Company regularly checks and verifies the implementation and effectiveness of risk management work of all departments and business units, evaluates risk management strategies according to relevant management requirements, evaluates risk management solutions of cross-departments and business units, and puts forward suggestions for adjustment or improvement.

## DIVIDEND POLICY

We did not declare or distribute any dividend to our Shareholders during the Reporting Period. However, we may distribute dividends in the future by way of cash or by other means that we consider appropriate. Pursuant to the Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. The Company may distribute dividends in the form of cash, shares or a combination of cash and shares. As long as it is in profit for the year and has positive accumulative undistributed profits, the Company distributes cash dividends. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends should be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions.

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2021.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 69 to 75.

## AUDITOR'S REMUNERATION

The remuneration paid or payable to the external auditor of the Company, PricewaterhouseCoopers, in respect of audit services for the year ended 31 December 2021 amounted to RMB3,000,000. During the Reporting Period, an analysis of the remuneration paid or payable to the external auditor of the Company, PricewaterhouseCoopers, and its affiliates in respect of audit services and non-audit services relating to the Environmental, Social and Governance Report is set out below:

| Service Category | Amount (RMB'000) |
|---|---|
| Audit Services | 3,000 |
| Non-audit Services | 228 |
| **Total** | **3,228** |

## JOINT COMPANY SECRETARIES

Mr. Xiao Lei ("**Mr. Xiao**") and Ms. Lam Nim Chi ("**Ms. Lam**") have been appointed as the Joint Company Secretaries. Ms. Lam is a manager of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. The biographical details of the Mr. Xiao and Ms. Lam are set out in the section headed "Directors, Supervisors, Senior Management and Employees" of this annual report.

All Directors have access to the advice and services of the Joint Company Secretaries on corporate governance and board practices and matters. Mr. Xiao has been designated as the primary contact person at the Company which would work and communicate with Ms. Lam on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 December 2021, Mr. Xiao and Ms. Lam have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

## SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels.

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Hong Kong Stock Exchange after each general meeting.

## CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Pursuant to Article 64 of the Articles of Association, two or more Shareholders who individually or together hold 10% or more of the voting shares at the proposed meeting may make a proposal to the Board of Directors on holding an extraordinary general meeting or class meeting and add resolutions to the meeting agenda by signing one or several written requests with same content in same format and define the meeting agenda. The Board shall convene such meeting as soon as possible upon receipt of the aforesaid written request. The aforesaid number of shares held shall be calculated as of the date when the written request was put forward by the Shareholders. If the Board fails to issue a notice of meeting within 30 days after receipt of the aforesaid written request, the Shareholders tendering the said request may request the Supervisory Committee to convene an extraordinary general meeting or class meeting. If the Supervisory Committee fails to issue a notice of meeting within 30 days after receipt of the aforesaid written request, the Shareholders individually or jointly holding more than 10% of shares with voting rights at the meeting to be convened for more than 90 consecutive days may by themselves convene a meeting within 4 months after the Board receives the said request, and the convening procedure shall to the extent possible be the same as the procedure by which the Board convenes the general meeting.

Pursuant to Article 65 of the Articles of Association, the expenses necessary for holding the shareholders' general meeting convened by the Supervisory Committee or Shareholders shall be borne by the Company.

Shareholders individually or jointly holding more than 3% of the shares of the Company may propose and submit new provisional resolutions in writing to the convener ten days prior to the general meeting. The convener of the general meeting shall issue a supplemental notice of general meeting to other Shareholders within two days after the receipt of such resolutions and incorporate the matters falling within the scope of duties of the general meeting into the agenda of such meeting for the consideration.

## PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may also make enquiries to the Board at the general meeting of the Company. In addition, Shareholders can contact Computershare Hong Kong Investor Services Limited, the Company's H Share registrar in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

## CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 501, Block A, Haier International Plaza, No. 939 Zhenwu Road, Economic Development Zone, Jimo District, Qingdao, Shandong, PRC

Tel: (86) 1082169566

Email: ir@ainnovation.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meetings, Directors (or their proxies as appropriate) are available to meet Shareholders and answer their enquiries.

## CHANGE IN CONSTITUTIONAL DOCUMENTS

On 27 January 2022, the Company adopted the Articles of Association which become effective on the Listing Date. There had been no significant changes in the Articles of Association since the Listing Date. The Articles of Association has been published on the website of Hong Kong Stock Exchange at https://www.hkexnews.hk and the website of the Company at https://www.ainnovation.com.

## POLICY RELATING TO SHAREHOLDERS

The Company has in place a Shareholders' Communication Policy to ensure the Shareholders' views and concerns are appropriately addressed, and regularly reviewed the policy to ensure its effectiveness.

# Directors, Supervisors, Senior Management and Employees

## MEMBERS OF THE BOARD

| Name | Position in the Company | Date of appointment as Director |
|---|---|---|
| **Executive Director** | | |
| Mr. Xu Hui | Executive Director and Chief Executive Officer | 23 April 2018 |
| **Non-executive Directors** | | |
| Dr. Kai-Fu Lee | Chairman and non-executive Director | 6 February 2018 |
| Mr. Wang Hua | Non-executive Director | 6 February 2018 |
| Mr. Zhou Wei | Non-executive Director | 12 February 2019 |
| **Independent non-executive Directors** | | |
| Mr. Xie Deren | Independent non-executive Director | 14 May 2021 |
| Ms. Ko Wing Yan Samantha | Independent non-executive Director | 14 May 2021 |
| Ms. Jin Keyu | Independent non-executive Director | 16 November 2021 |

Mr. Xu Hui (徐輝), aged 49, is the co-founder of our Group and has served as an executive Director since April 2018 and the Chief Executive Officer since our Company's incorporation in February 2018. Mr. Xu has more than 20 years of experience in AI-related industry. Mr. Xu held various senior leadership capacities including serving as the General Manager of the Insurance and Securities Division, the Deputy General Manager of Banking Division in China Region of Financial Services Sector; the General Manager of Services and Products Line Group and Alliances in Greater China Region and the General Manager of Geography Expansion in China Region of Global Technology Services Sector in IBM from November 1996 to November 2009, responsible for sales management of AI softwares and solutions covering IT infrastructure, cloud computing, data storage, IT operation and maintenance for manufacturing and financial industry; the Vice President in Greater China Region and General Manager in East and Central Region in SAP from October 2009 to February 2013, responsible for sales management of AI softwares and solutions covering intelligent integrated information management platform and IT consulting services for manufacturing industry; the Vice President and General Manager of Microsoft Enterprise & Partner Group (EPG) in Greater China Region, the General Manager of Customer Service and Support (CSS) in Greater China Region and Cloud Executive Sponsor in Asia Pacific Region from March 2013 to November 2016, responsible for sales and technical management of AI softwares and solutions covering enterprise O2O intelligent transfer, cloud computing and big data analytics; and the Vice President of Wanda Internet Technology Group from November 2016 to January 2018, primarily engaged in providing full-chain business management services of digitalized and intelligent transformation solutions covering cloud computing, big data analytics, intelligent marketing and operations, intelligent supply chains and IOT. He has been an independent non-executive director of Honma Golf Limited, a company listed on the Hong Kong Stock Exchange (stock code: 6858) since September 2016. Mr. Xu has also been a manager and director of AInnovation (Beijing) Technology Co., Ltd., a director of AInnovation (Chongqing) Technology Co., Ltd., a director of AInnovation (Nanjing) Technology Co., Ltd., a director of AInnovation (Guangzhou) Technology Co., Ltd., a director of AInnovation (Hefei) Technology Co., Ltd., a director of AInnovation (Chengdu) Technology Co., Ltd., a director of AInnovation (Qingdao) Technology Co., Ltd., a manager and director of Ainnovation (Xi'an) Technology Co., Ltd., a director of AInnovation (Shanghai) Technology Co., Ltd., a director of AInnovation (Shenzhen) Technology Co., Ltd., a director of AInnovation (Zhejiang) Technology Co., Ltd., a director of Shanghai Zhicheng Zhiqi Technology Co., Ltd., a director of RewinCloud (Chongqing) Technology Co., Ltd., a director of Chongqing CISAI Technology Co., Ltd., a director of China Railway Qizhi (Hefei) Technology Co., Ltd. and a manager and director of RewinCloud (Qingdao) Technology Co., Ltd.

Mr. Xu obtained his bachelor's degree in electronic engineering from Shanghai Jiaotong University (上海交通大學) in Shanghai, the PRC in July 1995, and his EMBA degree from Peking University (北京大學) in Beijing, the PRC in January 2007.

Dr. Kai-Fu Lee (李開復), aged 61, has served as our Chairman and a non-executive Director since February 2018. He is the Chairman of the Nomination Committee. Dr. Kai-Fu Lee has more than 30 years of experience in AI-related industry. He served as a researcher and an assistant professor at school of computer science of Carnegie Mellon University from 1988 to 1991; successively holding several positions including a Vice President of Apple Inc., a company listed on NASDAQ (stock code: AAPL), from 1990 to 1996; the Managing Director of Microsoft Research China and the Corporate Vice President of Natural Interactive Services Division of Microsoft Corporation, a company listed on NASDAQ (stock code: MSFT), from 1998 to 2005, where he acted as the Dean of Microsoft Research Asia, which was established in 1998 and one of the world's top research labs which nurtured a large number of top AI talents; the President in Greater China Region of Google Inc., a company listed on NASDAQ (stock code: GOOG), from 2005 to 2009; and the Chairman and Chief Executive Officer of Sinovation Ventures Group, a leading venture capital firm, since 2009. Dr. Kai-Fu Lee is the Co-Chair of Artificial Intelligence Council for World Economic Forum Center for the Fourth Industrial Revolution and recognized as Times 100 in 2013.

Dr. Kai-Fu Lee served as an independent non-executive director of Shangri-La Asia Limited (香格里拉(亞洲)有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 069) from November 2015 to June 2019; an independent director of LightInTheBox Holding Co., Ltd., a company listed on the New York Stock Exchange (stock code: LITB) from June 2013 to July 2019; an independent non-executive director of Hon Hai Precision Industry Co., Ltd., a company listed on the Taiwan Stock Exchange (stock code: 2317) from July 2016 to June 2019; a non-executive director of Meitu, Inc. (美圖公司), a company listed on the Hong Kong Stock Exchange (stock code: 1357) since August 2016; and an independent non-executive director of Fosun International Limited (復星國際有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 656) since March 2017.

Dr. Kai-Fu Lee obtained his bachelor's degree in computer science from Columbia University in New York, the United States in June 1983, and his doctor's degree in computer science from Carnegie Mellon University in Pennsylvania, the United States in April 1988.

Mr. Wang Hua (汪華), aged 45, has served as a non-executive Director since February 2018. He is a member of the Audit Committee. Mr. Wang served as the General Manager of Shanghai Yinda Technology Industry Co., Ltd. (上海音達科技事業有限公司) from December 2001 to August 2004; the Strategic Partner and Development Manager in Google Information Technology (China) Co., Ltd. (谷歌信息技術 (中國) 有限公司) from September 2006 to October 2009; and a partner of Sinovation Ventures Group since October 2009. He has served as an independent non-executive director of Maoyan Entertainment (貓眼娛樂), a company listed on the Hong Kong Stock Exchange (stock code: 1896) since January 2019.

Mr. Wang obtained his master's degree in business administration from Stanford University in California, the United States in June 2006.

Mr. Zhou Wei (周偉), aged 34, has served as a non-executive Director since February 2019. He is a member of the Remuneration Committee. Mr. Zhou successively served as an analyst, an associate and a senior associate of China International Capital Corporation Limited from July 2010 to June 2015; and successively acting as an assistant vice president, a vice president and a senior vice president of CICC ALPHA (Beijing) Private Equity Investment Fund Management Co., Ltd. (中金甲子(北京) 私募投資基金管理有限公司) ("**CICC ALPHA**") from July 2015 to December 2019. Mr. Zhou was a founding member of CICC ALPHA and has been a member of the investment committee of several funds under the management of CICC ALPHA and an executive director since January 2020.

Mr. Zhou obtained his bachelor's degree in engineering from Beijing Institute of Technology (北京理工大學) in Beijing, the PRC in July 2007, and his master's degree in software engineering from Peking University in Beijing, the PRC in July 2010.

Mr. Xie Deren (謝德仁), aged 51, has served as an independent non-executive Director since May 2021. He is the Chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Xie successively served as a lecturer and an associate professor, and served as a professor since December 2005, in the School of Economics and Management, Tsinghua University (清華大學經濟管理學院). Mr. Xie is a council member of Accounting Society of China (中國會計學會) and a reviewer of several academic journals in the field of economics and management. He was a member of the 17th Issuance Review Committee of the China Securities Regulatory Commission (中國證券監督管理委員會發行審核委員會) from September 2017 to February 2019. He is also a member of the Advisory Committee for Enterprises Accounting Standards of the Ministry of Finance (財政部) since August 2016.

Mr. Xie has been serving as an independent non-executive director, and the Chairman of the audit committee and remuneration committee of HengTai Securities Co., Ltd. (恒泰證券股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1476) since February 2020; and an independent non-executive director, the chairman of audit committee and a member of remuneration committee of Xiamen Bank Co., Ltd. (廈門銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601187) since January 2021. He also served as an independent non-executive director of Liaoning Chengda Co., Ltd. (遼寧成大股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600739) from August 2021 to November 2021; an independent non-executive director of Beyondsoft Corporation (博彥科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002649) from December 2013 to December 2019; and an independent non-executive director of Longshine Technology Co., Ltd. (朗新科技集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300682) from December 2013 to December 2019.

Mr. Xie obtained his bachelor's degree and doctor's degree in accounting from Xiamen University (廈門大學) in Xiamen, the PRC in July 1993 and July 1998, respectively.

Ms. Ko Wing Yan Samantha (高穎欣), aged 43, has served as an independent non-executive Director since May 2021. She is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Ms. Ko served as an associate in London office of J.P. Morgan from January 2003 to June 2005; an associate in Hong Kong office of Morgan Stanley from August 2005 to August 2006; a director in global market — structured credit and fund solutions department of HSBC from September 2006 to July 2009; an executive director of Yunfeng Financial Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 376) from August 2011 to November 2015; an executive director of BOE Varitronix Limited since October 2014; an executive director of Cityneon Holdings Limited, a company previously listed on the Singapore Exchange Limited (stock code: 5HJ) since April 2019; and a consultant of BC Technology Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 863) since 2020.

Ms. Ko obtained her bachelor's degree in economics and mathematics from Mount Holyoke College in Massachusetts, the United States in May 2001, and her master's degree in finance from Imperial College London in London, England in November 2002.

Ms. Jin Keyu (金刻羽), aged 40, has served as our independent non-executive Director since November 2021. She is a member of the Nomination Committee. Ms. Jin served as an assistant professor from September 2009 to October 2013, and an associate professor since October 2013 in London School of Economics. She has served as a tenured professor since 2011 in London School of Economics. Ms. Jin has served as a non-executive director of Compagnie Financie`re Richemont SA, a company listed on the Johannesburg Stock Exchange (stock code: CFR) since September 2017.

Ms. Jin obtained her bachelor's degree in economics and doctorate's degree in economics from Harvard University in Massachusetts, the United States in July 2004 and July 2009, respectively.

## MEMBERS OF THE SUPERVISORY COMMITTEE

| Name | Position in the Company | Date of appointment as Supervisor |
|---|---|---|
| Ms. Lin Ying | Supervisor | 6 February 2018 |
| Mr. Gu Xuan Richard | Supervisor | 14 May 2021 |
| Mr. Nie Mingming | Employee representative Supervisor | 14 May 2021 |

Ms. Lin Ying (林鶯), aged 43, has served as a Supervisor since February 2018. Ms. Lin served as a director and the Legal Head of Sinovation Ventures Group since 2011.

Ms. Lin obtained her bachelor's degree in economics, master's degree in law and doctor's degree in law from University of International Business and Economics (對外經濟貿易大學) in Beijing, the PRC in July 2002, June 2005 and October 2015, respectively.

Mr. Gu Xuan Richard, aged 52, has served as a supervisor since May 2021. Mr. Gu served as the Country Manager and Head of Consulting Operations in Greater China of HCL from January 2009; the Head of service department of SAP China from July 2011; the Managing Director of Chengwei Capital since April 2014.

Mr. Gu obtained his bachelor's degree in computer and information science from Missouri State University in Missouri, the United States in December 1993.

Mr. Nie Mingming (聶明銘), aged 26, has served as an employee representative supervisor since May 2021. Mr. Nie served as a data engineer in Sinovation Ventures (Nanjing) Technology Co., Ltd. (南京創新工場科技有限公司) from July 2018 to January 2020. He served as a sales manager of AInnovation (Nanjing) Technology Co., Ltd. (創新奇智(南京)科技有限公司) from January 2020 to April 2021, and a delivery engineer of our Company since May 2021.

Mr. Nie obtained his bachelor's degree of international economy and trading from Hubei University of Education (湖北第二師範學院) in Hubei, the PRC in June 2018.

## SENIOR MANAGEMENT

| Name | Position in the Company | Date of appointment as senior management |
|---|---|---|
| Mr. Xu Hui | Executive Director and Chief Executive Officer | 26 February 2018 |
| Mr. He Tao | Chief Revenue Officer | 2 April 2018 |
| Mr. Zhang Fa'en | Chief Technology Officer | 18 May 2018 |
| Mr. Cao John | Chief Financial Officer | 14 May 2021 |
| Mr. Xiao Lei | Secretary to the Board and Joint Company Secretary | 14 May 2021 |

Mr. Xu Hui is our Chief Executive Officer. For the biographical details of Mr. Xu Hui, see "Members of the Board".

Mr. He Tao (何濤), aged 52, has served as the general manager for Western China since April 2018 and our Chief Revenue Officer since May 2021. Mr. He has more than 20 years of experience in management, including eight years of AI-related management experience. He successively held several positions of Wanda Group (萬達集團) including the General Manager of Fuzhou branch of Wanda Department Stores (萬達百貨) from July 2007 to May 2013; General Manager for Sichuan and Chongqing branches of Shanghai Red Star Macalline Business Management (Group) Co., Ltd. (上海紅星美凱龍商業管理(集團) 有限公司) from June 2013 to July 2015 where he introduced the O2O business model and digitalized marketing tools; the General Manager of Chongqing Zhida Tianya Business Management Co., Ltd. (重慶智達天雅商業管理有限公司) from August 2015 to January 2017; the General Manager of Southern China of Wanda Information Technology Co., Ltd. (萬達網絡科技有限公司) from March 2017 to March 2018 where he led the digitalized upgrading of offline retail stores. Mr. He Tao currently also serves as the general manager of AInnovation (Chongqing) Technology Co., Ltd., AInnovation (Nanjing) Technology Co., Ltd., AInnovation (Guangzhou) Technology Co., Ltd., AInnovation (Hefei) Technology Co., Ltd., AInnovation (Chengdu) Technology Co., Ltd. and AInnovation (Qingdao) Technology Co., Ltd. as well as the director of AInnovation (Guangzhou) Technology Co., Ltd. and Chongqing CISAI Technology Co., Ltd..

Mr. He obtained his bachelor's degree in Russian from Sichuan International Studies University (四川外國語大學) in Sichuan, the PRC in July 1994, and completed the master courses in industrial information and enterprise management from Sichuan Academy of Social Sciences (四川省社會科學院) in Sichuan, the PRC in August 1997.

Mr. Zhang Fa'en (張發恩), aged 41, has served as our Chief Technology Officer since May 2018. Mr. Zhang has approximately 15 years of experience in software, big-data, machine-learning and deep-learning technology research, development and management, including serving as a software development engineer in Microsoft China (微軟中國有限公司) from July 2008; a TechLead responsible for main projects of Google Maps, Google Search and Google Knowledge Graph in Google Information Technology (China) Co., Ltd. (谷歌信息技術(中國)有限公司) from December 2010 to December 2015; and the Technical-Committee-Chairman and the Chief-Architect of Baidu AI Cloud in Baidu China (百度在線網絡技術(北京)有限公司) from December 2015 to May 2018, where he led the development of a series of AI services and platforms, including Baidu Recommender System, Baidu ABC Appliance, Baidu BDL (Deep Learning Platform), Baidu Message System and Baidu MapReduce. He is currently an Honorary Professor of University of Nottingham Ningbo China (寧波諾丁漢大學). Mr. Zhang Fa'en currently also serves as the director of AInnovation (Guangzhou) Technology Co., Ltd., RewinCloud (Chongqing) Technology Co., Ltd. and Chongqing CISAI Technology Co., Ltd..

Mr. Zhang obtained his bachelor' s degree in software engineering from Jilin University (吉林大學) in Jilin, the PRC in July 2005, and his master's degree in computer software and theory in Institute of Software Chinese Academy of Sciences (中國科學院軟件研究所, ISCAS) in Beijing, the PRC in July 2008.

Mr. Cao John (曹鈞), aged 50, has served as our Chief Financial Officer since May 2021. Mr. Cao has more than 20 years of experience in finance and technology industry, including Investment Banking at Morgan Stanley from May 2006 to December 2008, Barclays Capital from April 2009 to September 2014, and UBS from September 2016 to September 2018. Before joining our Group, he served as the Chief Financial Officer, and later a consultant, of Shanghai Zhaoyou Information Technology Co., Ltd. (上海找油信息科技有限公司) from December 2019 to March 2021.

Mr. Cao obtained his MBA from the Wharton School of the University of Pennsylvania in Pennsylvania, the United States in May 2005.

Mr. Xiao Lei (肖磊), aged 34, has served as the director of investment and finance since January 2020, the Secretary of the Board since May 2021 and a Joint Company Secretary since June 2021. Mr. Xiao served as a legal consultant of COFCO Land Management Co, Ltd. (中糧置地管理有限公司) from July 2012 to April 2014; and holding several positions including the Deputy General Manager and General Manager of the legal department, the Secretary to the board, the General Manager of the investment banking department, and the Deputy General Manager of Shoutai Jinxin (Beijing) Equity Investment Fund Management Co., Ltd. (首泰金信(北京)股權投資基金管理股份有限公司) from May 2014 to January 2020.

Mr. Xiao obtained his bachelor's degree in law from China University of Political Science and Law (中國政法大學) in Beijing, the PRC in June 2009, and his master's degree in civil and commercial law from China University of Political Science and Law in June 2012.

## JOINT COMPANY SECRETARIES

Mr. Xiao Lei (肖磊) has served as our Joint Company Secretary since June 2021. For the biographical details of Mr. Xiao Lei, see "**Senior Management**".

Ms. Lam Nim Chi (林念慈), aged 31, has served as our Joint Company Secretary since June 2021. Ms. Lam possesses more than 9 years of experience in the company secretary profession. She is a manager of Corporate Services of Tricor Services Limited and has been providing corporate secretarial and compliance services to Hong Kong listed companies as well as multinational, private and offshore companies. She currently serves a joint company secretary of Shinelong Automotive Lightweight Application Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1930). She obtained her bachelor's degree in business administration in international business (Japan studies) from City University of Hong Kong in July 2012. Ms. Lam is a Chartered Secretary, a Chartered Corporate Governance Professional, an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

## CHANGES TO DIRECTORS' INFORMATION

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## CURRENT POSITIONS HELD BY DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT IN THE SHAREHOLDERS' COMPANIES AS OF THE END OF THE CURRENT YEAR

| Name | Company name | Current position | Term commencing from |
|---|---|---|---|
| Mr. Kai-Fu Lee | Sinovation Ventures Group | Chairman and chief executive officer | 2009 |
| Mr. Wang Hua | Sinovation Ventures Group | Partner | 2009 |
| Mr. Zhou Wei | CICC ALPHA | Member of the investment committee and the executive general manager | 2015 |
| Ms. Lin Ying | Sinovation Ventures Group | Director and legal head | 2011 |
| Mr. Gu Xuan Richard | Chengwei Capital | Managing director | 2014 |

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total of 457 employees. The compensation plan of the Group is determined through integrating human resources strategy with job classification, with reference to the market levels, the performance of employees and contributions. Bonuses are also distributed based on the performance of employees. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to the employees' needs.

## EMPLOYEE TRAINING

The Group provides s trainings employees at different departments according to their specific needs. Staff training provided by the Group includes induction training, job-specific skills training, professional aptitude training, compliance training, etc. Training programmes will be arranged for new employees upon their induction according to their job positions, and instructors will be assigned to provide supervision. In-service staff may take part in trainings and sharing activities organised by the Group based on their job requirements and capabilities, or conduct online and offline self-learning based on their personal career planning.

## EMPLOYEE INCENTIVE

To incentivize the management team, retain talents and promote their long-term sustainable development, The Group has adopted an employee incentive scheme by a resolution of our Shareholders on 31 March 2021 as an amendment, restatement and consolidation of the previous rounds of employee share incentive schemes adopted by the Group since 2018. As of 31 December 2021, 88,271,298 shares were held by the Employee Incentive Platforms and 88,264,098 shares were granted.

## PENSION PLANS

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred. As of 31 December 2021, the Group did not use any forfeited contributions under the defined contribution plans to reduce the existing level of contributions as set out in paragraph 26(2) of Appendix 16 to the Listing Rules.

# Independent Auditor's Report

**To the Shareholders of Qingdao AInnovation Technology Group Co., Ltd.**

*(incorporated in the People's Republic of China with limited liability)*

## Opinion

### What we have audited

The consolidated financial statements of Qingdao AInnovation Technology Group Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 76 to 162, comprise:

- the consolidated statement of comprehensive income for the year then ended;
- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition
- Impairment assessment of trade and notes receivables

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Revenue recognition**<br><br>Refer to Notes 2.21 and 6 to the consolidated financial statements.<br><br>During the year ended 31 December 2021, the Group's revenue represented income primarily from the sales of integrated products and solutions of RMB846,411,000 and provision of data solution services of RMB14,757,000.<br><br>The revenue of sales of integrated products and solutions are recognized at a point of time when the customers accept the products and solutions after the installation is complete or when the customers obtain the control of the products and solutions if no installation is required.<br><br>The revenue of provision of data solution services is recognized over time as the performance obligation is satisfied over time with reference to the customers' usage of services to the satisfaction of the performance obligation of the projects.<br><br>We focused on this area due to the magnitude of revenue transactions and the variety of the relevant contract terms. Hence significant audit resources were allocated to audit this area. | Our audit procedures performed on revenue recognition for the sale of integrated products and solutions and provision of data solution services included:<br><br>• We understood, evaluated and validated the key controls in respect of revenue recognition for the sales of integrated products and solutions and provision of data solution services and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;<br><br>• We reviewed, on a sample basis, the sales contracts with customers and identified the terms and conditions relating to the timing of transfer of controls of promised goods or services, to assess the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;<br><br>• We tested, on a sample basis, revenue transactions recognized during the year by comparing the key terms of sales contracts, delivery documents, customers' acceptance report and underlying sales invoices for the sales of integrated products and solutions, and checking the key terms of sales contracts, service settlement report and underlying sales invoices for the sales of provision of data solution services to determine whether revenue had been recognized in accordance with the Group's revenue recognition policies; |

## Key Audit Matters (continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| | • We confirmed selected trade receivables balance and sales transaction. The items tested were selected on a sample basis by considering the amount, nature and characteristic of the customers;<br><br>• We tested, on a sample basis, revenue transactions before and after the financial year-end to delivery documents, customers' acceptance report and underlying sales invoices to determine whether the sales of integrated products and solutions and the provision of data solution services had been recognized in the appropriate financial period;<br><br>• We also considered whether the judgements made in revenue recognition would give rise to indicators of possible management bias; and<br><br>Based upon the above procedures performed, we considered that the recognition of revenue from the sales of integrated products and solutions and provision of data solution services were supported by the available evidence that we have gathered. |

## Key Audit Matters (continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Impairment assessment of trade and notes receivables**<br><br>Refer to Notes 2.10, 2.12, 3.1 and 21 to the consolidated financial statements.<br><br>As at 31 December 2021, the Group had gross trade and notes receivables of approximately RMB411,150,000, against which allowance for impairment of approximately RMB49,150,000 was made.<br><br>Management applied judgement and estimates to measure the expected credit losses allowance. The trade and notes receivables were grouped based on shared credit risk characteristics and the aging days, and assessed collectively or individually for likelihood of recovery. The expected credit loss rates were based on the payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates were adjusted to reflect current and forward-looking information on macro economic factors affecting the ability of the debtors to settle the receivables.<br><br>We focused on auditing the impairment of trade and notes receivables including the related disclosures because of the magnitude of the trade and notes receivables and the high degree of estimation uncertainty due to the subjectivity of assumptions and the complexity of the expected credit losses model. | Our audit procedures performed on impairment assessment of trade and notes receivables included:<br><br>• We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;<br><br>• We understood, evaluated and validated of the management's internal control in respect of its assessment of impairment of trade and notes receivables;<br><br>• We performed retrospective review by comparing previous estimates to actual outcome. We evaluated the outcome of prior period assessment of impairment of trade and notes receivables to assess the effectiveness of management's estimation process;<br><br>• We assessed the appropriateness of the expected credit loss model adopted by management;<br><br>• We assessed the appropriateness of the assumptions used in the expected credit loss model with reference to historical payment records, ageing analysis and default rates;<br><br>• We evaluated the reasonableness of the forward-looking information including relevant macroeconomic variables by considering the industry and macro economic information obtained from our independent internet search;<br><br>• We tested, on a sample basis, the accuracy of the aging of trade and notes receivables to respective supporting documents; |

## Key Audit Matters (continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| | • We considered whether the judgements made in the grouping of trade and notes receivables and the selection of significant assumptions and data in the determination of expected credit loss rates would give rise to indicators of possible management bias; and<br><br>• We also assessed the adequacy of the disclosures related to impairment of trade and notes receivables in the context of the applicable financial reporting framework.<br><br>Based upon the above procedures performed, we considered that the expected credit losses model, management's judgement and assumptions applied in respect of the impairment of trade and notes receivables were supportable by the available evidence that we have gathered. |

## Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors and The Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Kam Chin.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 30 March 2022

# Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2021

| | Note | Year ended 31 December | |
|---|---|---|---|
| | | 2021 | 2020 |
| | | RMB'000 | RMB'000 |
| **Revenue** | 6 | **861,168** | 462,324 |
| Cost of sales | 9 | **(593,927)** | (327,703) |
| **Gross profit** | | **267,241** | 134,621 |
| Selling and distribution expenses | 9 | **(115,975)** | (60,410) |
| General and administrative expenses | 9 | **(449,375)** | (195,186) |
| Research and development expenses | 9 | **(327,698)** | (181,538) |
| Net impairment losses on financial assets | 3.1 | **(24,057)** | (18,950) |
| Other income | 7 | **28,067** | 34,952 |
| Other losses, net | 8 | **(1,044)** | (290) |
| **Operating loss** | | **(622,841)** | (286,801) |
| Finance costs | 10 | **(36,097)** | (83,111) |
| Finance income | 10 | **24,022** | 9,449 |
| **Loss before income tax** | | **(634,916)** | (360,463) |
| Income tax expense | 11 | **(208)** | (172) |
| **Loss for the year** | | **(635,124)** | (360,635) |
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | **(636,599)** | (360,999) |
| Non-controlling interests | | **1,475** | 364 |
| | | **(635,124)** | (360,635) |

## Consolidated Statement of Comprehensive Income (Continued)

For the Year Ended 31 December 2021

| | Note | Year ended 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Other comprehensive income/(loss), net of tax** | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Changes in the fair value of equity investments at fair value through other comprehensive income | 27 | **22** | (712) |
| Other comprehensive income/(loss) for the year, net of tax | | **22** | (712) |
| **Total comprehensive loss for the year, net of tax** | | **(635,102)** | (361,347) |
| **Total comprehensive loss for the year attributable to:** | | | |
| Owners of the Company | | **(636,577)** | (361,711) |
| Non-controlling interests | | **1,475** | 364 |
| **Total comprehensive loss for the year** | | **(635,102)** | (361,347) |
| **Basic and diluted loss per share for loss attributable to the owners of the Company (in RMB)** | 14 | **(1.43)** | (1.49) |

The notes on pages 83 to 162 are an integral part of these consolidated financial statements.

# Consolidated Balance Sheet

As at 31 December 2021

| | Note | As at 31 December 2021 RMB'000 | As at 31 December 2020 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **79,212** | 57,488 |
| Right-of-use assets | 16 | **87,072** | 13,843 |
| Intangible assets | 17 | **5,672** | 603 |
| Financial assets at fair value through other comprehensive income | 23 | **—** | 106 |
| Other non-current assets | 18 | **11,810** | 1,322 |
| **Total non-current assets** | | **183,766** | 73,362 |
| **Current assets** | | | |
| Inventories | 20 | **71,723** | 55,310 |
| Prepayments and other receivables | 22 | **54,032** | 27,329 |
| Trade and notes receivables | 21 | **362,000** | 189,554 |
| Financial assets at fair value through other comprehensive income | 23 | **34,333** | 3,937 |
| Amounts due from related parties | 38(c) | **3,206** | 2,321 |
| Restricted cash | 24 | **2,697** | 1,491 |
| Cash and cash equivalents | 24 | **1,553,150** | 1,042,502 |
| **Total current assets** | | **2,081,141** | 1,322,444 |
| **Total assets** | | **2,264,907** | 1,395,806 |
| **EQUITY/(DEFICITS)** | | | |
| **Equity/(deficits) attributable to owners of the Company** | | | |
| Share capital | 25 | **514,560** | — |
| Paid-in capital | 25 | **—** | 24,105 |
| Share premium | 26 | **1,674,871** | — |
| Capital reserve | 26 | **—** | 44,741 |
| Other reserves | 27 | **498,490** | 89,129 |
| Accumulated losses | 28 | **(902,873)** | (675,887) |
| | | **1,785,048** | (517,912) |
| **Non-controlling interests** | | **10,260** | 3,885 |
| **Total equity/(deficits)** | | **1,795,308** | (514,027) |

The notes on pages 83 to 162 are an integral part of these consolidated financial statements.

## Consolidated Balance Sheet (Continued)

As at 31 December 2021

| | Note | As at 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | 16 | **78,289** | 9,457 |
| Financial liabilities of redeemable shares | 35 | **—** | 1,659,214 |
| Other non-current liabilities | 30 | **26,579** | 48,459 |
| **Total non-current liabilities** | | **104,868** | 1,717,130 |
| **Current liabilities** | | | |
| Lease liabilities | 16 | **9,282** | 5,233 |
| Trade and notes payables | 32 | **227,719** | 63,199 |
| Contract liabilities | 34 | **43,649** | 38,440 |
| Other payables and accruals | 33 | **83,873** | 84,900 |
| Amounts due to related parties | 38(c) | **—** | 931 |
| Current income tax liabilities | | **208** | — |
| **Total current liabilities** | | **364,731** | 192,703 |
| **Total liabilities** | | **469,599** | 1,909,833 |
| **Total equity/(deficits) and liabilities** | | **2,264,907** | 1,395,806 |

The notes on pages 83 to 162 are an integral part of these consolidated financial statements.

The consolidated financial statements on page 76 to 162 were approved by the Board of Directors of the Company on 30 March 2022 and were signed on its behalf by:

**Xu hui**
*Director*

**Wang hua**
*Director*

# Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2021

| | | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital RMB'000 | Paid-in capital RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | Other reserves RMB'000 | Accumulated losses RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity/(deficits) RMB'000 |
| **Balance at 1 January 2021** | | – | 24,105 | – | 44,741 | 89,129 | (675,887) | (517,912) | 3,885 | (514,027) |
| (Loss)/profit for the year | | – | – | – | – | – | (636,599) | (636,599) | 1,475 | (635,124) |
| Other comprehensive income | | | | | | | | | | |
| – Changes in the fair value of equity investments at fair value through other comprehensive income | 27 | – | – | – | – | 22 | – | 22 | – | 22 |
| Total other comprehensive income for the year | | – | – | – | – | 22 | – | 22 | – | 22 |
| Transactions with owners in their capacity as owners | | | | | | | | | | |
| – Capital injection | 25 | 2,035 | 2,446 | 734,309 | 99,689 | – | – | 838,479 | – | 838,479 |
| – Obligation related to redeemable rights of shares | 26 | – | – | – | (100,000) | – | – | (100,000) | – | (100,000) |
| – Transfer from financial liabilities at amortised cost due to cancellation of redeemable rights | 35 | – | – | – | 1,794,091 | – | – | 1,794,091 | – | 1,794,091 |
| – Conversion into a joint stock company | 25 | 26,551 | (26,551) | 1,426,536 | (1,838,521) | – | 411,985 | – | – | – |
| – Conversion of share premium into share capital | 25 | 485,974 | – | (485,974) | – | – | – | – | – | – |
| – Share-based payment expenses | 29 | – | – | – | – | 406,967 | – | 406,967 | – | 406,967 |
| – Capital injection by non-controlling interests | | – | – | – | – | – | – | – | 4,900 | 4,900 |
| – Disposal of financial assets at fair value through other comprehensive income | 27 | – | – | – | – | 2,372 | (2,372) | – | – | – |
| Total transactions with owners in their capacity as owners | | 514,560 | (24,105) | 1,674,871 | (44,741) | 409,339 | 409,613 | 2,939,537 | 4,900 | 2,944,437 |
| Balance at 31 December 2021 | | 514,560 | – | 1,674,871 | – | 498,490 | (902,873) | 1,785,048 | 10,260 | 1,795,308 |

The notes on pages 83 to 162 are an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity (Continued)

For the Year Ended 31 December 2021

| | | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Paid-in capital RMB'000 | Capital reserve RMB'000 | Other reserves RMB'000 | Accumulated losses RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total deficits RMB'000 |
| **Balance at 1 January 2020** | | 20,872 | 47,208 | 74,887 | (314,888) | (171,921) | 8,755 | (163,166) |
| (Loss)/profit for the year | | — | — | — | (360,999) | (360,999) | 364 | (360,635) |
| Other comprehensive losses | | | | | | | | |
| — Changes in the fair value of equity investments at fair value through other comprehensive income | 27 | — | — | (712) | — | (712) | — | (712) |
| Total other comprehensive loss for the year | | — | — | (712) | — | (712) | — | (712) |
| Transactions with owners in their capacity as owners | | | | | | | | |
| — Capital injection | 25 | 3,233 | 747,533 | — | — | 750,766 | — | 750,766 |
| — Obligation related to redeemable rights of shares | 26 | — | (750,000) | — | — | (750,000) | — | (750,000) |
| — Share-based payment expenses | 29 | — | — | 133,750 | — | 133,750 | — | 133,750 |
| — Transactions with non-controlling interests | 41 | — | — | (118,796) | — | (118,796) | (5,234) | (124,030) |
| Total transactions with owners in their capacity as owners | | 3,233 | (2,467) | 14,954 | — | 15,720 | (5,234) | 10,486 |
| Balance at 31 December 2020 | | 24,105 | 44,741 | 89,129 | (675,887) | (517,912) | 3,885 | (514,027) |

The notes on pages 83 to 162 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the Year Ended 31 December 2021

| | Note | Year ended 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash used in operations | 36 | **(258,791)** | (182,643) |
| Interest received | | **24,022** | 9,449 |
| Income taxes paid | | **(2,004)** | (1,011) |
| **Net cash used in operating activities** | | **(236,773)** | (174,205) |
| **Cash flows from investing activities** | | | |
| Payments of property, plant and equipment and intangible assets | | **(52,000)** | (18,507) |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **1,100,000** | — |
| Payments of financial assets at fair value through profit or loss | | **(1,100,000)** | — |
| Payments of financial assets at fair value through other comprehensive income | | **—** | (700) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | | **128** | (26) |
| Interest received on financial assets at fair value through profit or loss | | **4,883** | — |
| **Net cash used in investing activities** | | **(46,989)** | (19,233) |
| **Cash flows from financing activities** | | | |
| Capital injection from shareholders | 25, 35 | **838,479** | 750,766 |
| Capital injection of subsidiaries from non-controlling interests | 41 | **4,900** | — |
| Acquisition of non-controlling interests | 41 | **(22,400)** | (101,630) |
| Principal elements of lease payments | 16 | **(10,828)** | (6,832) |
| Payment for listing expenses | | **(9,991)** | — |
| Payments of financing service expenses | | **—** | (11,995) |
| **Net cash generated from financing activities** | | **800,160** | 630,309 |
| **Net increase in cash and cash equivalents** | | **516,398** | 436,871 |
| **Cash and cash equivalents at beginning of the year** | 24(b) | **1,042,502** | 605,631 |
| **Exchange losses on cash and cash equivalents** | 8 | **(5,750)** | — |
| **Cash and cash equivalents at the end of the year** | 24(b) | **1,553,150** | 1,042,502 |

The notes on pages 83 to 162 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2021

## 1. General information of the Group

Qingdao AInnovation Technology Group Co., Ltd. (the "Company", formerly known as "Shenzhen AInnovation Technology Co., Ltd.") was incorporated in the People's Republic of China (the "PRC") on 6 February 2018 as a limited liability company. On 19 May 2021, the Company changed the type of enterprise from a limited liability company to a joint stock company. The address of the Company's registered office is Room 501, Block A, Haier International Plaza, No. 939 Zhenwu Road, Economic Development Zone, Jimo District, Qingdao, Shandong, PRC.

The Company and its subsidiaries (collectively, the "Group") conduct research and development and sells Artificial Intelligence based software and hardware technology solutions in China.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 27 January 2022.

These consolidated financial statements are presented in Renminbi ("RMB") unless otherwise stated.

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities that are measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

# 2. Summary of significant accounting policies (continued)

## 2.1. Basis of preparation (continued)

### 2.1.1. Changes in accounting policies and disclosures

*(a) New and amended standards adopted by the Group*

The group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

| | |
|---|---|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform — Phase 2 |

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

*(b) New standards and interpretations not yet adopted*

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the annual reporting period commencing from 1 January 2021 and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

## 2. Summary of significant accounting policies (continued)

### 2.1. Basis of preparation (continued)

#### 2.1.1. Changes in accounting policies and disclosures (continued)

*(b) New standards and interpretations not yet adopted (continued)*

The following new standards, amendments to standards and interpretations have been issued but are not effective and have not been early adopted by the Group:

| Standards | Key requirements | Effective for accounting periods beginning on or after |
|---|---|---|
| Annual Improvements to IFRS Standards 2018–2020 | | 1 January 2022 |
| Amendments to IAS 16 | Property, Plant and Equipment: Proceeds before intended use | 1 January 2022 |
| Amendments to IFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to IAS 37 | Onerous Contracts — Cost of Fulfilling a Contract | 1 January 2022 |
| AG 5 (Revised) | Merger Accounting for Common Control Combinations | 1 January 2022 |
| Amendments to IAS 1 | Classification of liabilities as current or non-current | 1 January 2023 |
| IFRS 17 | Insurance Contracts | 1 January 2023 |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to IAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| Amendments to IFRS 17 and IFRS 9 | Initial Application of IFRS 17 and IFRS 9 — Comparative Information | 1 January 2023 |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective. The Group does not expect to adopt these new standards and amendments until their effective dates.

## 2. Summary of significant accounting policies (continued)

### 2.2. Subsidiaries

#### Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated and unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

### 2.3. Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

## 2. Summary of significant accounting policies (continued)

### 2.3. Business combination (continued)

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

#### Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

### 2.4. Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in the subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

## 2. Summary of significant accounting policies (continued)

### 2.5. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

During the reporting periods, the Group has been focusing on research and development of artificial intelligence solutions. Accordingly, the management considers that the Group is operated and managed as a single operating segment and hence no segment information is presented.

### 2.6. Foreign currencies

#### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (''the functional currency''). Since all of the assets and operations of the Group are located in the PRC, the consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in the consolidated statement of comprehensive income on a net basis within "Other gains/(losses), net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

## 2. Summary of significant accounting policies (continued)

### 2.7. Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Electronic equipment | 3 years |
| Office equipment | 5 years |
| Leasehold improvements | 5 years, or over lease term, whichever is the shorter |

Construction in progress represents electronic and office equipments and leasehold improvements under construction or pending installation and is stated at cost. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to relevant category within property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains/(losses), net" in the consolidated statement of comprehensive income.

## 2. Summary of significant accounting policies (continued)

### 2.8. Intangible assets

#### Software

Acquired software is initially capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Software is stated at historical cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 5 years.

The amortisation period and amortisation method of intangible assets are reviewed at each reporting period. The effects of any revision are recognized as profit or loss when the changes arise.

#### Research and development

The Group incurs significant costs and efforts on research and development activities, which include expenditures on artificial intelligence technology. Research expenditures are charged to the profit or loss as an expense in the period the expenditures are incurred. Development costs are recognized as assets if they can be directly attributable to a newly developed artificial intelligence products and all the following can be demonstrated (if applicable):

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible assets;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. No development costs met these criteria and therefore, were capitalised as intangible assets during the reporting periods.

## 2. Summary of significant accounting policies (continued)

### 2.9. Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in profit or loss for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 2.10. Financial assets

#### (i) Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

## 2. Summary of significant accounting policies (continued)

### 2.10. Financial assets (continued)

#### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

#### (iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

## 2. Summary of significant accounting policies (continued)

### 2.10. Financial assets (continued)

#### (iii) Measurement (continued)

*Debt instruments (continued)*

- Financial assets at fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("OCI"). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the consolidated statement of comprehensive income and recognized in "Other gains/(losses), net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- Financial assets at fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in "Other gains/(losses), net" in the period in which it arises.

*Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL are recognized in "other gains/(losses), net" in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

## 2. Summary of significant accounting policies (continued)

### 2.10. Financial assets (continued)

#### (iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment of other receivables is measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

### 2.11. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventories are determined after deducting rebates and discounts. Net realisable 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.

### 2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 21 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

## 2. Summary of significant accounting policies (continued)

### 2.13. Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand, demand deposits held at banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 2.14. Paid-in capital, share capital, capital reserve and share premium

**Ordinary shares are classified as equity.**

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Group as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Where the Company issued shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums over share capital shall be classified as share premium.

### 2.15. Trade and other payables

Trade and notes payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2. Summary of significant accounting policies (continued)

### 2.16. Redeemable shares

A contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount ("Redeemable Shares"). If the contract expires without delivery, the carrying amount of the financial liability is reclassified to equity.

### 2.17. Current and deferred income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

#### Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

## 2. Summary of significant accounting policies (continued)

### 2.17. Current and deferred income tax (continued)

#### Deferred income tax (continued)

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

### 2.18. Employee benefits

#### Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

#### Pension obligations

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined contribution pension plans even if the employee leaves.

## 2. Summary of significant accounting policies (continued)

### 2.18. Employee benefits (continued)

#### Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

### 2.19. Share-based payments

(a) The Group operates an equity-settled share-based compensation plan, under which the Group receives service from its employees in exchange for the equity instruments of the Group. As disclosed in Note 29, during the reporting periods, equity-settled share options and restricted stock unit ("RSUs") were granted to certain directors, senior management, employees and consultants. The fair value of the employee service received in exchange for the grant of share options and RSUs is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the vesting period, in which all of the specified vesting conditions are to be satisfied.

At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

## 2. Summary of significant accounting policies (continued)

### 2.19. Share-based payments (continued)

#### (a) (continued)

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is excess of the fair value of the modified equity instrument over that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period. Furthermore, if the entity modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based compensation plan, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

#### (b) Share-based payment transaction among group entities

The grant by the Company of its equity instruments to the employees of its subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity.

### 2.20. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

## 2. Summary of significant accounting policies (continued)

### 2.21. Revenue recognition

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

In determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified goods or service before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstances.

## 2. Summary of significant accounting policies (continued)

### 2.21. Revenue recognition (continued)

The following is a description of the accounting policy for the principal revenue streams of the Group.

#### (a) Sales of products and solutions

The Group provides multiple deliverables to customers, including the design of artificial intelligence solution, delivery of products and software, and installation of products and software. It is accounted for as a single performance obligation since the Group provides an integrated products and solutions.

The revenue of such integrated products and solutions are recognized at a point of time when the customers accept the products and solutions after the installation is complete or when the customers obtain the control of the products and solutions if no installation is required.

#### (b) Services of data solutions

The Group provides services of data solutions to customers during a certain period. Data solutions include cloud services, and data analysis, etc.

Revenue from data solutions is accounted for as a single performance obligation and recognized when the Group has provided the promised relevant services. As the customer simultaneously receives and consumes the services provided by the Group over the period, the performance obligation is satisfied over time with reference to the customers' usage of services to the satisfaction of the performance obligation of the projects.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

### 2.22. Interest income

Interest income from financial assets at FVPL is included in other losses, net (Note 8). Any other interest income is included in finance income.

Interest income from cash at bank is recognized on a time-proportion basis using the effective interest method.

## 2. Summary of significant accounting policies (continued)

### 2.23. Earnings per share

(i) Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### 2.24. Leases

The Group mainly leases office and warehouse as lessee. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

## 2. Summary of significant accounting policies (continued)

### 2.24. Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

To determine the incremental borrowing rate, the Group:

- uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise small items of IT equipments.

Lease income from operating leases where the Group is a lessor is recognized in revenue on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

## 2. Summary of significant accounting policies (continued)

### 2.25. Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to other non-current liabilities account and is released to the consolidated statement of comprehensive income on a straight-line basis over the expected useful life of the relevant assets.

The recognition period of government grants are reviewed, and adjusted if appropriate, at the end of each reporting period.

### 2.26. Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's directors or shareholders, where applicable.

## 3. Financial risk management

### 3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, cash flow and fair value interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge certain risk exposures during the years.

#### Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective group entities' functional currency. The Group mainly operates in the PRC with most of the transactions settled in RMB. The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

# 3. Financial risk management (continued)

## 3.1. Financial risk factors (continued)

### Foreign exchange risk (continued)

The Group's exposure to foreign currency risk at 31 December 2021 and 2020 was insignificant as each of the group entities did not hold significant assets and liabilities denominated in a currency other than its functional currency.

### Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets and liabilities, except for lease liabilities (Note 16), financial liabilities of redeemable shares (Note 35), cash and cash equivalents (Note 24) and restricted cash (Note 24). Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

### Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents and restricted cash, FVPL, FVOCI, amounts due from related parties and trade and notes receivables and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

*(i) Credit risk of cash and cash equivalents and restricted cash*

To manage this risk, cash deposits at banks are mainly placed with state-owned and reputable financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are immaterial.

# 3. Financial risk management (continued)

## 3.1. Financial risk factors (continued)

### Credit risk (continued)

*(ii) Credit risk of trade receivables (including trade receivables due from related parties)*

The Group has policies in place to ensure that trade receivables and trade receivables due from related parties with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the ageing days, and assessed collectively or individually for likelihood of recovery.

The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product (GDP), the Consumer Price Index (CPI) and Producer Price Index (PPI) to be the most relevant factor, and accordingly adjusted the historical loss rates based on expected changes in these factors.

Individually impaired trade receivables are related to customers who are experiencing unexpected economic difficulties. The Group expects that the amounts of the receivables will partially or entirely have difficulty to be recovered and has recognized impairment losses.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2021

## 3. Financial risk management (continued)

### 3.1. Financial risk factors (continued)

#### Credit risk (continued)

*(ii) Credit risk of trade receivables (including trade receivables due from related parties) (Continued)*

| | Less than 3 months RMB'000 | 3 months to 6 months RMB'000 | 6 months to 12 months RMB'000 | 1 year to 2 years RMB'000 | 2 years to 3 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **31 December 2021 Trade receivables (Note 21 and 38)** | | | | | | |
| Gross carrying amount | **256,296** | **57,282** | **62,048** | **22,979** | **11,061** | **409,666** |
| Expected loss rate | **(4.28%)** | **(9.15%)** | **(15.62%)** | **(56.61%)** | **(94.30%)** | **(12.04%)** |
| Loss allowance | **(10,965)** | **(5,243)** | **(9,692)** | **(13,008)** | **(10,431)** | **(49,339)** |

| | Less than 3 months RMB'000 | 3 months to 6 months RMB'000 | 6 months to 12 months RMB'000 | 1 year to 2 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **31 December 2020 Trade receivables (Note 21 and 38)** | | | | | |
| Gross carrying amount | 125,699 | 39,531 | 33,598 | 17,116 | 215,944 |
| Expected loss rate | (4.87%) | (5.92%) | (21.16%) | (56.70%) | (11.71%) |
| Loss allowance | (6,125) | (2,341) | (7,111) | (9,705) | (25,282) |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2021

# 3. Financial risk management (continued)

## 3.1. Financial risk factors (continued)

### Credit risk (continued)

*(ii) Credit risk of trade receivables (including trade receivables due from related parties) (Continued)*

The movements in provision for impairment of trade receivables are as follows:

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| **Trade receivables** | | |
| At the beginning of the year | **25,282** | 6,351 |
| Provisions | **24,057** | 18,950 |
| Written off as uncollectible | **—** | (19) |
| At the end of the year | **49,339** | 25,282 |

*(iii) Credit risk of notes receivables and other receivables (including other receivables due from related parties)*

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Other receivables mainly comprise deposits, other receivables (including other receivables due from related parties). The Group considers the probability of default on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party;
- significant changes in the expected performance and behavior of the third party, including changes in the payment status of the third party.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2021

# 3. Financial risk management (continued)

## 3.1. Financial risk factors (continued)

### Credit risk (continued)

*(iii) Credit risk of notes receivables and other receivables (including other receivables due from related parties) (continued)*

For notes receivables, the Group expects that the credit risk associated with notes receivables is considered to be low. The Group has assessed that the expected credit losses rate for notes receivables are immaterial under 12 months expected credit losses method, and thus the loss allowance is immaterial.

As at 31 December 2021, there was no significant increase in credit risk since initial recognition, the Group assessed that the expected credit losses for these receivables are not material through using the 12 months expected losses method (31 December 2020: Nil).

### Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Within 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | More than 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **As at 31 December 2021** | | | | | |
| Trade and notes payables | 227,719 | — | — | — | 227,719 |
| Other payables and accruals (excluding payroll and welfare payables and other tax payables) | 39,875 | — | — | — | 39,875 |
| Lease liabilities | 13,081 | 21,666 | 64,637 | — | 99,384 |
| | 280,675 | 21,666 | 64,637 | — | 366,978 |

# 3. Financial risk management (continued)

## 3.1. Financial risk factors (continued)

### Liquidity risk (continued)

*(iii) Credit risk of notes receivables and other receivables (including other receivables due from related parties) (continued)*

| | Within 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | More than 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **As at 31 December 2020** | | | | | |
| Trade and notes payables | 63,199 | — | — | — | 63,199 |
| Other payables and accruals (excluding payroll and welfare payables and other tax payables) | 45,517 | — | — | — | 45,517 |
| Amounts due to related parties | 931 | — | — | — | 931 |
| Lease liabilities | 6,596 | 6,334 | 4,819 | — | 17,749 |
| Financial liabilities of redeemable shares | — | — | 2,153,343 | — | 2,153,343 |
| | 116,243 | 6,334 | 2,158,162 | — | 2,280,739 |

## 3.2. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

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# 3. Financial risk management (continued)

## 3.2. Capital management (continued)

Consistent with others in the industry, the Group monitors capital on the basis of the net debt equity ratio. This ratio is calculated as "net debt" divided by "total equity/(deficits)". Net debt is calculated as total lease liabilities and financial liabilities of redeemable shares less cash and cash equivalents. The net debt equity ratios of 31 December 2021 and 2020 were as follows:

| | As at 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| Lease liabilities | **87,571** | 14,690 |
| Financial liabilities of redeemable shares | **—** | 1,659,214 |
| Less: Cash and cash equivalents | **(1,553,150)** | (1,042,502) |
| Net debt | **(1,465,579)** | 631,402 |
| Total equity/(deficits) | **1,795,308** | (514,027) |
| Net debt equity ratio | **N/A** | N/A |

## 3.3. Fair value estimation

Financial instruments carried at fair value or where fair value was disclosed can be categorised by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels within a fair value hierarchy as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

# 3. Financial risk management (continued)

## 3.3. Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value.

| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| As at December 31, 2021 | | | | |
| Assets | | | | |
| FVOCI | **—** | **—** | **34,333** | **34,333** |
| As at December 31, 2020 | | | | |
| Assets | | | | |
| FVOCI | — | — | 4,043 | 4,043 |

There were no transfers between Level 1, 2 and 3 during the years ended 31 December 2021 and 2020.

Level 3 FVOCI include an equity investment that are not publicly traded. The fair value is estimated by the Group using its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each date of statement of financial position. In connection with the equity investments, the Group adopts a net asset value approach to assess the fair value of this financial asset.

Level 3 FVOCI also comprise bank acceptance notes and commercial acceptance notes that are held for collection of contractual cash flow and for selling the financial assets. The fair values are estimated by using a discounted cash flow approach with discount rates quoted in main state-owned bank.

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For the Year Ended 31 December 2021

# 3. Financial risk management (continued)

## 3.3. Fair value estimation (continued)

The following table presents the changes in level 3 items for the years ended 31 December 2021 and 2020:

| | Unlisted equity investments RMB'000 | Bank acceptance notes RMB'000 | Commercial acceptance notes RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Balance at 31 December 2019 | 118 | 6,446 | — | 6,564 |
| Addition | 700 | 4,777 | — | 5,477 |
| Change in fair value | (712) | — | — | (712) |
| Disposals | — | (7,286) | — | (7,286) |
| Balance at 31 December 2020 | 106 | 3,937 | — | 4,043 |
| Addition | — | 36,410 | 10,447 | 46,857 |
| Change in fair value | 22 | — | — | 22 |
| Disposals | (128) | (14,329) | (2,132) | (16,589) |
| Balance at 31 December 2021 | **—** | **26,018** | **8,315** | **34,333** |

# 3. Financial risk management (continued)

## 3.3. Fair value estimation (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

| FVOCI | Fair value | | Significant un-observable inputs | Valuation technique | Range of inputs (probability-weighted average) | | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|---|
| | As at 31 December | | | | Year ended 31 December | | |
| | 2021 RMB'000 | 2020 RMB'000 | | | 2021 | 2020 | |
| Bank and commercial acceptance notes | 34,333 | 3,937 | Discount rates | Discounted cash flow | 2.51% | 2.51% | The higher the discount rates, the lower the fair value |
| Unlisted equity investments | – | 106 | Lack of marketability discount | Allocated net asset value | – | 20.00% | The higher the lack of marketability discount, the lower the fair value |

Increasing/decreasing the discount rates by 0.5% would decrease/increase the fair values of bank and commercial acceptance notes as at 31 December 2021 by approximately RMB60,000 (31 December 2020: RMB1,000).

Increasing the lack of marketability discount by 0.5% would decrease the fair values of unlisted equity investments as at 31 December 2020 by approximately RMB1,000. Decreasing the lack of marketability discount by 0.5% would increase the fair values of unlisted equity investments as at 31 December 2020 by approximately RMB zero.

## 4. Critical estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

### (a) Share-based payments

As disclosed in Note 29, the Company granted equity-settled share options and restricted share units to certain directors, senior management, employees and consultants. Significant estimate on assumptions in determining the fair value of the granted share options and RSUs include risk-free interest rate, expected volatility and dividend yield.

### (b) Impairment of trade and notes receivables

The loss allowance for financial assets disclosed in Note 3.1 is based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The carrying amounts of the Group's trade receivables are disclosed in Note 21.

### (c) Income taxes and deferred income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Group recognizes deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses. During the reporting periods, deferred tax assets have not been recognized in respect of these accumulated tax losses and other deductible temporary differences based on the fact that the future taxable profits would be uncertain.

## 5. Segment information

The executive director of the Company has been identified as the chief operating decision-maker of the Group who reviews the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The revenue of the Group are primarily derived from artificial intelligence service, so no operating segment information is presented.

No geographical segment information is presented as all the revenue and operating losses of the Group are derived within PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

Revenue from customers contributing over 10% of the total revenue of the Group in 2021 and 2020 is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| Customer A | * | 53,645 |
| Customer B | **87,545** | * |

* Less than 10%

## 6. Revenue

An analysis of revenue is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| Point in time | | |
| — Sales of products and solutions | **846,411** | 451,726 |
| Over time | | |
| — Services of data solutions | **14,757** | 10,598 |
| | **861,168** | 462,324 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2021

## 7. Other income

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Government grants (i) | **28,067** | 34,952 |

(i) Government grants provided to the Group mainly related to financial subsidy from the local government in the PRC.

## 8. Other losses, net

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Interests received on FVPL | **4,883** | — |
| Foreign exchange losses | **(5,750)** | — |
| Donation | **(400)** | (277) |
| Others | **223** | (13) |
| | **(1,044)** | (290) |

## 9. Expenses by nature

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Employee benefit expenses (Note 12) | **590,937** | 311,710 |
| Material costs | **422,807** | 228,160 |
| Subcontracting costs | **327,763** | 146,621 |
| Listing expenses | **51,500** | — |
| Depreciation of property, plant and equipment (Note 15) | **24,223** | 15,801 |
| Service fee | **10,814** | 19,368 |
| Depreciation of right-of-use assets (Note 16) | **9,260** | 6,834 |
| Marketing expenses | **8,321** | 7,984 |
| Rental and property management expenses | **7,452** | 3,111 |
| Travelling expenses | **6,950** | 8,047 |
| Recruiting and training expenses | **3,505** | 2,539 |
| Amortisation of intangible assets (Note 17) | **700** | 207 |
| Auditors' remuneration — audit services | **3,000** | 212 |
| Other expenses | **19,743** | 14,243 |
| | **1,486,975** | 764,837 |

## 10. Finance costs and income

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| **Finance costs:** | | |
| Finance costs of financial liabilities of redeemable shares (Note 35) | **(34,877)** | (82,406) |
| Interest expenses on lease liabilities (Note 16) | **(1,220)** | (705) |
| Total finance costs | **(36,097)** | (83,111) |
| **Finance income:** | | |
| Interest income from bank deposits | **24,022** | 9,449 |
| Finance costs and income — net | **(12,075)** | (73,662) |

Notes to the Consolidated Financial Statements

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## 11. Income tax expense

The amount of income tax charged to the consolidated statement of comprehensive income represents:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Current tax on profits for the year | **208** | 172 |
| Deferred income tax (Note 31) | **—** | — |
| Income tax expense | **208** | 172 |

The difference between the actual income tax expense charged to the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rates to loss before taxation can be reconciled as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Loss before taxation | **(634,916)** | (360,463) |
| Tax calculated at tax rates applicable to profits of the respective subsidiaries | **(158,729)** | (90,116) |
| Preferential tax of certain subsidiaries | **14,283** | 12,606 |
| Expenses not deductible for tax purposes | **107,839** | 53,632 |
| Super deductions from research and development expenditures | **(19,282)** | (11,969) |
| Utilisation of the tax losses unrecognized previously | **(1,079)** | — |
| Temporary difference for which no deferred tax asset was recognized | **14,674** | 4,891 |
| Tax losses for which no deferred tax asset was recognized | **42,502** | 31,128 |
| Income tax expense | **208** | 172 |

The Group's subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% on estimated assessable profits.

## 11. Income tax expense (continued)

AInnovation (Beijing) Technology Co., Ltd. had been recognized as the High New Tech Enterprises since 2019. AInnovation (Guangzhou) Technology Co., Ltd., AInnovation (Hefei) Technology Co., Ltd. and AInnovation (Chongqing) Technology Co., Ltd. had been recognized as the High New Tech Enterprises since 2020. AInnovation (Qingdao) Technology Co., Ltd. had been recognized as the High New Tech Enterprises since 2021. According to the tax incentives of the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") for High New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years commencing from the years when these companies are recognized as High New Tech Enterprises.

## 12. Employee benefit expenses

| | Year ended 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| Wages, salaries and bonuses | **148,421** | 155,280 |
| Pension costs — defined contribution plans | **13,846** | 2,143 |
| Other social security and housing fund | **14,666** | 16,179 |
| Share-based payment expenses | **406,967** | 133,750 |
| Other employee benefits | **7,037** | 4,358 |
| | **590,937** | 311,710 |

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2021 and 2020 included 1 and 2 director(s), respectively, whose emoluments are reflected in the analysis presented in Note 40. The emoluments payable to the remaining individuals during the reporting periods are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| Wages, salaries and bonuses | **3,471** | 1,915 |
| Pension costs-defined contribution plans | **131** | 8 |
| Other social security and housing fund | **142** | 92 |
| Share-based payment expenses | **137,020** | 20,166 |
| | **140,764** | 22,181 |

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## 12. Employee benefit expenses (continued)

The emoluments of the five highest paid individuals except for the director(s), whose emoluments have been disclosed in Note 40, fell within the following bands:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | **2020** |
| HKD4,500,001 to HKD5,000,000 | **—** | 1 |
| HKD5,000,001 to HKD5,500,000 | **—** | 1 |
| HKD15,000,001 to HKD15,500,000 | **—** | 1 |
| HKD22,000,001 to HKD22,500,000 | **1** | — |
| HKD22,500,001 to HKD23,000,000 | **1** | — |
| HKD26,500,001 to HKD27,000,000 | **1** | — |
| HKD97,500,001 to HKD98,000,000 | **1** | — |
| | **4** | 3 |

## 13. Dividends

No dividend has been paid or declared by the Company or companies comprising the Group during the reporting periods.

## 14. Loss per share

### (a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of shares in issue or deemed to be in issue during the reporting periods. The weighted average number of ordinary shares deemed in issue before the conversion into a joint stock company was determined as assuming that:

(1) The Redeemable Shares were treated as treasury share before the cancellation of redeemable rights as described in Note 26. So, the related capital was deducted from the paid-in capital before the cancellation of redeemable rights for the purpose of calculating the number of ordinary shares deemed in issue;

(2) The remaining paid-in capital had been fully converted into number of ordinary shares deemed in issue at the same conversion ratio of 1:1 as upon transformation into joint stock company;

## 14. Loss per share (continued)

### (a) Basic loss per share (continued)

(3) The above number of ordinary shares had been further retrospectively adjusted for the effect of shares conversion from share premium into share capital at the conversion ratio of 1:17 as described in Note 25.

| | Year ended 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| Loss from continuing operation attributable to the owners of the Company | **(636,599)** | (360,999) |
| Weighted average number of ordinary shares in issue ('000) | **444,903** | 241,859 |
| Basic loss per share (RMB) | **(1.43)** | (1.49) |

The calculation of weighted average number of ordinary shares in issue is issued as below:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **000** | **000** |
| Weighted average amount of paid-in capital/share capital | **27,224** | 21,459 |
| Less: Weighted average amount of Redeemable Shares in paid-in capital before the cancellation of redeemable rights | **(2,507)** | (8,022) |
| Weighted average amount of remaining paid-in capital/share capital | **24,717** | 13,437 |
| Weighted average number of ordinary shares in issue at the conversion ratio of 1:1 | **24,717** | 13,437 |
| Add: Shares conversion from share premium into share capital at the conversion ratio of 1:17 | **420,186** | 228,422 |
| Weighted average number of ordinary shares in issue ('000) | **444,903** | 241,859 |

### (b) Diluted loss per share

As the Group incurred losses for the reporting periods, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the reporting periods are the same as basic loss per share of the respective year.

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## 15. Property, plant and equipment

| | Electronic equipment RMB'000 | Office equipment RMB'000 | Leasehold improvements RMB'000 | Construction in-progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2021** | | | | | |
| Opening net book amount | **8,828** | **2,332** | **41,510** | **4,818** | **57,488** |
| Additions | **6,494** | **167** | **1,055** | **38,317** | **46,033** |
| Disposals | **(86)** | **—** | **—** | **—** | **(86)** |
| Depreciation (Note 9) | **(3,916)** | **(626)** | **(19,681)** | **—** | **(24,223)** |
| Transfers | **—** | **—** | **28,385** | **(28,385)** | **—** |
| Net book amount | **11,320** | **1,873** | **51,269** | **14,750** | **79,212** |
| **As at 31 December 2021** | | | | | |
| Cost | **18,170** | **3,166** | **91,600** | **14,750** | **127,686** |
| Accumulated depreciation | **(6,850)** | **(1,293)** | **(40,331)** | **—** | **(48,474)** |
| Net book amount | **11,320** | **1,873** | **51,269** | **14,750** | **79,212** |

| | Electronic equipment RMB'000 | Office equipment RMB'000 | Leasehold improvements RMB'000 | Construction in-progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2020** | | | | | |
| Opening net book amount | 3,660 | 1,814 | 39,163 | 4,950 | 49,587 |
| Additions | 7,423 | 982 | — | 15,314 | 23,719 |
| Disposals | (17) | — | — | — | (17) |
| Depreciation (Note 9) | (2,238) | (464) | (13,099) | — | (15,801) |
| Transfers | — | — | 15,446 | (15,446) | — |
| Net book amount | 8,828 | 2,332 | 41,510 | 4,818 | 57,488 |
| **As at 31 December 2020** | | | | | |
| Cost | 11,808 | 2,999 | 62,160 | 4,818 | 81,785 |
| Accumulated depreciation | (2,980) | (667) | (20,650) | — | (24,297) |
| Net book amount | 8,828 | 2,332 | 41,510 | 4,818 | 57,488 |

## 15. Property, plant and equipment (Continued)

Depreciation of the Group's property, plant and equipment has been recognized as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| Cost of sales | **41** | 6 |
| General and administrative expenses | **7,117** | 4,558 |
| Research and development expenses | **12,845** | 8,609 |
| Selling expenses | **4,220** | 2,628 |
| | **24,223** | 15,801 |

## 16. Leases

### (i) Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

| | As at 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| **Right-of-use assets** | | |
| Offices | **85,495** | 11,214 |
| Plants | **1,577** | 2,629 |
| | **87,072** | 13,843 |
| **Lease liabilities** | | |
| Current | **9,282** | 5,233 |
| Non-current | **78,289** | 9,457 |
| | **87,571** | 14,690 |

Additions to the right-of-use assets during the years ended 31 December 2021 were RMB82,489,000 (2020: RMB9,589,000).

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## 16. Leases (Continued)

### (ii) Amounts recognized in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| **Depreciation charge of right-of-use assets** | | |
| Offices | **8,209** | 6,308 |
| Plants | **1,051** | 526 |
| | **9,260** | 6,834 |
| Interest expense (included in finance costs) | **1,220** | 705 |

The total cash outflow for leases presented as financing activities of the years ended 31 December 2021 were RMB10,828,000 (2020: RMB6,832,000).

The total cash outflow short-term leases presented as operating activities of the years ended 31 December 2021 were RMB8,217,000 (2020: RMB5,018,000).

### (iii) The group's leasing activities and how these are accounted for

The Group leases various offices and plants. Rental contracts are typically made for fixed periods of 6 months to 5 years with no extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

## 17. Intangible assets

| | Software<br>RMB'000 |
|---|---|
| **Year ended 31 December 2021** | |
| Opening net book amount | **603** |
| Additions | **5,769** |
| Amortisation charge (Note 9) | **(700)** |
| Net book amount | **5,672** |
| **As at 31 December 2021** | |
| Cost | **6,803** |
| Accumulated amortisation | **(1,131)** |
| Net book amount | **5,672** |
| **Year ended 31 December 2020** | |
| Opening net book amount | 810 |
| Amortisation charge (Note 9) | (207) |
| Net book amount | 603 |
| **As at 31 December 2020** | |
| Cost | 1,034 |
| Accumulated amortisation | (431) |
| Net book amount | 603 |

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## 17. Intangible assets (Continued)

Amortisation of the intangible assets has been recognized as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| General and administrative expenses | **247** | 207 |
| Research and development expenses | **453** | — |
| | **700** | 207 |

## 18. Other non-current assets

| | As at 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| Deposits | **11,810** | 1,322 |

## 19. Financial instruments by category

| | | As at 31 December | |
|---|---|---|---|
| | **Note** | **2021** | **2020** |
| | | **RMB'000** | **RMB'000** |
| FVOCI | 23 | **34,333** | 4,043 |
| Financial assets at amortised cost: | | | |
| Other non-current assets | 18 | **11,810** | 1,322 |
| Trade and notes receivables | 21 | **362,000** | 189,554 |
| Other receivables | 22 | **9,991** | 4,649 |
| Amounts due from related parties | 38(c) | **3,206** | 2,321 |
| Restricted cash | 24 | **2,697** | 1,491 |
| Cash and cash equivalents | 24 | **1,553,150** | 1,042,502 |
| | | **1,942,854** | 1,241,839 |
| | | **1,977,187** | 1,245,882 |

## 19. Financial instruments by category (Continued)

| | Note | As at 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| Financial liabilities at amortised cost: | | | |
| Trade and notes payables | 32 | **227,719** | 63,199 |
| Other payables and accruals (excluding other tax payables, payroll and welfare payables) | 33 | **39,875** | 45,517 |
| Amounts due to related parties | 38(c) | **—** | 931 |
| Lease liabilities | 16 | **87,571** | 14,690 |
| Financial liabilities of redeemable shares | 35 | **—** | 1,659,214 |
| | | **355,165** | 1,783,551 |

## 20. Inventories

| | As at 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Raw materials | **11,574** | 1,066 |
| Work in progress | **57,387** | 47,658 |
| Finished goods | **2,762** | 6,586 |
| | **71,723** | 55,310 |

The cost of inventories recognized as expenses and included in cost of sales amounted to RMB593,927,000 and RMB327,703,000 for the years ended 31 December 2021 and 2020 respectively.

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## 21. Trade and notes receivables

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Accounts receivable | **406,271** | 213,487 |
| Less: Provision for impairment | **(49,150)** | (25,144) |
| | **357,121** | *188,343* |
| Notes receivables | **4,879** | 1,211 |
| | **362,000** | 189,554 |

As at 31 December 2021 and 2020, notes receivables were bank acceptance notes aged less than six months.

The majority of the Group's receivables are with credit term mostly from 30 days to 180 days. At 31 December 2021 and 2020, the aging analysis of the trade receivables based on the recognition date of the gross trade receivables at the respective reporting dates are as follows:

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| **Accounts receivable** | | |
| Less than 3 months | **255,302** | 123,602 |
| 3 months to 6 months | **54,881** | 39,531 |
| 6 months to 12 months | **62,048** | 33,238 |
| 1 year to 2 years | **22,979** | 17,116 |
| 2 years to 3 years | **11,061** | — |
| | **406,271** | 213,487 |

## 21. Trade and notes receivables (Continued)

The movements in provision for impairment of trade receivables are as follows:

| | As at 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| At the beginning of the year | **25,144** | 6,351 |
| Provisions | **24,006** | 18,812 |
| Written-off | **—** | (19) |
| At the end of the year | **49,150** | 25,144 |

For the trade receivables, the Group has assessed the expected credit losses by taking into account historical default rates, existing market conditions and forward-looking information. Based on the assessment, the creation and reversal for impaired receivables have been included in the net impairment losses on financial assets. Amounts charged to allowance account are written off when there is no expectation of receiving the receivables.

The Group's trade receivables were denominated in RMB.

## 22. Prepayments and other receivables

| | As at 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| Recoverable value-added tax ("VAT") | **18,997** | 16,722 |
| Prepayments to vendors | **22,505** | 5,422 |
| Deposits | **4,663** | 1,955 |
| Recoverable income tax | **2,539** | 536 |
| Others | **5,328** | 2,694 |
| | **54,032** | 27,329 |

The carrying amounts of other receivables approximate their fair values.

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## 23. Financial assets at fair value through other comprehensive income

The financial assets at fair value through other comprehensive income comprise:

- Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the group considers this classification to be more relevant.

- Debt securities where the contractual cash flows are solely principal and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

| | **As at 31 December** | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| **Non-current** | | |
| Equity investments | | |
| — Beijing Sinovation Ventures Kuangshi International Artificial Intelligence Technology Research Institute Co., Ltd. | **—** | 106 |
| **Current** | | |
| Debt investments | | |
| — bank acceptance notes (i) | **26,018** | 3,937 |
| — commercial acceptance notes (i) | **8,315** | — |
| | **34,333** | 4,043 |

(i) As at 31 December 2021, notes receivable were bank and commercial acceptance notes aged six months or less, and included a total amount of RMB2,575,000 (2020: RMB1,000,000) that have been endorsed to the suppliers.

## 24. Cash and cash equivalents and restricted cash

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Cash at bank | **1,555,847** | 1,043,993 |
| Less: Restricted cash (a) | **(2,697)** | (1,491) |
| Cash and cash equivalents (b) | **1,553,150** | 1,042,502 |

### (a) Restricted cash

The breakdown of restricted cash by nature as at 31 December 2021 and 2020 is as follows:

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Deposits for issuing bank acceptance notes | **—** | 663 |
| Deposits for issuing letters of credit | **2,683** | 192 |
| Other restricted cash | **14** | 636 |
| | **2,697** | 1,491 |

### (b) Cash and cash equivalents

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Current bank deposits | **1,553,150** | 1,042,502 |

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## 24. Cash and cash equivalents and restricted cash (continued)

### (c) Cash at bank are denominated in

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| RMB | **1,555,846** | 1,043,993 |
| USD | **1** | — |
| | **1,555,847** | 1,043,993 |

## 25. Paid-in capital and share capital — the Group and the Company

Paid-in capital and share capital as at 31 December 2020 and 31 December 2021, represented the paid-in capital and share capital of the Group.

| | Paid-in Capital (a) RMB'000 | Share Capital (b) RMB'000 | Numbers of Shares |
|---|---|---|---|
| As at 31 December 2020 | 24,105 | — | — |
| As at 31 December 2021 | **—** | **514,560** | **514,560,438** |

### (a) Paid-in capital

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| At the beginning of the year | **24,105** | 20,872 |
| Capital injection (ii) | **2,446** | 3,233 |
| Conversion into a joint stock company (iii) | **(26,551)** | — |
| At the end of the year | **—** | 24,105 |

The Company was established on 6 February 2018 with an initial authorized registered and paid-in capital of RMB10,000,000.

## 25. Paid-in capital and share capital — the Group and the Company (continued)

### (a) Paid-in capital (continued)

(i) The Company was a limited liability company before the Company changed the type of enterprise from a limited liability company to a joint stock company on 19 May 2021, and 1 RMB paid-in capital is referred to as 1 unit capital ('Unit Capital').

(ii) Pursuant to the shareholders' resolution passed in the reporting periods, the Company received new capitals in cash of 3,233,000 and 2,446,000 Unit Capital respectively at total consideration of RMB750,766,000 and RMB102,135,000 in the year ended 31 December 2020 and 2021 respectively.

(iii) On 19 May 2021, the Company changed the type of enterprise from a limited liability company to a joint stock company. The net assets of the Company as of the conversion date, amounting to RMB1,718,968,000, were converted into 26,551,000 ordinary shares at RMB1.00 each. The excess of net assets converted over nominal value of the ordinary shares and other reserves resulted from share-based payments was credited to the Company's share premium.

### (b) Share capital

| | **Year ended 31 December 2020 RMB'000** |
|---|---:|
| At the beginning of the year | — |
| Conversion into a joint stock company | 26,551 |
| Capital injection (i) | 2,035 |
| Conversion of share premium into share capital (ii) | 485,974 |
| At the end of the year | 514,560 |

(i) Pursuant to a capital increase agreement dated 21 May 2021, SVF II Zeal Subco (Singapore) Pte. Ltd. subscribed for an increased share capital of RMB2,035,000 with a consideration of USD 115,000,000 which is equivalent to RMB736,344,000.

(ii) On 3 June 2021, the share capital of the Company was increased to RMB514,560,438 by way of conversion of share premium into share capital in the same shareholders' portion according to the existing shareholding structure.

## 26. Capital reserve and share premium — the Group and the Company

Capital reserve of the Group and the Company represents the capital contribution premium from shareholders and deduction for obligation as a result of additional redeemable rights. Where the Company received capitals at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums over paid-in capital shall be classified as capital contribution premium.

Since the date of incorporation, the Company has completed several rounds of financing by issuing Redeemable Shares with redemption rights, liquidation preference, anti-dilution rights, tag-along rights, and drag-along right, etc. The Company recognized the present value of expected redemption amount of the Redeemable Shares at the date of capital injection as financial liabilities carried at amortised cost (Note 35). On 30 March 2021, pursuant to the agreement of shareholders, shareholders with Redeemable Shares waived redeemable rights against the Company, tag-long rights, drag-along rights, anti-dilution and liquidation preference. As a result, the Company transferred the balance of financial liabilities of redeemable shares to capital reserve.

On 19 May 2021, the Company changed the type of enterprise from a limited liability company to a joint stock company. The net assets of the Company as of the conversion date, amounting to RMB1,718,968,000, were converted into 26,551,000 ordinary shares at RMB1.00 each. The excess of net assets converted over nominal value of the ordinary shares and other reserves resulted from share-based payments was credited to the Company's share premium.

## 27. Other reserves

Other reserves of the Group during the reporting periods comprises changes in the fair value of certain investments in equity securities in OCI, deduction arising from transactions with non-controlling interests, and share-based payment reserve. The Group has elected to recognize changes in the fair value of certain investments in equity securities in OCI, as explained in note 2.10. These changes are accumulated within the FVOCI reserve within equity.

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## 27. Other reserves (continued)

| | Financial assets at FVOCI(i) RMB'000 | Share-based payment reserve (Note 29) RMB'000 | Other reserves RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Balance at 31 December 2019 | (1,682) | 76,569 | — | 74,887 |
| Share-based payment expenses (Note 29) | — | 133,750 | — | 133,750 |
| Transactions with non-controlling Interests (Note 41) | — | — | (118,796) | (118,796) |
| Changes in the fair value of equity investments at fair value through other comprehensive income | (712) | — | — | (712) |
| Balance at 31 December 2020 | (2,394) | 210,319 | (118,796) | 89,129 |
| Share-based payment expenses (Note 29) | — | 406,967 | — | 406,967 |
| Changes in the fair value of equity investments at fair value through other comprehensive income | 22 | — | — | 22 |
| Disposal of financial assets at fair value through other comprehensive income (ii) | 2,372 | — | — | 2,372 |
| Balance at 31 December 2021 | **—** | **617,286** | **(118,796)** | **498,490** |

(i) It mainly represents changes in the fair value of certain investments in equity securities in OCI. The Group has elected to recognize changes in the fair value of certain investments in equity securities in OCI. These changes are accumulated within the FVOCI reserve within equity.

(ii) Pursuant to the agreement dated 30 April 2021, the Group disposed the financial assets at FVOCI of Beijing Sinovation Ventures Kuangshi International Artificial Intelligence Technology Research Institute Co., Ltd. at a total consideration of RMB128,000.

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## 28. Accumulated losses

| | Year ended 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| At the beginning of the year | **(675,887)** | (314,888) |
| Loss for the year — Attributable to owners of the Company | **(636,599)** | (360,999) |
| Conversion into a joint stock company | **411,985** | — |
| Disposal of financial assets at fair value through other comprehensive income | **(2,372)** | — |
| At the end of the year | **(902,873)** | (675,887) |

## 29. Share-based payments

Share-based compensation benefits are provided to certain directors, senior management, employees and consultants via the Company's share incentive schemes, which includes the grant of RSUs and share options through several limited partnership entities.

In the year ended 31 December 2020, 5,041,000 share options and 10,515,000 RSUs were granted to certain directors, senior management, employees and consultants as rewards for their services, full time devotion and professional expertise to the Company and certain of its subsidiaries.

In the year ended 31 December 2021, 5,107,000 share options and 1,651,000 RSUs were granted to certain directors, senior management, employees and consultants as rewards for their services, full time devotion and professional expertise to the Company and certain of its subsidiaries.

10 unit share options and RSUs granted before the Company converted into joint stock company are equivalent to 1 Unit Capital as defined in Note 25 of the Company.

In the year ended 31 December 2021, pursuant to the Company's new share incentive schemes, dated 31 March 2021, which revised, restated and consolidated the Company's previous rounds share incentive schemes ("Old Incentive Schemes"), all share options granted under the Old Incentive Schemes was replaced with RSUs with all other conditions unchanged. "The modification has no accounting impact in the financial statements."

## 29. Share-based payments (continued)

The following table summarizes the Group's share option activities:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Weighted average exercise price RMB | Number of share options '000 | Weighted average exercise price RMB | Number of share options '000 |
| **As at the beginning of the year** | **0.1** | **11,725** | 0.1 | 9,200 |
| Granted during the year | **0.1** | **5,107** | 0.1 | 5,041 |
| Forfeited during the year | **0.1** | **(883)** | 0.1 | (2,516) |
| Transferred to RSUs | **0.1** | **(15,949)** | — | — |
| **As at the end of the year** | **0.1** | **—** | 0.1 | 11,725 |

The following table summarizes the Group's restricted shares activities:

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| | Number of restricted shares '000 | Number of restricted shares '000 |
| **As at the beginning of the year** | **44,985** | 37,983 |
| Granted during the year | **16,151** | 10,515 |
| Forfeited during the year | **(1,640)** | (3,513) |
| Transferred from share options | **15,949** | — |
| **As at the end of the year** | **75,445** | 44,985 |

The share-based payment expenses of the share options and RSUs will be amortized according to different vesting schedules which mainly range from one year to four years with the proportion of achieving performance conditions.

## 29. Share-based payments (continued)

### The inputs into the model

The fair values of share options were calculated using the binomial option pricing model. The inputs into the model were as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| Unit capital value of one share option | **26.49~26.67** | 15.89~22.02 |
| Exercise price | **0.10** | 0.10 |
| Expected volatility | **48.60%** | 48.60%~49.00% |
| Risk-free rate | **3.22%~3.32%** | 2.72%~3.28% |
| Expected dividend yield | **0.00%** | 0.00% |

Expected volatility was estimated based on the historical share price movement of the comparable companies for the period of time close to the expected time to exercise. Risk-free rate was based on the market yield of PRC Treasury Curve and country risk differential as of the respective valuation dates.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Group's best estimate. The value of an option varies with different variables of certain subjective assumptions.

The fair values of the share options and RSUs granted to certain directors, senior management, employees and consultants during the reporting periods were as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| Fair value of one share option | **26.39~26.57** | 15.79~21.92 |
| Fair value of one RSU | **26.57~39.97** | 21.77 |

Share-based payment expenses of and RMB406,967,000 have been recognized in profit or loss for years ended 31 December 2021 (31 December 2020: RMB133,750,000).

## 30. Other non-current liabilities

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Government grants | **26,579** | 48,459 |

Government grants provided to the Group mainly related to financial subsidy from the local government in the PRC.

The amount of government grants that credited to the statement of comprehensive income is disclosed in Note 7.

## 31. Deferred income tax

The expiration of tax losses carried forward for which deferred income tax assets is not recognized is as follows:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Tax losses expiring between 1–2 years | **4,129** | — |
| Tax losses expiring between 2–3 years | **32,918** | 5,166 |
| Tax losses expiring between 3–4 years | **44,805** | 41,324 |
| Tax losses expiring between 4–5 years | **68,549** | 47,887 |
| Tax losses expiring between 6–7 years | **49,506** | — |
| Tax losses expiring between 7–8 years | **165,975** | 49,506 |
| Tax losses expiring between 8–9 years | **134,224** | 162,884 |
| Tax losses expiring between 9–10 years | **166,884** | 131,154 |
| | **666,990** | 437,921 |

Unrecognized temporary differences are as follows:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Temporary difference for which no deferred tax asset was recognized: | | |
| — Provisions for impairment | **49,339** | 25,282 |
| — Accrued expenses and others | **70,890** | 26,445 |
| | **120,229** | 51,727 |

## 32. Trade and notes payables

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Accounts payable | **222,086** | 62,574 |
| Notes payable | **5,633** | 625 |
| | **227,719** | 63,199 |

As at 31 December 2021 and 2020, the aging analyses of the trade and notes payables based on transaction date were as follows:

| | As at 31 December | |
|---|---|---|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Within 3 months | **161,929** | 47,200 |
| Between 3 months and 6 months | **34,947** | 2,199 |
| Between 6 months and 1 year | **28,144** | 10,940 |
| Between 1 year and 2 years | **2,465** | 2,860 |
| Between 2 year and 3 years | **234** | — |
| | **227,719** | 63,199 |

The carrying amounts of trade and notes payables approximate their fair values.

## 33. Other payables and accruals

| | As at 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| Payroll and welfare payables | **38,765** | 34,524 |
| Accruals and other payables | **39,875** | 23,117 |
| Payables for acquisition of non-controlling interests to non-controlling shareholders (i) | **—** | 22,400 |
| Other taxes payable | **5,233** | 4,859 |
| | **83,873** | 84,900 |

(i) The Group completed the acquisition of 45% non-controlling interests in RewinCloud (Chongqing) Technology Co., Ltd., a subsidiary at a total consideration of approximately RMB124,030,000 in 2020. RMB101,630,000 and RMB22,400,000 were paid in 2020 and 2021, respectively.

The carrying amounts of other payables and accruals approximate their fair values.

## 34. Contract liabilities

| | As at 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| Contract liabilities | | |
| — Sales of products and solutions | **43,649** | 38,440 |

## 34. Contract liabilities (continued)

### (i) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

| | Year ended 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| Revenue recognized that was included in the balance of contract liabilities at the beginning of the year | **35,624** | 9,685 |

### (ii) Unsatisfied performance obligations

| | As at 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| — Sales of products and solutions | **374,716** | 235,265 |

The Group expects that unsatisfied performance obligations of approximately RMB310,380,000 as of 31 December 2021 will be recognized as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB64,336,000 will be recognized as revenue after 1 year but less than 3 years.

The revenue relating to data solutions are recognized based on the actual usage by the customer and thus the Group applied the expedient under IFRS 15 for not disclosing of unsatisfied performance obligation.

## 35. Financial liabilities of redeemable shares

Since the date of incorporation, the Company has completed several rounds of financing by issuing Redeemable Shares with redemption rights, liquidation preference, anti-dilution rights, tag-along rights, and drag-along right, etc. Before the investors withdraw these terms, the Company recognized the obligation of redeemable rights of the Redeemable Shares as financial liabilities at amortised cost, and financial cost is recognized in statements of comprehensive income on a time-proportion basis.

| Series | Date of issuance | Total number of Unit Capital | Consideration per Unit Capital | Total consideration | Present value of expected redemption amount as of issue date |
|---|---|---|---|---|---|
| | | | RMB | RMB'000 | RMB'000 |
| Series Angel | 29/6/2018 | 1,529,933 | 55.59 | 85,047 | 48,193 |
| Series A | 15/1/2019 | 2,125,199 | 92.83 | 197,280 | 197,280 |
| Series A+ | 14/3/2019 | 2,097,603 | 101.89 | 213,720 | 213,720 |
| Series B | 20/12/2019 | 1,206,916 | 165.71 | 200,000 | 200,000 |
| Series B+ | 27/12/2019 | 686,434 | 189.38 | 130,000 | 130,000 |
| Series C | 29/10/2020 | 2,466,798 | 304.04 | 750,000 | 750,000 |
| Series C+ | 1/3/2021 | 310,857 | 321.69 | 100,000 | 100,000 |

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## 35. Financial liabilities of redeemable shares (continued)

The movement of financial liabilities of redeemable shares are set out as below:

| | RMB'000 |
|---|---|
| As at 31 December 2019 | 826,808 |
| Issuance — present value: | |
| Series C | 750,000 |
| Financial cost (Note 10) | 82,406 |
| As at 31 December 2020 | 1,659,214 |
| Issuance — present value: | |
| Series C+ | 100,000 |
| Financial cost (Note 10) | 34,877 |
| Transfer from financial liabilities at amortised cost due to cancellation of redeemable rights (i) | (1,794,091) |
| As at 31 December 2021 | — |

(i) On 30 March 2021, pursuant to the agreement of shareholders, shareholders with Redeemable Shares waived redeemable rights against the Company, tag-long rights, drag-along rights, anti-dilution and liquidation preference. As a result, the Company transferred the balance of financial liabilities of redeemable shares to capital reserve.

The key terms of the Redeemable Shares, which are relevant for the accounting treatment are summarized as follows:

### Redemption rights

The holders of Redeemable Shares have the right to require the Company to redeem all or part of the Company's equity they hold, as well as the equity derived from bonuses, transfers and spin-offs of such equity when some events happen.

## 35. Financial liabilities of redeemable shares (continued)

### Redemption rights (continued)

The redemption price shall be equal to the sum of the following three:

(1) 100% of the subscription price of the company's equity held by each round of holders of these shares at that time;

(2) the interest income calculated by different interests rates under different redemption situation; and

(3) all declared but undistributed dividends on the Company's equity held by the holders of these shares at that time.

### Liquidation preference

In the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily, the holders of these shares shall be entitled to receive the liquidation preference amount, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares.

The liquidation price shall be equal to 100% of the consideration paid by the holders of these shares and all declared but undistributed dividends on the shares held by the holders of these shares, besides, some holders of these shares as agreed in the contract shall be also entitled to interest income calculated at a rate of 10% per annum.

If the Company still has surplus property after the holders of these shares have obtained their liquidation preference amount in full, all shareholders of the Company (including the investors) shall have the right to participate in the distribution of the remaining property of the Company in accordance with the relative proportion of the registered capital of the Company paid in accordance with their respective payments.

A liquidation event means: (a) bankruptcy, dissolution or liquidation of the Company; (b) the Company sells, leases or otherwise substantially disposes of most of its assets or businesses; (c) the Company is acquired, merged, or the actual controller of the Company changes, which materially affects the qualified listing of the Company; (d) the Company, founder shareholders, founding team and Sinovation Ventures (if applicable) failed to fulfil the agreed redemption obligations; (e) the Company licenses all or substantially all intellectual property rights to third parties for use; (f) the qualifications and licenses necessary for the current/planned business of the Company are generally invalidated or transferred to a third party, resulting in the Company being unable to continue the current/planned main business as a whole; or (g) other events specified in the Company's articles of association.

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## 36. Cash used in operations

### (a) Cash generated from operations

The reconciliation from loss before income tax to cash generated from operations is as follows:

| | Year ended 31 December | |
|---|---|---|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Loss before income tax | **(634,916)** | (360,463) |
| Adjustment for: | | |
| Depreciation of property, plant, and equipment and right-of-use assets and amortisation of intangible asset | **34,183** | 22,842 |
| Losses on disposal of property, plant and equipment | **6** | 3 |
| Interests received on FVPL | **(4,883)** | — |
| Interest expenses on lease liabilities | **1,220** | 705 |
| Interest income | **(24,022)** | (9,449) |
| Net impairment losses on financial assets | **24,057** | 18,950 |
| Share-based payment expenses | **406,967** | 133,750 |
| Finance cost of financial liabilities of redeemable shares | **34,877** | 82,406 |
| Net foreign exchange losses | **5,750** | — |
| Operating loss before changes in working capital | **(156,761)** | (111,256) |
| Changes in working capital: | | |
| Increase in inventories | **(16,413)** | (22,983) |
| Increase in trade and notes receivables | **(196,452)** | (87,610) |
| Increase in other operating assets | **(56,271)** | (4,932) |
| Increase/(decrease) in trade and notes payables | **164,520** | (1,629) |
| Increase in contract liabilities | **5,209** | 28,755 |
| (Decrease)/increase in other operating liabilities | **(2,623)** | 17,012 |
| Cash used in operations | **(258,791)** | (182,643) |

*(a) Major non-cash transaction*

For years ended 31 December 2021, the Group endorsed bank acceptance notes to the suppliers for purchase of goods amounting to approximately RMB2,442,000 (2020: RMB4,700,000).

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2021

# 36. Cash used in operations (continued)

## (a) Cash generated from operations (continued)

*(b) Net debt reconciliation*

| | Cash and cash equivalents RMB'000 | Lease liabilities RMB'000 | Financial liabilities of redeemable shares RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Net debt as at 31 December 2019 | 605,631 | (11,228) | (826,808) | (232,405) |
| Cash flows | 436,871 | 6,832 | (750,000) | (306,297) |
| Acquisitions and other non-cash movement | — | (10,294) | (82,406) | (92,700) |
| Net debt as at 31 December 2020 | 1,042,502 | (14,690) | (1,659,214) | (631,402) |
| Cash flows | 510,648 | 10,828 | (100,000) | 421,476 |
| Acquisitions and other non-cash movement | — | (83,709) | 1,759,214 | 1,675,505 |
| Net debt as at 31 December 2021 | **1,553,150** | **(87,571)** | **—** | **1,465,579** |

# 37. Capital commitments

As at 31 December 2021 and 2020, the Group had the following capital commitments:

| | As at 31 December | |
|---|---|---|
| | 2021 RMB'000 | 2020 RMB'000 |
| Contracted but not provided for | | |
| — Leasehold improvement | **27,136** | — |

## 38. Related party transactions

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

### (a) The directors of the Company are of the view that the following parties/companies were related parties that had transaction or balances with the Group during the reporting periods:

| Name of related parties | Relationship with the Company |
|---|---|
| Sinovation Ventures | Shareholder of the Company |
| Sinovation Ventures (Nanjing) Technology Limited | Under common control by Sinovation Ventures |
| CISDI (Chongqing) Information Technology Co., Ltd. | Minority shareholder of a subsidiary |
| Qingdao Xinnuo Zhiqi Business Management Consulting Partnership Enterprise (Limited Partnership) | Shareholder of the Company |
| Qingdao Xinnuo Zhida Technology Co., Ltd. | Other related company |

Other than as disclosed elsewhere in this report, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the reporting periods.

## Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2021

## 38. Related party transactions (continued)

### (b) Transactions with related parties

Significant related party transactions of the Group are listed as follows:

*(i) Sales and services to related parties*

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| CISDI (Chongqing) Information Technology Co., Ltd. | **17,254** | 32,106 |
| Sinovation Ventures | **2,388** | 734 |
| | **19,642** | 32,840 |

*(ii) Pay on behalf of the Group by a related party*

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| CISDI (Chongqing) Information Technology Co., Ltd. | **1,013** | 543 |

*(iii) Sales of equity investments to a related party*

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Sinovation Ventures | **128** | — |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2021

## 38. Related party transactions (continued)

### (c) Balances with related parties

*(i) Receivables from related parties*

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| **Trade** | | |
| Accounts receivable | | |
| — CISDI (Chongqing) Information Technology Co., Ltd. | **2,129** | 1,893 |
| — Sinovation Ventures | **1,266** | 564 |
| | **3,395** | *2,457* |
| **Provisions** | **(189)** | (138) |
| | **3,206** | 2,319 |
| **Non-Trade** | | |
| Other receivables | | |
| — Sinovation Ventures (Nanjing) Technology Limited | **—** | 2 |

*(ii) Payables to related parties*

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| **Trade** | | |
| Contract liabilities | | |
| — CISDI (Chongqing) Information Technology Co., Ltd. | **—** | 98 |

## 38. Related party transactions (continued)

### (c) Balances with related parties (continued)

*(ii) Payables to related parties (continued)*

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| **Non-Trade** | | |
| Other payables and accruals | | |
| — CISDI (Chongqing) Information Technology Co., Ltd. | **—** | 824 |
| — Qingdao Xinnuo Zhida Technology Co., Ltd. | **—** | 5 |
| — Qingdao Xinnuo Zhiqi Business Management Consulting Partnership Enterprise (Limited Partnership) | **—** | 4 |
| | **—** | 833 |

### (d) Key management compensation

Key management includes directors (executive and non-executive), supervisors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Salaries, bonus and other welfare | **8,443** | 4,738 |
| Share-based payment expenses | **117,321** | 91,964 |
| | **125,764** | 96,702 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2021

## 39. Balance sheet and reserve movement of the Company

### (a) Balance sheet of the Company

| | As at 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| **ASSETS** | | |
| **Non-current assets** | | |
| Investment in subsidiaries | **341,913** | 270,851 |
| Property, plant and equipment | **27,459** | — |
| | **369,372** | 270,851 |
| **Current asset** | | |
| Inventories | **11,192** | 30,474 |
| Prepayments and other receivables | **16,507** | 2,936 |
| Trade and notes receivables | **117,535** | 7,804 |
| Amounts due from subsidiaries | **975,506** | 1,186,259 |
| Restricted cash | **192** | 192 |
| Cash and cash equivalents | **1,129,847** | 198,064 |
| | **2,250,779** | 1,425,729 |
| **Total assets** | **2,620,151** | 1,696,580 |

## 39. Balance sheet and reserve movement of the Company (continued)

### (a) Balance sheet of the Company (continued)

| | As at 31 December | |
|---|---|---|
| | **2021** | **2020** |
| | **RMB'000** | **RMB'000** |
| **EQUITY/(DEFICITS)** | | |
| **Equity/(deficits) attributable to owners of the Company** | | |
| Share capital | **514,560** | — |
| Paid-in capital | **—** | 24,105 |
| Share premium | **1,674,871** | — |
| Capital reserve | **—** | 44,741 |
| Other reserves | **617,286** | 210,319 |
| Accumulated losses | **(348,307)** | (339,232) |
| **Total equity/(deficits)** | **2,458,410** | (60,067) |
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Financial liabilities of redeemable shares | **—** | 1,659,214 |
| **Current liabilities** | | |
| Trade and notes payables | **72,706** | 2,156 |
| Contract liabilities | **7,664** | 32,154 |
| Other payables and accruals | **32,864** | 25,978 |
| Amounts due to related parties | **—** | 9 |
| Amounts due to subsidiaries | **48,507** | 37,136 |
| | **161,741** | 97,433 |
| **Total liabilities** | **161,741** | 1,756,647 |
| **Total equity/(deficits) and liabilities** | **2,620,151** | 1,696,580 |

The balance sheet of the Company was approved by the board of directors of the Company on 30 March 2022 and was signed on its behalf by:

**Xu hui**
*Director*

**Wang hua**
*Director*

## 39. Balance sheet and reserve movement of the Company (continued)

### (b) Reserve movements of the Company

| | Other reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|
| Balance at 31 December 2019 | 76,569 | (127,688) | (51,119) |
| Loss for the year | — | (211,544) | (211,544) |
| Transactions with owners in their capacity as owners | | | |
| — Share-based payment expenses (Note 29) | 133,750 | — | 133,750 |
| Balance at 31 December 2020 | 210,319 | (339,232) | (128,913) |
| Loss for the year | | (421,060) | (421,060) |
| Transactions with owners in their capacity as owners | | | |
| — Conversion into a joint stock company (Note 25) | — | 411,985 | 411,985 |
| — Share-based payment expenses (Note 29) | 406,967 | — | 406,967 |
| Balance at 31 December 2021 | **617,286** | **(348,307)** | **268,979** |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2021

## 40. Benefits and interests of directors

### (a) Directors' and the chief executive officer's emoluments

For the year ended 31 December 2021:

| Name | Fees | Wages, salaries and bonuses | Pension costs-defined contribution plans | Other social security and housing fund | Share-based payment expenses | Total |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Chairman: | | | | | | |
| Dr. Kai-Fu Lee | — | — | — | — | — | — |
| Chief executive officer: | | | | | | |
| Mr. Xu Hui | — | 1,698 | 57 | 57 | 68,428 | 70,240 |
| Directors: | | | | | | |
| Mr. Wang Hua | — | — | — | — | — | — |
| Ms. Tao Ning** | — | — | — | — | — | — |
| Ms. Wang Jing** | — | 120 | 25 | 27 | 125 | 297 |
| Mr. Jiang Shaoqing** | — | — | — | — | — | — |
| Mr. Zhang Fa'en** | — | 822 | 25 | 27 | 899 | 1,773 |
| Mr. Liang Guozhong** | — | — | — | — | — | — |
| Mr. Fang Yimin** | — | — | — | — | — | — |
| Mr. Zhou Wei | — | — | — | — | — | — |
| Ms. Zou Yanshu** | — | — | — | — | — | — |
| Mr. Xie Deren* | 259 | — | — | — | — | 259 |
| Ms. Siu Hera Kitwan* | 166 | — | — | — | — | 166 |
| Ms. Gao Yingxin* | 207 | — | — | — | — | 207 |
| Ms. Jin Keyu* | 41 | — | — | — | — | 41 |
| Supervisor: | | | | | | |
| Ms. Lin Ying | — | — | — | — | — | — |
| Mr. Gu Xuan Richard* | — | — | — | — | — | — |
| Mr. Nie Mingming* | — | 246 | 29 | 27 | — | 302 |
| Total: | 673 | 2,886 | 136 | 138 | 69,452 | 73,285 |

* Mr. Xie Deren, Ms. Siu Hera Kitwan and Ms. Gao Yingxin were appointed as independence directors in May 2021. Mr. Gu Xuan Richard and Mr. Nie Mingming were appointed as supervisors in May 2021. Ms. Jin Keyu was appointed as independence director in November 2021.

** Ms. Tao Ning, Ms. Wang Jing, Mr. Jiang Shaoqing, Mr. Zhang Fa'en, Mr. Liang Guozhong, Mr. Fang Yimin and Ms. Zou Yanshu resigned as directors in May 2021. Ms. Siu Hera Kitwan resigned as independence director in November 2021.

## 40. Benefits and interests of directors (continued)

### (a) Directors' and the chief executive officer's emoluments (continued)

For the year ended 31 December 2020:

| Name | Fees | Wages, salaries and bonuses | Pension costs-defined contribution plans | Other social security and housing fund | Share-based payment expenses | Total |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Chairman: | | | | | | |
| Dr. Kai-Fu Lee | — | — | — | — | — | — |
| Chief executive officer: | | | | | | |
| Mr. Xu Hui | — | 1,619 | 8 | 53 | 71,518 | 73,198 |
| Directors: | | | | | | |
| Mr. Wang Hua | — | — | — | — | — | — |
| Ms. Tao Ning | — | — | — | — | — | — |
| Ms. Wang Jing | — | 290 | 8 | 60 | 816 | 1,174 |
| Mr. Jiang Shaoqing | — | — | — | — | — | — |
| Mr. Zhang Fa'en | — | 1,651 | 8 | 60 | 17,361 | 19,080 |
| Mr. Liang Guozhong | — | — | — | — | — | — |
| Mr. Fang Yimin | — | — | — | — | — | — |
| Mr. Zhou Wei | — | — | — | — | — | — |
| Ms. Zou Yanshu | — | — | — | — | — | — |
| Supervisor: | | | | | | |
| Ms. Lin Ying | — | — | — | — | — | — |
| Total: | — | 3,560 | 24 | 173 | 89,695 | 93,452 |

The Company's other senior management's remuneration includes salaries, wages, bonuses and share-based payment expenses. For the year ended 31 December 2021, the Company's other senior management's remuneration was within the range between RMB52,000,000 to RMB53,000,000 (2020: RMB3,000,000 to RMB4,000,000).

## 40. Benefits and interests of directors (continued)

### (a) Directors' and the chief executive officer's emoluments (continued)

(i) *Directors' retirement benefits*

None of the directors received or will receive any retirement benefits for the reporting periods.

(ii) *Directors' termination benefits*

None of the directors received or will receive any termination benefits for the reporting periods.

(iii) *Consideration provided to third parties for making available directors' services*

During the reporting periods, the Company did not pay consideration to any third parties for making available directors' services.

(iv) *Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors*

There are no loans, quasi-loans and other dealing in favour of directors, controlled bodies corporate by and connected entities with such directors during the reporting periods.

(v) *Directors' material interests in transactions, arrangements or contracts*

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the reporting periods.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2021

## 41. Subsidiaries

As at 31 December 2021, the Company had direct and indirect interest in the following subsidiaries:

| Company name | Type of legal entity | Country/Place and date of incorporation | Paid-in capital (RMB' 000) | Attributable equity interest to the Company | Principal activities and place of operation |
|---|---|---|---|---|---|
| AInnovation (Beijing) Technology Co., Ltd. (創新奇智（北京）科技有限公司) | Limited liability company | The PRC 24 April 2018 | 10,000 | 100.00 | Technology and software development, artificial intelligence research and product development, in the PRC |
| AInnovation (Chongqing) Technology Co., Ltd. (創新奇智（重慶）科技有限公司) | Limited liability company | The PRC 7 June 2018 | 10,000 | 100.00 | Technology and software development, artificial intelligence research and product development, in the PRC |
| AInnovation (Nanjing) Technology Co., Ltd. (創新奇智（南京）科技有限公司) | Limited liability company | The PRC 15 June 2018 | 6,820 | 100.00 | Technology and software development, artificial intelligence research and product development, in the PRC |
| AInnovation (Guangzhou) Technology Co., Ltd. (創新奇智（廣州）科技有限公司) | Limited liability company | The PRC 3 July 2018 | 20,000 | 80.00 | Technology and software development, artificial intelligence research and product development, in the PRC |
| AInnovation (Hefei) Technology Co., Ltd. (創新奇智（合肥）科技有限公司)(i) | Limited liability company | The PRC 25 July 2018 | 10,000 | 100.00 | Technology and software development, artificial intelligence research and product development, in the PRC |

## 41. Subsidiaries (continued)

As at 31 December 2021, the Company had direct and indirect interest in the following subsidiaries: (continued)

| Company name | Type of legal entity | Country/Place and date of incorporation | Paid-in capital (RMB' 000) | Attributable equity interest to the Company | Principal activities and place of operation |
|---|---|---|---|---|---|
| AInnovation (Chengdu) Technology Co., Ltd. (創新奇智（成都）科技有限公司) | Limited liability company | The PRC 26 February 2019 | 10,000 | 100.00 | Technology and software development, artificial intelligence research and product development, in the PRC |
| Chongqing CISAI Technology Co., Ltd. (重慶賽迪奇智人工智能科技有限公司) | Limited liability company | The PRC 29 March 2019 | 10,000 | 51.00 | Technology and software development, artificial intelligence research and product development, in the PRC |
| AInnovation (Qingdao) Technology Co., Ltd. (創新奇智（青島）科技有限公司) | Limited liability company | The PRC 1 April 2019 | 20,000 | 100.00 | Technology and software development, artificial intelligence research and product development, in the PRC |
| RewinCloud (Chongqing) Technology Co., Ltd. (睿雲奇智（重慶）科技有限公司)(ii) | Limited liability company | The PRC 14 June 2019 | 10,000 | 100.00 | Technology and software development, artificial intelligence research and product development, in the PRC |
| AInnovation (Shanghai) Technology Co., Ltd. (創新奇智（上海）科技有限公司) | Limited liability company | The PRC 30 September 2019 | 10,000 | 100.00 | Technology and software development, artificial intelligence research and product development, in the PRC |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2021

## 41. Subsidiaries (continued)

As at 31 December 2021, the Company had direct and indirect interest in the following subsidiaries: (continued)

| Company name | Type of legal entity | Country/Place and date of incorporation | Paid-in capital RMB'000 | Attributable equity interest to the Company % | Principal activities and place of operation |
|---|---|---|---|---|---|
| AInnovation (Xi'an) Technology Co., Ltd. (創新奇智(西安)科技有限公司) | Limited liability company | The PRC 28 October 2019 | 10,000 | 100.00 | Technology and software development, artificial intelligence research and product development, in the PRC |
| AInnovation (Shenzhen) Technology Co., Ltd. (創新奇智(深圳)技術有限公司) | Limited liability company | The PRC 10 June 2020 | 10,000 | 100.00 | Technology and software development, artificial intelligence research and product development, equipment manufacture, in the PRC |
| China Railway Qizhi (Hefei) Technology Co., Ltd. (中鐵奇智(合肥)科技有限公司) | Limited liability company | The PRC 2 February 2021 | 10,000 | 51.00 | Technology and software development, artificial intelligence research and product development, in the PRC |
| AInnovation (Zhejiang) Technology Co., Ltd. (創新奇智(浙江)科技有限公司) | Limited liability company | The PRC 23 February 2021 | 10,000 | 100.00 | Technology and software development, artificial intelligence research and product development, in the PRC |

(i) The paid-in capital of AInnovation (Hefei) Technology Co., Ltd. was increased by RMB140,000 to RMB10,000,000 in 2021, which was injected by the Company.

(ii) As at 31 December 2020, the Group completed the acquisition of 45% non-controlling interests in RewinCloud (Chongqing) Technology Co., Ltd., a subsidiary at a total consideration of approximately RMB124,030,000, with RMB101,630,000 paid in 2020 and RMB22,400,000 was paid in October 2021.

As of the date of this report, there were no changes to the equity interests held by the Company in these subsidiaries since 31 December 2021.

* The English name of the company referred above represents the best effort made by management of the Company to directly translate the Chinese names as they have not registered any official English names.

## 42. Contingent liabilities

There are no significant contingent liabilities as at 31 December 2021 (31 December 2020: nil).

## 43. Subsequent events

On 27 January 2022, the Company completed its listing on The Stock Exchange of Hong Kong Limited. 44,744,400 shares of the Company were issued at an offer price of HK$26.3 per share for a total consideration, net of listing expenses, amounting to approximately HK$1,070.1 million (equivalent to RMB874.4 million).

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