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## 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)

(Stock Code: 2121)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the “**Board**”) of Qingdao AlInnovation Technology Group Co., Ltd (the “**Company**”, and its subsidiaries, the “**Group**”) is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2023 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2022.

#### FINANCIAL SUMMARY

	<b>For the six months ended 30</b>	
	<b>June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	<b>923,851</b>	645,616
Gross profit	<b>298,872</b>	205,664
Operating loss	<b>(211,049)</b>	(241,340)
Loss for the period	<b>(196,053)</b>	(230,159)
Add:		
Share-based payment expenses	<b>139,912</b>	142,945
Listing expenses	—	26,457
Amortization of intangible assets arising from acquisition	<b>14,275</b>	2,008
Changes in fair value of financial assets/liabilities at fair value through profit or loss	<b>2,486</b>	(379)
<b>Adjusted net loss (Unaudited)</b>	<b>(39,380)</b>	(59,128)

## Revenue-By Type of Products/Services

	For the six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Sales of products and solutions	867,738	93.9	630,584	97.7
Services of data solutions	56,113	6.1	15,032	2.3
<b>Total</b>	<b>923,851</b>	<b>100.0</b>	<b>645,616</b>	<b>100.0</b>

## Revenue-By Customer Type

	For the six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
System integrators	546,803	59.2	420,610	65.1
End-users	377,048	40.8	225,006	34.9
<b>Total</b>	<b>923,851</b>	<b>100.0</b>	<b>645,616</b>	<b>100.0</b>

## Revenue-By Industry Verticals

For the six months ended 30 June

	2023		2022	
	RMB'000	%	RMB'000	%
<b>Manufacturing</b>	<b>610,522</b>	<b>66.1</b>	336,756	52.2
Automotive equipment	227,167	24.6	121,373	18.8
OLED panel semiconductors manufacturing	97,812	10.6	51,070	7.9
Food & Beverage and New Material	59,168	6.4	—	—
Engineering and construction	57,943	6.3	31,153	4.8
3C high-tech	46,879	5.1	9,693	1.5
Intelligent manufacturing practical training	45,319	4.9	—	—
Energy and power	44,399	4.8	41,138	6.4
Iron and steel metallurgy	7,235	0.8	31,069	4.8
Others	24,600	2.6	51,260	8.0
<b>Financial services</b>	<b>231,566</b>	<b>25.1</b>	219,365	34.0
<b>Other industries</b>	<b>81,763</b>	<b>8.8</b>	89,495	13.8
<b>Total</b>	<b>923,851</b>	<b>100.0</b>	645,616	100.0

## **BUSINESS OVERVIEW**

### **Part I: Business Review**

AInnovation has always been committed to the commercialization of artificial intelligence technology, empowers the real economy with AI, especially focusing on industrial digital transformation and empowering the high-quality development of the manufacturing industry. In the first half of 2023, under the environment of macroeconomic pressure, we has gained a strong growth momentum as a number of performance indicators highlighted excellent results as of 30 June 2023 — thanks to the vast opportunities from the manufacture industries of PRC and the effective corporate development strategy. Such outstanding performances are as following:

During the Reporting Period, the Group’s revenue reached RMB923.9 million, representing a year-on-year increase of 43.1%; its gross profit reached RMB298.9 million, representing a year-on-year increase of 45.3%; its gross profit margin was 32.4%, representing an increase of 0.5 percentage point as compared with the same period of last year; its adjusted net loss was RMB39.4 million, representing a year-on-year decrease of 33.4%; its adjusted net loss margin was narrowed by 53.3% year-on-year to 4.3%. We continued to implement the “focus” strategy and step up our investment in the manufacturing sector. During the Reporting Period, the revenue of “AI + Manufacturing” amounted to RMB610.5 million, up 81.3% year-on-year, accounting up to 66.1% of the revenue.

According to the statistics from the Ministry of Industry and Information Technology, in the first half of 2023, the value-added of industrial enterprises above designated size in China increased by 3.8% year-on-year. The recovery of the industrial economy is improving, and the revenue and profit growth of Small Giant Enterprise and Specialized and New Enterprise are higher than the industrial enterprises above designated size. AInnovation continuing to implement the “specialized and new” developing route, anchoring the main business line of “AI + Manufacturing”, we have devoted strenuous efforts in vertical sub-sectors such as iron and steel metallurgy, panel semiconductor, 3C high-tech, engineering and construction, automotive equipment, energy and power, Food & Beverage and New Material, intelligent manufacturing practical training, and financial services etc., to explore and implement more AI application scenarios in practice. Currently, the entire Group has formed a “1+7” specialized and new matrix, that is, AInnovation is a “National Specialized and New Small Giant Enterprise”, and seven of its subsidiaries are Specialized and New Enterprise at provincial/municipal level.

The Group firmly believes that innovation is the driving force of enterprise development. As of 30 June 2023, we have cumulatively applied for 1,181 patents, 437 confirmed patents and 227 confirmed invention patents. Based on the statistics published by IPRdaily, a global intellectual property comprehensive information service provider, AInnovation has been honored 19th among global companies which applied and became public for AI Industrial Vision Patent of an Invention in China in the last three years. At the same time, we are actively deploying the AI2.0 era promoted by AIGC, and stepping up support for the research and development of AIGC and large-scale model-related technologies. According to IPRdaily data, we rank 35th in the China AI Large-scale Model Enterprise Invention Patent Ranking. In the first half of 2023, we focused on strengthening the functional upgrade of the MMOC artificial intelligence technology platform, and released the “AInnoGC”, which can provide customers with more complete AI capabilities from perception to decision-making to generation. The “AInnoGC” won the certificate of “2023 Trusted AI Case — Excellent Case of large model Research and Development Application and Tool Platform” issued by Key Laboratory of the Ministry of Industry and Information Technology of Artificial Intelligence Key Technology and Application Evaluation of China Academy of Information and Communications Technology (CAICT).

Strong business development has driven our market position to continue to grow. According to IDC’s “China Artificial Intelligence Software and Application Market Research Report for 2022”, AInnovation moved up to third place in the market share of computer vision applications and remained ranking No. 4 in the market share of machine learning platforms. According to “The AI/ML Platform Landscape In China, 2022” released by Forrester, AInnovation has become a large manufacturer in China’s artificial intelligence/machine learning platforms market.

As an AI company that stands on technological innovation, AInnovation will continue to increase investment and develop rapidly in artificial intelligence technology platform construction, AI products and solutions, etc. in the first half of 2023.

## **Continuously strengthen artificial intelligence technology platform**

AInnovation's MMOC platform will continue to develop at a fast pace, and its maturity will continue to improve, moving along with all its strength along the platform's established "3 Phase" Strategy.

- **ManuVision Intelligent Machine Vision Platform:** We continue to enrich the number of operators and improve user friendliness with creating a number of standardized industry applications such as glass panel defect detection, vision alignment, and intelligent code readers through benchmark projects, all of which are for enabling intelligent manufacturing solutions.
- **MatrixVision Intelligent Edge Video Platform:** We have completed the reconstruction of ModelZoo technology, continuously improved the easy use of the tool chain, improved the stability of the environment, enhanced the reliability of the platform, and created a number of standardized industry applications such as factory safety based on the platform and industry practices.
- **Orion Distributed Machine Learning Platform:** We focus on optimizing model training technologies of deep learning for computer vision, strengthen the closed loop of upstream and downstream visual functions of Orion AML-Vision, ManuVision and MatrixVision, develop core competitiveness, and help the Company achieve the third place in the computer vision market share (from IDC Consulting).
- **Cloud platform:** We focus on strengthening infrastructure capabilities, build the Company's unified technology asset center, leverage the advantages of cloud-native technology, and keep providing supports to the Company's industrial MES, intelligent manufacturing practical training platform MTStudio and other products and solutions uploaded to the cloud.

## MMOC Platform "3 Phase" Strategy

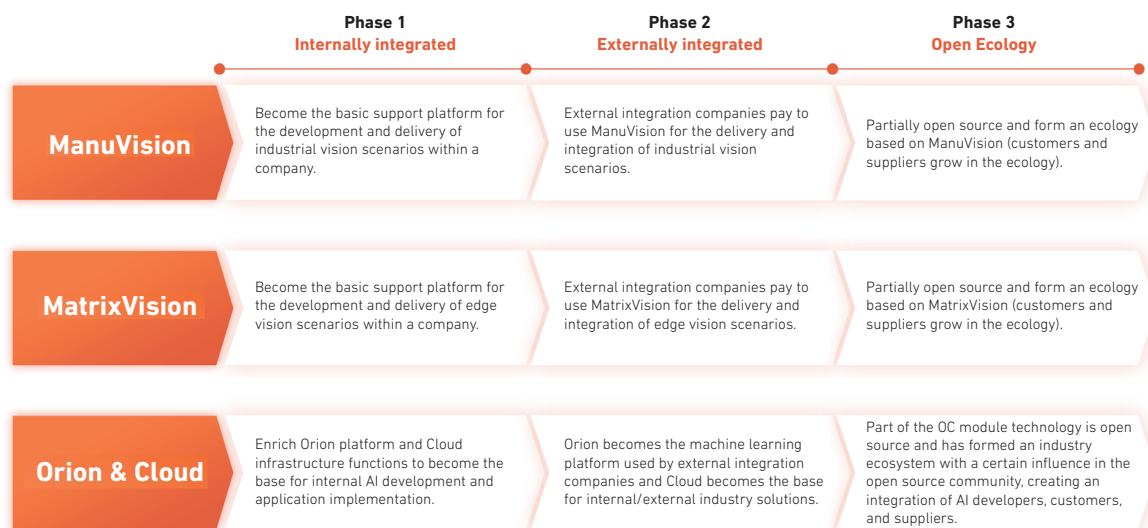


Figure 1: MMOC Platform “3 Phase” Strategy

With the rapid development of large model and generative AI technology, the Company released the AInnoGC oriented to intelligent manufacturing in the first half of 2023. AInnoGC is a generative AI platform with industrial large models as the core, which facilitates product/industry solution innovation and supports AInnovation to realize the transition from AI1.0 to AI2.0.

- Taking industrial large models as the core: Based on years of gains through industry practice in intelligent manufacturing, AInnovation has developed AInno-15B, which is a pre-training large model with 15 billion parameters. AInno-15B is based on industrial data sets of AInnovation, adopts the standard Transformer architecture (Decoder-only) and supports multiple functions such as text generation, data analysis and knowledge quiz, etc.

- Based on the large model engine: Engine services connect large models and generative AI applications, and provide data processing, large model fine-tuning, prompt engineering and other functions and services for industries and enterprises' own data, helping enterprises create their own large models and accelerate the development, debugging, deployment and implementation of generative AI applications.
- Oriented by generative applications, enabling solutions to be implemented: Facing many application fields in the manufacturing industry, such as industrial robots, data analysis, and enterprise private domain knowledge search, the Company innovatively launched the ChatX series of generative AI application products, including ChatRobot, ChatBI, ChatDoc. They have been implemented in multiple programs such as practical trainings of intelligent manufacturing, data intelligence and factory logistics.

## The panorama of AlnoGC

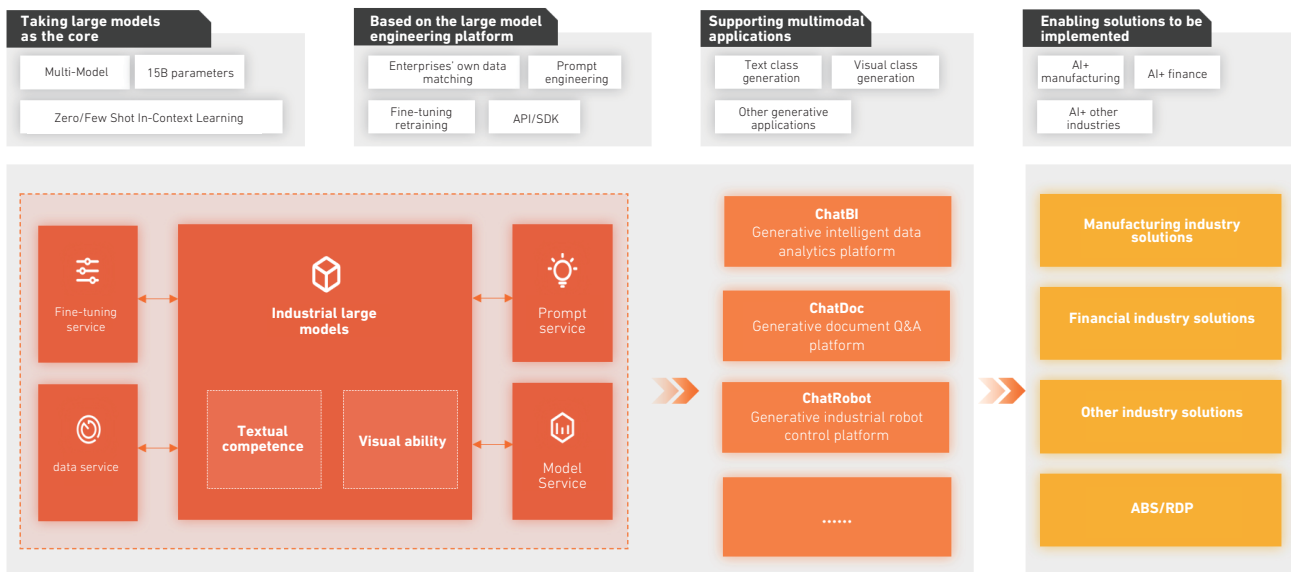


Figure 2: The panorama of AlnoGC



## **Continuous enrichment of AI products and solutions**

We will continue to invest in R&D and iterate products and solutions in the field of generative models. Relying on AIInnoGC, the Company have extended multiple technical directions, including code and interactive report generation, incremental trainings of knowledge bases in vertical industries, AI decision-making intelligences, model of Chain-of-Thought promoting and visual segmentation large models. Combining the exploration of the above technologies and the industry experience and knowledge of AIInnovation in the manufacturing field, the Company has iteratively produced a number of large model products which have been implemented.

In the field of iron and steel metallurgy, we continue to improve the standardization and enrich application scenarios of intelligent molten iron transportation system solutions. We have stepped up the promotion of the overall solution of “hardware + software”, and launched the BlizerADP industrial automatic driving platform and the PanGoLIP industrial smart logistics platform. The industrial vehicle-mounted sensing kit, which is a self-developed intelligent hardware product has been installed and used in the built projects. The industrial vehicle-mounted AI controller, automatic hook removal intelligent equipment, and automatic parking intelligent equipment have entered the verification stage of application scenarios. We promoted the construction of algorithm models such as dispatching models for molten iron and locomotives, attached importance to the protection of intellectual property rights, and applied for 30 invention patents in the first half of 2023. The Company is committed to establishing deeper industry barriers in intelligent molten iron transportation scenarios. We implement the “1+N” strategy of cultivating major customers, deepen cooperation with steel enterprises that have built intelligent systems for steel and iron interfaces, and carry out new research and verification on the feasibility of unmanned transformation of molten iron transportation under the “open-tank fixed sets + locomotives” model, and provide guidance and reference for enterprises to promote the implementation of unmanned systems for molten iron transportation with open-tank fixed sets.

In the field of panel semiconductors, we continue to dig deep into the needs of industry scenarios and improve the overall solution based on the Company's MMOC platform. In the first half of 2023, our overall solution has expanded from edge inspection to full-scale inspection scenarios, and the involved process scenarios have been extended from the upstream process to the thinning process segment. The overall solution now has the ability to deploy applications with low or zero code in different application scenarios, and continues to improve the requirements for rapid delivery of product solutions. In terms of scenario implementation, in the first half of 2023, we continued to deliver and apply product solutions in leading panel manufacturing enterprises in China. Meanwhile, in the panel thinning process segment, we have completed the deployment and application of product solutions in a number of listed leading enterprises and continuously optimized them in China.

In the field of Food & Beverage and New Material, we actively promote the continuous improvement of product systems for production operation management. In the production scenario, AI technologies such as machine learning and computer vision have been used to realize the deep integration of MMOC production capabilities and MOM solutions to achieve the implementation of actual business. Our Food & Beverage and New Material based on ChatBI has begun to be commercialized, bringing fast and efficient production and operation decisions to enterprises and effectively improving the overall production efficiency of enterprises based on production modules. In addition, we have also started the research and development of an enterprise knowledge base platform based on ChatDoc, starting from the equipment operation and maintenance knowledge base, and gradually expanding to the knowledge accumulation and application of the entire process of production, manufacturing and operation of enterprises.

In the field of data intelligence scenario, ChatBI, as an intelligent product based on large model technology, has further extended to various industries in the era of AI2.0, showing strong application potential under the intricate needs of intelligent data. ChatBI is committed to making data analysis more intelligent and humanized, and can flexibly respond to business needs in different business scenarios such as production line analysis and data extraction. ChatBI improves the efficiency of data analysis by optimizing the analysis process and lowering the analysis threshold. We will further improve the accuracy and efficiency of natural language search, support the expansion of more data source formats, and provide more accurate solutions for a wider range of business intelligence demand scenarios. Combined with AIInnoGC's advanced AI technology, ChatBI obtains the required information through natural language search, automatically analyzes and identifies potential business problems, and realizes a high-efficiency business closed-loop for various fields.

In the industrial robot scenario, ChatRobot breaks down natural language instructions input by users into tasks that the robot can understand, and translates the tasks into instructions that the robot can execute, realizing the conversion from human natural language to machine language and providing strong support for the intelligence and automation in the industrial field. In complex industrial production scenarios, ChatRobot can accurately respond to the needs of various instructions, and realize intelligent control and autonomous operation of industrial robots through advanced vision algorithm and large model technology. Next, we will support more complex tasks, understand more complicated industrial instructions and tasks, and provide more comprehensive and intelligent solutions.

In the document information processing scenario, we launched the ChatDoc, a file reading tool. This innovative tool based on the industrial large model of AInnovation can quickly filter, locate and accurately summarize information from massive documents, and quickly provide definite answers. ChatDoc has achieved remarkable growth in the first half of 2023, and we have optimized the process of document retrieval and information extraction with the help of advanced technology of large models. Whether through keywords or specific questions, users can easily find the information they need from the vast document library, which greatly improves the efficiency of document retrieval. ChatDoc's intelligent positioning function can accurately locate the part of the document that is related to the problem, saving valuable time and greatly improving work efficiency for users.

## **Part II: Future Prospects**

With the implement of national policies of vigorously advancing the building of digital China, promoting new industrialization, and developing the strength, quality and size of the real economy, we firmly believe that the transformation and upgrading of manufacturing industry to be high-end, smart, green and digital, is the mainline of development with high certainty and prosperity. In the future, AInnovation will continue to empower the real economy through AI technology, with a focus on industrial digitalization. On the one hand, it will seize and exploit opportunities concomitant with policies implemented, while promoting the implementation of national strategies such as industrial upgrading, domestic substitution, large-scale model development for industrial softwares, and employment promotion in the light of different industry scenarios, with an aim to play its role in driving digital economy. On the other hand, it continues to standardize corporate governance and enhance its own competitiveness through refined management and continuous technological innovation.

AI is evolving from the perception, prediction, and decision-making capabilities of the AI1.0 to the content generation capabilities of the AI2.0. The popularity of ChatGPT proves the great potential of AI content generation, and the large model industry has ushered in a period of rapid development. According to the calculation of Frost & Sullivan Consulting and LeadLeo Research Institute, the market size of China's AIGC industry will achieve leapfrog growth to RMB267.4 billion in 2027, at a CAGR of 105% from 2022 to 2027. The progress of technological breakthrough and application of generative AI is faster than expected. Facing the huge AIGC market, AInnovation actively reserves and develops related technologies for further development in the future of high-tech innovations — “MMOC AI technology platform” and “AInnoGC”. Based on said, we will explore the application of AIGC and large models in industrial manufacturing, and discover more application scenarios, taking a leading position in “AIGC+manufacturing”.

## **Enhance technological research and improve innovation**

The AI1.0 MMOC platform continues to refine its capabilities, consolidate its technologies, and improve its ability to implement large-scale applications.

- **ManuVision Intelligent Machine Vision Platform:** We improve the platform functions, increase user friendliness and focus on glass panel defect detection scenarios, iterate and upgrade standardized scene application capabilities, and continue to reduce customization workload based on platform accumulation.
- **MatrixVision Intelligent Edge Video Platform:** For safe production and other scenarios, we continue to add and enrich the built-in video structure-related models and model group capabilities, iterate standardized scenario application video boxes based on business needs, and improve the capability of large-scale implementation.
- **Orion Distributed Machine Learning Platform:** Based on the visual modeling requirements of ManuVision and MatrixVision, we continuously enrich the number of preset scene-based modeling Pipelines, which are used as a low-threshold visual modeling Trainer to facilitate the development of computer vision-related businesses.
- **Cloud Platform:** With this as the base for infrastructure, we continue to optimize infrastructure technology, improve disaster recovery and expansion capabilities, and support MMO, AIInnoGC and other solutions on demand to make full use of cloud technology to improve R&D efficiency and reduce R&D costs.

The AI2.0 AIInnoGC strengthens technology optimization and application innovation, and empowers industry solutions to create differentiation.

- Optimizing large industrial models: We further improve industrial data sets, enrich pre-training corpus, strengthen multi-modal capabilities, improve performance in knowledge question and answer, data analysis, Agent, etc., and make capacity reserves to support more application innovations.
- Improve large model engine: We continuously optimize the functions and user friendliness of data services, fine tune services, model services, and prompt services of the engine, steadily build a tool set for the implementation of large models, and improve the research and development efficiency of generative AI applications.
- Enrich the ChatX series of generative applications: Based on large models and engine capabilities, we improve the maturity of services and products such as ChatBI, ChatRobot, and ChatDoc, as well as optimize the experience, enrich functions, and enhance the competitiveness of the Company's industry solutions as the core difference.

## AlnoGC structure

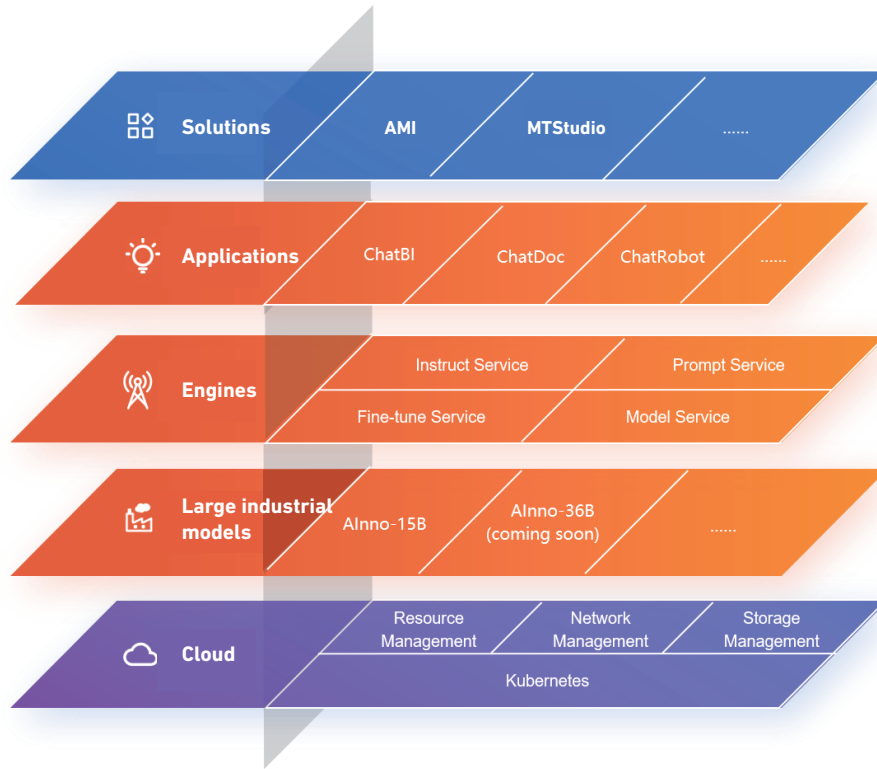


Figure 3: AlnoGC structure

### Optimize AI products and solutions

In the future, we will continue to invest in research and development in the field of generative models, further combine existing AI solutions, promote the launch of AIGC technology products, and help manufacturing enterprises to upgrade digitally and intelligently. For ChatBI products, we realize privatized deployment for customers with demand for data security, through iterating the AlnoGC structure through pre-training technology and optimizing model throughput to support production-level databases; For ChatDoc products, we continue to optimize the model knowledge understanding capability so as to support complex promoting capability of customer for document questions and answers; For ChatRobot products, in order to achieve a higher degree of production line automation, we will continue to study the scheduling and collaboration capabilities of large models in heterogeneous agents.

In the field of iron and steel metallurgy, we will continue to refine and flesh out the standardized modules in the intelligent molten iron transportation solution, further improve the delivery speed and reduce the delivery cost, as well as create a patent portfolio of molten iron transportation-related products, and promote the application and independent sales of self-developed intelligent equipment; meanwhile, we will launch repair and maintenance services for existing projects to further improve the commercial service system. Based on the early-mover advantage in the iron and steel industry, we will cooperate with the leading enterprises in the industry, create demonstration projects, and continue to promote the 1+N&1\*N expansion models. Greater efforts should be made to boost the products promotion in multiple channels and industries, extend the scenario from liquid transportation to solid transportation, expand customers from domestic steel customers to overseas customers, quickly seize the iron and steel market with molten iron transportation as the core, and explore the application scenarios of the rail transportation.

In the field of panel semiconductor inspection, we will continue to optimize and improve the versatility of product solutions and the capabilities of rapid delivery and deployment, and form a set of standard solutions applicable to most application scenarios in the industry. With deep-learning ability, we will form algorithm models for different application scenarios in the industry, which only need a small number of data samples to complete the deployment of model training so as to achieve rapid delivery. In the application scenario, we will continue to expand the inspection demands of different process stages in the panel industry, including quality inspection during the manufacturing process of LCD and OLED products, and to explore deeper into the thinning process application scenario to improve the versatility of the application scenario.

In the field of Food & Beverage and New Material, we will continue to deepen the integration of AI large models in whole series industrial software products of MOM. We will gradually expand the inference and analysis functions of the large model to cover the whole chain business of MOM such as quality, equipment, and materials. Combined with the input of production and operation knowledge, our goal is to build a set of intelligent closed-loop solutions for production and operation management, provide strong support for industry customers, and contribute to an intelligent, high-quality production and operation management system.



In the data intelligence scenario, we will be committed to the continuous optimization and function expansion of products. We will further expand the functions and coverage of ChatBI, including support for more data sources and richer visualization options. In terms of models, we will continue to improve the accuracy and efficiency of the conversion of natural language to SQL query statements to meet diverse business needs. In addition, we will also explore the integration of ChatBI with other platform-based tools to build a more comprehensive business closed-loop. We hope that ChatBI will become a powerful assistant for business decision makers and data analysts, promote data-driven decision-making through data intelligence solutions, and achieve faster and more accurate business insights.

In the industrial robot scenario, ChatRobot will continue to promote product innovation and optimization. We will continue expanding the application scope and the depth of functions of the ChatRobot, especially the capability to support more complex task instruction parsing and multi-robot collaboration. We will expand to the wider range of industrial fields and application scenarios, and cooperate with enterprises and robot manufacturers to provide personalized solutions for different complex scenarios. In addition, we will commit to improve the security and reliability of ChatRobot to ensure stability and accuracy when performing key tasks. Our goal is to promote the process of intelligence and automation in the industrial field, integrate with existing industrial systems and processes, and contribute to the development of industrial intelligence.

In the document information processing scenario, we plan to expand the application scope of ChatDoc to more fields, and we will unremittingly improve and upgrade the core algorithm of ChatDoc to ensure that it can still maintain high precision and flexible response when dealing with more complex and diverse document types. Meanwhile, we also plan to actively explore the possibility of integration with other professional tools and platforms, aiming to create a more comprehensive and in-depth document management and analysis solution and expect that ChatDoc becomes a reliable partner for professionals in various fields. With the help of advanced artificial intelligence technology to promote the rapid and accurate transmission and analysis of information, we aim to inject continuous impetus into the intelligent development of the industry.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW**

With a mission of “artificial intelligence empowering business value”, AInnovation is a fast-growing “AI + Manufacturing” solutions provider and enterprise-level AI solutions provider in China. The Company is committed to using cutting-edge artificial intelligence technology to provide enterprises with AI-based products and solutions, including AI platforms, algorithms, software and AI-empowered devices, with a view to improving operational efficiency and increasing business values of the customers and achieving digital transformation.

Since our inception in 2018, we have maintained a rapid growth at a 154.4% CAGR from 2018 to 2022 in terms of our revenue. In the first half of 2023, we continued to keep a high growth trend, and devoted strenuous efforts in sub-sectors such as iron and steel metallurgy, panel and semiconductors, 3C high-tech, engineering and construction, automotive equipment, energy and power, Food & Beverage and New Material, intelligent manufacturing practical training, and financial services. With a record-high market share in the AI application market in China, we were ranked as the third largest computer vision enterprise and the fourth largest machine learning platform enterprise by IDC China.

### **REVENUE**

Our revenue for the six months ended 30 June 2023 was RMB923.9 million, representing an increase of 43.1% as compared with RMB645.6 million for the six months ended 30 June 2022. The increase was primarily caused by business expansion in manufacturing industry and financial services industry.

In terms of manufacturing industry, revenue for the six months ended 30 June 2023 was RMB610.5 million, representing an increase of 81.3% as compared with RMB336.8 million for the six months ended 30 June 2022.

In terms of financial services industry, revenue for the six months ended 30 June 2023 was RMB231.6 million, representing an increase of 5.6% as compared with RMB219.4 million for the six months ended 30 June 2022.

## **COST OF SALES**

Our cost of sales for the six months ended 30 June 2023 was RMB625.0 million, representing an increase of 42.0% as compared with RMB440.0 million for the six months ended 30 June 2022. The increase was caused by business expansion in manufacturing industry and financial services industry.

In terms of manufacturing industry, cost of sales for the six months ended 30 June 2023 was RMB375.4 million, representing an increase of 76.3% as compared with RMB212.9 million for the six months ended 30 June 2022, primarily due to the cost increase resulting from the income growth of the manufacturing industry.

In terms of financial services industry, cost of sales for the six months ended 30 June 2023 was RMB170.1 million, representing an increase of 1.4% as compared with RMB167.7 million for the six months ended 30 June 2022, primarily due to the cost increase resulting from the income growth of the financial services industry.

## **GROSS PROFIT AND GROSS MARGIN**

As a result of foregoing, our overall gross profit for the six months ended 30 June 2023 was RMB298.9 million, representing an increase of 45.3% as compared with RMB205.7 million for the six months ended 30 June 2022. For the six months ended 30 June 2023, our overall gross margin was 32.4%, representing an increase of 0.5% from 31.9% for the six months ended 30 June 2022. This was primarily attributable to (i) economies of scales; (ii) increased pricing power; and (iii) the more standardized products and solutions we provide.

## **SELLING AND DISTRIBUTION EXPENSES**

Our selling and distribution expenses for the six months ended 30 June 2023 were RMB91.2 million, representing an increase of 61.4% as compared with RMB56.5 million for the six months ended 30 June 2022, primarily due to (i) the increase in share-based payment expenses; and (ii) amortization of intangible assets arising from acquisition.

Selling and distribution expenses as a percentage of revenue increased from 8.7% for the six months ended 30 June 2022 to 9.9% for the six months ended 30 June 2023. Selling and distribution expenses (excluding share-based payments and amortization of intangible assets arising from acquisition) as a percentage of revenue was 5.1% for the six months ended 30 June 2023, a decrease of 1.0% compared to 6.1% for the six months ended 30 June 2022, as our revenue grew at a faster rate.

## **GENERAL AND ADMINISTRATIVE EXPENSES**

Our general and administrative expenses for the six months ended 30 June 2023 were RMB190.0 million, which remained relatively stable as compared with RMB189.2 million for the six months ended 30 June 2022.

General and administrative expenses as a percentage of revenue decreased from 29.3% for the six months ended 30 June 2022 to 20.6% for the six months ended 30 June 2023. General and administrative expenses as a percentage of revenue (excluding share-based payments and listing expenses) was 9.9% for the six months ended 30 June 2023, a decrease of 0.8% from 10.7% for the six months ended 30 June 2022, as our revenue grew at a faster rate.

## **RESEARCH AND DEVELOPMENT EXPENSES**

Our research and development expenses for the six months ended 30 June 2023 were RMB223.1 million, representing an increase of 2.4% as compared with RMB217.8 million for the six months ended 30 June 2022, primarily due to the increase of overall investment in R&D due to business expansion.

Research and development expenses as a percentage of revenue decreased from 33.7% for the six months ended 30 June 2022 to 24.1% for the six months ended 30 June 2023. Research and development expenses as a percentage of revenue (excluding share-based payments and amortization of intangible assets arising from acquisition) was 22.9% for the six months ended 30 June 2023, a decrease of 5.5% from 28.4% for the six months ended 30 June 2022, as our revenue grew at a faster rate.

## **NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS**

We had a net impairment loss on financial assets of RMB36.0 million for the six months ended 30 June 2023, representing an increase compared to a net impairment loss of RMB22.1 million for the six months ended 30 June 2022, primarily due to an increase in the provision for impairment of trade receivables during the Reporting Period.

## **OTHER INCOME**

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

For the six months ended 30 June 2023, our other income was RMB32.1 million.

## **OTHER LOSSES, NET**

Our other losses, net primarily consist of (i) foreign exchange losses; and (ii) changes in the fair value of financial assets and liabilities at fair value through profit or loss.

For the six months ended 30 June 2023, we had a net other loss of RMB1.4 million.

## **OPERATING LOSS**

As a result of the foregoing, we had an operating loss of RMB211.0 million for the six months ended 30 June 2023, representing a decrease of 12.6% from the operating loss of RMB241.3 million for the six months ended 30 June 2022, primarily due to the increase in revenue and gross profit.

## **FINANCE INCOME**

Our finance income for the six months ended 30 June 2023 was RMB16.0 million, which remained relatively stable as compared with RMB16.1 million for the six months ended 30 June 2022, primarily due to the change in interest income from bank deposits.

## **FINANCE COSTS**

Our finance costs are primarily comprised of (i) interest expenses on our lease liabilities; (ii) interests on borrowings; and (iii) interest expenses on convertible bonds.

Our finance costs increased from RMB2.0 million for the six months ended 30 June 2022 to RMB4.6 million for the six months ended 30 June 2023, mainly due to the increase in interest expenses on convertible bonds and bank borrowings.

## **LOSS FOR THE PERIOD**

For the six months ended 30 June 2023, we reported a loss for the period of RMB196.1 million, representing a decrease of 14.8% from the loss of RMB230.2 million for the six months ended 30 June 2022, primarily due to the increase in revenue and gross profit.

## NON-IFRS MEASURES

### Adjusted Net Loss

We define adjusted net loss as the net loss for the period adjusted by adding back share-based payment expenses, listing expenses, amortization of intangible assets arising from acquisition and changes in fair value of financial assets/liabilities at fair value through profit or loss. The changes in fair value of financial assets/liabilities at fair value through profit or loss mainly include fair value changes of fund investments, other financial investments, contingent considerations and convertible bonds.

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

	For the six months ended	
	30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reconciliation of net loss to adjusted net loss:		
Loss for the period	(196,053)	(230,159)
Add:		
Share-based payment expenses	139,912	142,945
Listing expenses	—	26,457
Amortization of intangible assets arising from acquisition	14,275	2,008
Changes in fair value of financial assets/liabilities at fair value through profit or loss	2,486	(379)
<b>Adjusted net loss (Unaudited)</b>	<b>(39,380)</b>	<b>(59,128)</b>

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Cash and Cash Equivalents**

As at 30 June 2023, cash and cash equivalents of the Group was approximately RMB1,669.5 million, compared to approximately RMB1,642.7 million as at 31 December 2022. The change was mainly from the proceeds from placing of new shares and cash outflow from investing and operating activities. 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. Net debt is calculated as total borrowings (including related party borrowing), convertible bonds and lease liabilities less cash and cash equivalents. As of 30 June 2023, the Group had a net cash position and the gearing ratio was not applicable.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

### **Transaction in relation to the Acquisition of 51% Equity Interest in Shanghai Compass Information Technology Co., Ltd. (“Shanghai Compass”)**

On May 16, 2023, RewinCloud (Chongqing) Technology Co., Ltd. (“**RewinCloud**”, a wholly-owned subsidiary of the Company) entered into an equity transfer agreement with two independent third parties, pursuant to which RewinCloud has conditionally acquired a total of 51% of the equity interests in Shanghai Compass at a total consideration of RMB229.5 million (“**Shanghai Compass Acquisition**”). Immediately after the completion of the Shanghai Compass Acquisition, Shanghai Compass has become an indirect subsidiary of the Company. Shanghai Compass is a specialized company that provides products and services related to data governance and data middle platform nationwide. As none of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the Shanghai Compass Acquisition exceeds 5%, the Shanghai Compass Acquisition does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

Save as disclosed above, for the six months ended 30 June 2023, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.



## Disclosure Made pursuant to Rule 14.36B of the Listing Rules

References are made to the announcement of the Company dated 20 May 2022 in relation to the acquisition of 51% equity interest in two target companies, and to the pages 28 to 35 in the section headed “Material Acquisitions and Disposals” of the annual report for the year ended 31 December 2022 (“**2022 annual report**”) issued by the Company on 19 April 2023.

The Company entered into the Share Transfer Agreement (“**Share Transfer Agreement I**”) with three Vendors (“**Vendors I**”) on 20 May 2022. Pursuant to the Share Transfer Agreement I, the Company has agreed to conditionally purchase, and Vendors I have agreed to conditionally sell, an aggregate of 51% equity interest in AInnovation EHigher (Shanghai) Intelligence Technology Co., Ltd. (浩亞奇智(上海)智能科技股份有限公司) (“**Target Company I**”) at the total consideration of RMB153.0 million. The Company entered into the Share Transfer Agreement (“**Share Transfer Agreement II**”) with three Vendors (“**Vendors II**”) on 20 May 2022. Pursuant to the Share Transfer Agreement II, the Company has agreed to conditionally purchase, and Vendors II have agreed to conditionally sell, an aggregate of 51% equity interest in Qingdao Aolipu Qizhi Intelligent Industrial Technology Co., Ltd. (青島奧利普奇智智能工業技術有限公司) (“**Target Company II**”) at the total consideration of RMB122.4 million.

### 1. Performance commitment of Target Company I

For Target Company I, all parties agreed that the years of 2022, 2023 and 2024 will be the performance commitment period (the “**Performance Commitment Period**”) of Vendors I, during which, except for the matters that shall be considered and approved by the board of directors, the board of supervisors and the shareholders’ meeting of Target Company I as required by the laws and rules, the articles of association of Target Company I and the transactions documents or the matters that shall be agreed in writing by the Company before being implemented, for the major operation and management matters of Target Company I that shall be the sole responsibility of Chen Hong, an existing shareholder of Target Company I, Chen Hong undertakes that the following performance indicators will be satisfied:

Item Financial Year	Performance Commitment Indicator		
	2022 <sup>1</sup>	2023	2024
Revenue (RMB0'000)	21,818	33,000	44,000
Sales gross margin <sup>2</sup>	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company
Financial gross margin <sup>3</sup>	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company
Net profit (excluding extraordinary gains and losses) <sup>4</sup> (RMB0'000)	<u>660</u>	<u>1,320</u>	<u>1,760</u>

Notes:

1. The performance indicators for 2022 refer to the performance indicators consolidated after the Company acquired Target Company I only.
2. Sales gross margin = (turnover – external procurement costs)/revenue.
3. Financial gross margin = (turnover – costs of revenue)/revenue.
4. Net profit (excluding extraordinary gains and losses) refers to the net profit after deducting the extraordinary gains and losses.

During the Performance Commitment Period, the Company shall calculate the Share Transfer Payment (each amount being referred to as “**Adjusted Share Transfer Price**”) to be paid in the year according to the fulfillment of the Performance Commitment Indicator, and pay it to each of Vendors I separately according to the following formula: Adjusted Share Transfer Payment = Share Transfer Payment before Adjustment × The performance achievement rate after taking into account the collection of payments.

30 June 2023 shall be the Collection Date for collection of payments by Target Company I for the financial year 2022. The Company shall calculate that, based on the actual collection status before the Collection Date, from the date of consolidation after the acquisition of Target Company I to 31 December 2022, the revenue of Target Company I was adjusted to RMB212,134,000 and the net profit (excluding extraordinary gains and losses) (unaudited) was adjusted to RMB7,385,000. The calculation of its sales gross margin and financial gross margin was in line with the annual business guideline of the Company. The performance achievement rate after taking into account the collection of payments was calculated to be 104.51%. Therefore, the Company shall make an adjusted Share Transfer Payment of RMB25,500,000 for the financial year 2022 to each of Vendors I.

## **2. Performance commitment of Target Company II**

For Target Company II, all parties agreed that the years of 2022, 2023 and 2024 will be the performance commitment period (the “**Performance Commitment Period**”) of Vendors II, during which, except for the matters that shall be considered and approved by the shareholders’ meeting, the board of directors, the board of supervisors and supervisors of Target Company II as required by the laws and rules, the articles of association of Target Company II and the transactions documents or the matters that shall be agreed in writing by the Company before being implemented, for the major operation and management matters of Target Company II that shall be the sole responsibility of Li Weiguo, an existing shareholder of Target Company II, Li Weiguo undertakes that the following performance indicators will be satisfied:

Item Financial Year	Performance Commitment Indicator		
	2022 <sup>1</sup>	2023	2024
Revenue (RMB0'000)	8,000	15,000	22,500
Sales gross margin <sup>2</sup>	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company
Financial gross margin <sup>3</sup>	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company
Net profit (excluding extraordinary gains and losses) <sup>4</sup> (RMB0'000)	<u>600</u>	<u>1,100</u>	<u>2,300</u>

Notes:

1. The performance indicators for 2022 refer to the performance indicators consolidated after the Company acquired Target Company II only.
2. Sales gross margin = (turnover – external procurement costs)/revenue.
3. Financial gross margin = (turnover – costs of revenue)/revenue.
4. Net profit (excluding extraordinary gains and losses) refers to the net profit after deducting the extraordinary gains and losses.

During the Performance Commitment Period, the Company shall calculate the Share Transfer Payment (each amount being referred to as “**Adjusted Share Transfer Price**”) to be paid in the year according to the fulfillment of the Performance Commitment Indicator, and pay it to each of Vendors II separately according to the following formula: Adjusted Share Transfer Payment = Share Transfer Payment before Adjustment × The performance achievement rate after taking into account the collection of payments.

30 June 2023 shall be the Collection Date for collection of payments by Target Company II for the financial year 2022. The Company shall calculate that, based on the actual collection status before the Collection Date, from the date of consolidation after the acquisition of Target Company II to 31 December 2022, the revenue of Target Company II was adjusted to RMB77,995,000 and the net profit (excluding extraordinary gains and losses) (unaudited) was adjusted to RMB5,339,000. The performance achievement rate is calculated to be 95.67% after considering the sales gross margin, financial gross profit margin and the collection of payments as a whole. Therefore, the Company shall make an adjusted Share Transfer Payment of RMB19,516,700 for the financial year 2022 to each of Vendors II.

## **MATERIAL INVESTMENTS HELD/FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS**

As of 30 June 2023, save as disclosed in this announcement, we did not have material investments or future plans for other material investments or acquisition of capital assets.

## **FOREIGN EXCHANGE EXPOSURE**

During the six months ended 30 June 2023, the Group mainly operated in China with most of the transactions settled in RMB. The functional currency of our Company and the subsidiaries is RMB. As of 30 June 2023, our balance of the cash and cash equivalents was mainly denominated in RMB. The Group manages its foreign exchange risk by closely monitoring the movement of the exchange rates and will consider hedging significant foreign currency exposure if necessary. As of 30 June 2023, our business is not exposed to any significant foreign exchange risk.

## **PLEDGE OF ASSETS**

As at 30 June 2023, the Group had no material pledge of assets.

## **BORROWINGS**

As at 30 June 2023, borrowings of the Group were RMB90.1 million (31 December 2022: RMB57.6 million), mainly include short-term borrowings of subsidiaries acquired.

## CONTINGENT LIABILITIES

As at 30 June 2023, we did not have any material contingent liabilities.

## SUBSEQUENT EVENT

There was no significant event subsequent to the Reporting Period and as at the date of this announcement.

## OTHER INFORMATION

### Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023.

### Repurchase, Sale or Redemption of the Company's Listed Securities

During the Reporting Period, the Company repurchased a total of 833,700 Shares of the Company on the Stock Exchange, which had been cancelled. Details of the repurchased Shares are as follows:

Month of repurchase	Number of Shares repurchased	Price paid per Share		Aggregate consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January	23,400	25.30	25.25	591,915
April	810,300	22.75	16.32	17,582,666
<b>Total</b>	<b>833,700</b>	—	—	<b>18,174,581</b>

As at 22 May 2023, the Shares repurchased by the Company were cancelled. The repurchase of the Shares as referred to in the circular of the Company dated 14 April 2022 was for the purpose of stabilizing the share price of the Company and safeguarding the value of the Company and the interests of the shareholders. The balance of the issued Shares of the Company was 565,050,738 shares as at 30 June 2023.

Except as disclosed above, neither the Company nor the Group has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

### **Compliance with the CG Code**

The Company has adopted the principles and code provisions of the Corporate Governance Code (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.

During the Reporting Period, the Company has complied with all applicable code provisions set out in the CG Code, and adopted most of the recommended best practices set out therein.

### **Compliance with the Model Code for Securities Transactions by Directors, Supervisors and Employees**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and Supervisors of our Company. Having made specific enquiries with all Directors and Supervisors by the Company, all Directors and Supervisors confirmed that they have been in compliance with the required standards set out in the Model Code during the Reporting Period.

## **Review of Interim Report by Audit Committee**

The members of the Audit Committee of the Company consist of Mr. Xie Deren (Chairman of the Committee), Mr. Wang Hua and Ms. Ko Wing Yan Samantha. The interim results announcement for the six months ended 30 June 2023, 2023 interim report and the unaudited interim financial statements for the six months ended 30 June 2023 of the Group, which were prepared in accordance with the requirements under the International Financial Reporting Standards, have been reviewed and confirmed by Audit Committee of the Company.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.ainnovation.com](http://www.ainnovation.com)). The interim report of the Group for the six months ended 30 June 2023 will be dispatched to the Company's shareholders and made available for review on the same websites in due course.



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2023**

		<b>Six months ended</b>	
		<b>30 June</b>	
	<i>Note</i>	<b>2023</b>	2022
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	5	<b>923,851</b>	645,616
Cost of sales	6	<b>(624,979)</b>	(439,952)
<b>Gross profit</b>		<b>298,872</b>	205,664
Selling and distribution expenses	6	<b>(91,191)</b>	(56,484)
General and administrative expenses	6	<b>(190,027)</b>	(189,199)
Research and development expenses	6	<b>(223,097)</b>	(217,832)
Net impairment losses on financial assets		<b>(35,968)</b>	(22,103)
Share of net losses of investments accounted for using the equity method		<b>(342)</b>	(66)
Other income	7	<b>32,121</b>	39,493
Other losses, net		<b>(1,417)</b>	(813)
<b>Operating loss</b>		<b>(211,049)</b>	(241,340)
Finance costs	8	<b>(4,572)</b>	(2,044)
Finance income	8	<b>15,975</b>	16,103
<b>Loss before income tax</b>		<b>(199,646)</b>	(227,281)
Income tax credit/(expense)	9	<b>3,593</b>	(2,878)
<b>Loss for the period</b>		<b>(196,053)</b>	(230,159)
<b>Other comprehensive (loss)/income, net of tax</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Currency translation differences		<b>(102)</b>	238
Other comprehensive (loss)/income for the period, net of tax		<b>(102)</b>	238
<b>Total comprehensive loss for the period</b>		<b>(196,155)</b>	(229,921)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(CONTINUED)**

*FOR THE SIX MONTHS ENDED 30 JUNE 2023*

		<b>Six months ended</b>	
		<b>30 June</b>	
	<i>Note</i>	<b>2023</b>	2022
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss for the period attributable to:</b>			
Owners of the Company		(195,688)	(233,377)
Non-controlling interests		<u>(365)</u>	<u>3,218</u>
<b>Loss for the period</b>		<u><b>(196,053)</b></u>	<u><b>(230,159)</b></u>
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the Company		(195,737)	(233,256)
Non-controlling interests		<u>(418)</u>	<u>3,335</u>
<b>Total comprehensive loss for the period</b>		<u><b>(196,155)</b></u>	<u><b>(229,921)</b></u>
<b>Basic and diluted loss per share for loss attributable to the owners of the Company (in RMB)</b>			
	11	<u><b>(0.36)</b></u>	<u><b>(0.42)</b></u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

		As at 30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2022 <i>RMB'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	67,208	81,943
Right-of-use assets	12	80,786	75,089
Intangible assets	12	349,546	206,620
Goodwill	12	327,385	194,552
Investments accounted for using the equity method		—	342
Other non-current assets		17,204	24,767
<b>Total non-current assets</b>		<b>842,129</b>	<b>583,313</b>
<b>Current assets</b>			
Inventories		95,835	107,772
Trade and notes receivables	13	828,818	571,935
Prepayments and other receivables	14	199,067	191,517
Financial assets at fair value through other comprehensive income		11,928	5,310
Financial assets at fair value through profit or loss	15	155,659	156,020
Restricted cash		13,069	9,915
Cash and cash equivalents		1,669,467	1,642,665
<b>Total current assets</b>		<b>2,973,843</b>	<b>2,685,134</b>
<b>Total assets</b>		<b>3,815,972</b>	<b>3,268,447</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***AS AT 30 JUNE 2023*

	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
<i>Note</i>	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	<b>565,051</b>	559,305
Share premium	<b>2,626,160</b>	2,562,978
Less: Treasury shares	<b>(149,634)</b>	(258,821)
Other reserves	<b>798,919</b>	671,882
Accumulated losses	<b>(1,461,603)</b>	(1,265,915)
	<b><u>2,378,893</u></b>	<u>2,269,429</u>
<b>Non-controlling interests</b>	<b><u>182,258</u></b>	<u>89,546</u>
<b>Total equity</b>	<b><u><u>2,561,151</u></u></b>	<u><u>2,358,975</u></u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

*AS AT 30 JUNE 2023*

		As at 30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2022 <i>RMB'000</i>
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		67,555	70,153
Deferred income tax liabilities		46,768	27,322
Other non-current liabilities		10,710	15,523
Financial liabilities at fair value through profit or loss	18	88,878	73,166
<b>Total non-current liabilities</b>		<u>213,911</u>	<u>186,164</u>
<b>Current liabilities</b>			
Borrowings	16	90,137	57,590
Lease liabilities		23,403	19,958
Trade and notes payables	17	419,598	280,324
Contract liabilities		120,226	105,486
Other payables and accruals		239,497	182,523
Current income tax liabilities		146	3,056
Financial liabilities at fair value through profit or loss	18	147,903	74,371
<b>Total current liabilities</b>		<u>1,040,910</u>	<u>723,308</u>
<b>Total liabilities</b>		<u>1,254,821</u>	<u>909,472</u>
<b>Total equity and liabilities</b>		<u>3,815,972</u>	<u>3,268,447</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

*For the Six Months Ended 30 June 2023*

## 1 General information of the Group

Qingdao AIInnovation Technology Group Co., Ltd. (the “Company”) was incorporated in the People’s Republic of China (the “PRC”) on 6 February 2018 as a limited liability company, and changed the type of enterprise from a limited liability company to a joint stock company on 19 May 2021. 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 sell 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.

This interim condensed consolidated financial information is presented in thousands of Renminbi (“RMB”), unless otherwise stated, and was approved for issue by the Board of Directors on 31 August 2023.

This interim condensed consolidated financial information has been reviewed, not audited.

## 2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the condensed consolidated interim financial information should be read in conjunction with the Group’s annual audited consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

### 3 Accounting policies information

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total earnings for the full financial year.

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

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies as a result of adopting these standards.

<b>Standards and amendments</b>	<b>Key requirements</b>	<b>Effective for annual periods beginning on or after</b>
IFRS 17	Insurance contracts	1 January 2023
IAS 8 (Amendments)	Definition of accounting estimates	1 January 2023
IAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies	1 January 2023

- (b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted by the Group:

<b>Standards and amendments</b>	<b>Key requirements</b>	<b>Effective for annual periods beginning on or after</b>
IAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
IFRS 16 (Amendments)	Lease liability in sale and leaseback	1 January 2024
IFRS 7 and IAS 7 (Amendments)	Supplier finance arrangements	1 January 2024
IFRS 10 and IAS 28 (Amendments)	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, whichever 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.

#### 4 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 is primarily derived from artificial intelligence service, so no operating segment information is presented.

No geographical segment information is presented as most of the revenue and operating losses of the Group are derived within the PRC and most of 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 for the six months ended 30 June 2023 and 2022 is as follows:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	
Customer A	<b>113,381</b>	*

\* No customer contributed over 10% of the total revenue of the Group for the six months ended 30 June 2022.



## 5 Revenue

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Point in time		
– Sales of products and solutions	867,738	602,384
Over time		
– Sales of products and solutions	—	28,200
– Services of data solutions	56,113	15,032
	<u>923,851</u>	<u>645,616</u>

## 6 Expenses by nature

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Material costs	433,895	319,785
Subcontracting costs	302,349	222,889
Employee benefit expenses	288,084	269,531
Depreciation of property, plant and equipment (Note 12)	16,434	12,746
Amortisation of intangible assets (Note 12)	14,994	4,584
Depreciation of right-of-use assets (Note 12)	12,388	10,845
Service fees	14,202	10,087
Travelling expenses	8,780	5,316
Marketing expenses	3,289	1,368
Rental and property management expenses	2,502	2,301
Listing expenses	—	26,457
Other expenses	32,377	17,558
	<u>1,129,294</u>	<u>903,467</u>

## 7 Other income

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Government grants	<u>32,121</u>	<u>39,493</u>

Government grants provided to the Group mainly related to financial assistance from the local governments in the PRC.

## 8 Finance costs and income

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Finance costs:</b>		
Interest expenses on lease liabilities	(2,136)	(1,465)
Interest expenses on bank borrowings	(1,236)	(379)
Interest expenses on convertible bonds	<u>(1,200)</u>	<u>(200)</u>
Total finance costs	<u>(4,572)</u>	<u>(2,044)</u>
<b>Finance income:</b>		
Interest income from bank deposits	<u>15,975</u>	<u>16,103</u>
Finance income - net	<u>11,403</u>	<u>14,059</u>

## 9 Income tax (credit)/expense

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current tax on loss for the period	397	2,928
Deferred income tax	<u>(3,990)</u>	<u>(50)</u>
Income tax (credit)/expense	<u><b>(3,593)</b></u>	<u>2,878</u>

The Company and its subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% on estimated assessable profits.

Shanghai Compass Information Technology Co., Ltd. (“Shanghai Compass”), which was acquired by the Group in May 2023, and a number of other subsidiaries of the Group are qualified as High and New Technology Enterprises in 2023. 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.

Taxation on overseas (other than Mainland China) profits has been calculated on the estimated assessable profits for the six months end 30 June 2023 at the applicable rates of taxation prevailing in the countries or regions in which the Group operates.

## 10 Dividends

The Board does not recommend an interim dividend for the six months ended 30 June 2023 (2022: Nil).

## 11 Loss per share

### (a) Basic loss per share

The basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares (excluding treasury shares) issued during the six months ended 30 June 2023 and 2022.

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Loss from continuing operation attributable to the owners of the Company	(195,688)	(233,377)
Weighted average number of ordinary shares in issue ('000)	547,369	551,954
Basic loss per share (RMB)	<u>(0.36)</u>	<u>(0.42)</u>

### (b) Diluted loss per share

As the Group incurred losses for the six months ended 30 June 2023 and 2022, the potential diluted ordinary shares related to treasury shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, the diluted loss per share for the six months ended 30 June 2023 and 2022 are the same as basic loss per share of the respective period.

## 12 Property, plant and equipment, right-of-use assets and intangible assets

	Property, plant and equipment <i>RMB'000</i> <i>(Unaudited)</i>	Right-of- use assets <i>RMB'000</i> <i>(Unaudited)</i>	Intangible assets <i>RMB'000</i> <i>(Unaudited)</i>	Goodwill <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</i>
<b>Six months ended 30 June 2023 (Unaudited)</b>					
Opening net book amount as at 1 January 2023	81,943	75,089	206,620	194,552	558,204
Additions	3,193	17,240	79	—	20,512
Acquisition of subsidiaries	356	845	157,841	132,833	291,875
Disposals	(1,850)	—	—	—	(1,850)
Depreciation and amortisation (Note 6)	<u>(16,434)</u>	<u>(12,388)</u>	<u>(14,994)</u>	<u>—</u>	<u>(43,816)</u>
Net book amount as at 30 June 2023	<u><u>67,208</u></u>	<u><u>80,786</u></u>	<u><u>349,546</u></u>	<u><u>327,385</u></u>	<u><u>824,925</u></u>
<b>Six months ended 30 June 2022 (Unaudited)</b>					
Opening net book amount as at 1 January 2022	79,212	87,072	5,672	—	171,956
Additions	3,774	4,075	—	—	7,849
Acquisition of subsidiaries	14,200	2,395	206,205	184,906	407,706
Disposals	(51)	—	—	—	(51)
Depreciation and amortisation (Note 6)	<u>(12,746)</u>	<u>(10,845)</u>	<u>(4,584)</u>	<u>—</u>	<u>(28,175)</u>
Net book amount as at 30 June 2022	<u><u>84,389</u></u>	<u><u>82,697</u></u>	<u><u>207,293</u></u>	<u><u>184,906</u></u>	<u><u>559,285</u></u>

The Group's intangible assets comprise customer relationship and technology from business combinations and other intangible assets.

### 13 Trade and notes receivables

	As at 30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2022 <i>RMB'000</i>
Trade receivables	915,794	627,302
Less: Provision for impairment	<u>(125,973)</u>	<u>(88,432)</u>
	<b>789,821</b>	538,870
Notes receivables	<u>38,997</u>	<u>33,065</u>
	<b><u>828,818</u></b>	<b><u>571,935</u></b>

As at 30 June 2023 and 31 December 2022, notes receivables were bank acceptance notes mature in six months and commercial acceptance notes mature in one year. As at 30 June 2023, notes receivables included a total amount of RMB2,172,000 that have been discounted with recourse but not fall due.

The carrying amounts of trade and notes receivables approximate their fair values as at the balance sheet dates.

The majority of the Group's receivables are with credit term from 30 days to 180 days. As at 30 June 2023 and 31 December 2022, the aging of the trade receivables based on the recognition date of the gross trade receivables at the respective reporting dates is as follows:

	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	<b>As at 31 December 2022 RMB'000</b>
Trade receivables		
Less than 3 months	<b>523,277</b>	367,696
3 months to 6 months	<b>118,874</b>	92,954
6 months to 12 months	<b>182,095</b>	94,906
1 year to 2 years	<b>69,739</b>	45,865
2 years to 3 years	<b>21,809</b>	25,881
	<b><u>915,794</u></b>	<b><u>627,302</u></b>

## 14 Prepayments and other receivables

	As at 30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2022 <i>RMB'000</i>
Other receivables		
– Deposits for share repurchase	16,418	16,296
– Other receivables from related parties	13,500	578
– Deposits	10,163	8,371
– Staff advances	2,757	1,749
– Others	<u>13,960</u>	<u>11,546</u>
Other receivables, gross	56,798	38,540
Provision for impairment	<u>(4,765)</u>	<u>(2,305)</u>
Other receivables, net	<u>52,033</u>	<u>36,235</u>
Prepayments to vendors	87,340	109,322
Recoverable value-added tax	59,123	45,424
Recoverable income tax	<u>571</u>	<u>536</u>
Total	<u><u>199,067</u></u>	<u><u>191,517</u></u>

The carrying amounts of other receivables approximate their fair values as at the balance sheet dates.



## 15 Financial assets at fair value through profit or loss

	As at 30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2022 <i>RMB'000</i>
Investment fund	68,186	69,260
Wealth management product	14,665	14,125
Listed equity securities	2,554	2,920
Other financial investment instrument	70,254	69,715
	<u>155,659</u>	<u>156,020</u>

## 16 Borrowings

	As at 30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2022 <i>RMB'000</i>
Current		
– Borrowings in relation to discounting notes receivable (i)	2,172	640
– Bank loans, secured (ii)	17,000	6,000
– Bank loans, guaranteed (iii)	55,000	45,950
– Bank loans, unsecured	15,965	5,000
	<u>90,137</u>	<u>57,590</u>

The Group's borrowings comprised:

- (i) As at 30 June 2023, borrowings in relation to discounting notes receivables with aggregated amount of RMB2,172,000, representing the proceeds received from the discounting of the Group's notes receivables with recourse. As these notes receivables had not yet matured, the proceeds were recorded as borrowings.

- (ii) As at 30 June 2023, secured bank loans with aggregated amount of RMB17,000,000 were secured by the mortgage of properties owned by directors and minority shareholders of two subsidiaries of the Group.
- (iii) As at 30 June 2023, the bank loans with aggregated amount of RMB55,000,000 were guaranteed by: 1) Mr. Chen Hong and Mrs. Liao Lu, the directors and minority shareholders of AInnovation EHigher (Shanghai) Intelligence Technology Co., Ltd. (formerly known as Shanghai Higher Mechanical & Electrical Co., Ltd.) and a guarantee company to the extent of RMB18,000,000; 2) Mr. Chen Hong and a guarantee company to the extent of RMB10,000,000; 3) Mr. Chen Hong to the extent of RMB7,000,000; 4) Mr. Li Weiguo, the directors and minority shareholders of Qingdao Aolipu Qizhi Intelligent Industrial Technology Co., Ltd., to the extent of RMB5,000,000; 5) Mr. Li Weiguo and a guarantee company to the extent of RMB3,000,000; 6) a guarantee company to the extent of RMB7,000,000; and 7) Mr. Chen Hong and Mrs. Liao Lu to the extent of RMB5,000,000.

As at 30 June 2023, the interest rates relating to the Group's borrowings ranged from 2.10% to 4.50% per annum (31 December 2022: 1.60% to 4.45% per annum). The borrowings of the Group are all loans denominated in RMB.

## 17 Trade and notes payables

	As at 30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2022 <i>RMB'000</i>
Trade payables	407,600	275,700
Notes payables	11,998	4,624
	<u>419,598</u>	<u>280,324</u>

As at 30 June 2023 and 31 December 2022, the aging analysis of the trade payables based on transaction date is as follows:

	As at <b>30 June</b> <b>2023</b> <i><b>RMB'000</b></i> <i><b>(Unaudited)</b></i>	As at 31 December 2022 <i>RMB'000</i>
Within 3 months	289,394	206,126
Between 3 months and 6 months	43,235	25,872
Between 6 months and 1 year	57,136	24,005
Between 1 year and 2 years	22,091	18,846
Between 2 years and 3 years	7,742	5,475
	<u>419,598</u>	<u>280,324</u>

The carrying amounts of trade and notes payables approximate their fair values as at the balance sheet dates.

#### 18 Financial liabilities at fair value through profit or loss

	As at <b>30 June</b> <b>2023</b> <i><b>RMB'000</b></i> <i><b>(Unaudited)</b></i>	As at 31 December 2022 <i>RMB'000</i>
Contingent considerations (i)	206,763	117,606
Convertible bonds (ii)	<u>30,018</u>	<u>29,931</u>
	<u>236,781</u>	<u>147,537</u>

- (i) In May 2022 and 2023, the Company entered into two and one transfer agreements respectively with the then shareholders of three companies to acquire an aggregate 51% interests in each of the three companies with fixed considerations and contingent considerations which would be adjusted according to the performance commitment. The contingent considerations represented liabilities measured at fair value, and the fair values were determined using valuation model for which not all inputs are observable and are therefore within level 3 of the fair value hierarchy. The contingent considerations at date of acquisition amounted to RMB196,159,000 and it was increased to RMB206,763,000 as at 30 June 2023 (31 December 2022: RMB117,606,000).
- (ii) Jiangsu Epsa Automation Technology Co., Ltd. (“Jiangsu Epsa”), a subsidiary acquired by the Group in May 2022, entered into an investment agreement with an investor for the issuance of convertible bonds with principal amount of RMB30,000,000 in October 2019. According to the terms of the investment agreement, during the 48 months since the date of issuance, at the investor’s option, the conversion right would be exercisable on the investor’s demand in exchange for shares of Jiangsu Epsa, and the investor has the right to request Jiangsu Epsa to redeem the convertible bonds or shares if converted, with 100% of its issue price plus 8% interest rate per annum.

The conversion price is based on negotiation between Jiangsu Epsa and the investor. The Group designates the entire hybrid contract at fair value through profit or loss and recognized financial liabilities of RMB29,931,000 as at 31 December 2022. As at 30 June 2023, the total fair value of the convertible bonds increased to approximately RMB30,018,000 and the changes in fair value of RMB87,000 was recognized as loss in the consolidated statements of comprehensive loss for the six months ended 30 June 2023.

## **19 Restricted share incentives scheme**

At the extraordinary general meeting of shareholders on 13 January 2023, the Company adopted a directors and management equity incentive scheme (“the Scheme”) for the purpose to encourage, motivate and retain directors and management personnel who contribute to the Group’s continued operation, development and long-term growth to enhance the Company’s appeal for new talents, and to send positive signals to the market and boost market confidence.

All shares granted are subject to a vesting period of 36 months or less commencing from the grant date. The vesting date of the restricted shares granted under the Scheme is the earlier of (i) the date of the announcement of the Company’s annual results with adjusted net profit or loss being positive, or, for the avoidance of doubt, the date of expiry of 12 months from the granting date if less than 12 months have elapsed from the granting date to the date of the announcement of the Company’s annual results with adjusted net profit or loss being positive; or (ii) the expiry of 36 months from the granting date. As at the vesting date, the participants will be entitled to the related shares provided that the participants are still in employment with the Company.

On 28 February 2023, 25,000,000 restricted shares were granted at the grant price of HK\$3.056 per share (equivalent to approximately RMB2.71 per share). The fair value of restricted shares granted was determined at HK\$15.28 per share (equivalent to approximately RMB13.54 per share) based on the closing price of Company's share as at the grant date.

	<b>Number of restricted shares granted '000 (Unaudited)</b>
As at 1 January 2023	—
Granted during the period	<u>25,000</u>
As at 30 June 2023	<u><u>25,000</u></u>

For the six months ended 30 June 2023, share-based payment expenses of RMB30,086,000 under the Scheme was recognized in the consolidated statement of comprehensive income, with a corresponding credit to the equity.

In order to operate the Scheme, the Company entrusted a qualified agent, an independent third party, to act as the trustee for the restricted shares of the Company granted under the Scheme, and the trustee will further acquire shares of the Company through open market transactions at the prevailing market price as the source of award shares.

During the six months ended 30 June 2023, the Company repurchased 8,323,000 shares at a total cash consideration of approximately HK\$166,797,000 (equivalent to approximately RMB149,634,000) on the Hong Kong Stock Exchange through the trustee. The repurchased shares were recognized as treasury shares and were fully used as awards shares under the Scheme.

Shares held by the trustee under the Scheme are shown below:

	<b>As at 30 June 2023 Number of shares '000 (Unaudited)</b>
Shares held under the Scheme	<b><u>8,323</u></b>

As at 30 June 2023, amount of RMB67,693,000 were received from the participants of the Scheme and recorded under “Other payables and accruals”.

## DEFINITIONS

“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 announcement only, do not apply to Hong Kong, the Special Administrative Region of Macau and Taiwan
“Company” or “our Company” or “the 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, whose H shares are listed on the Main Board of Stock Exchange (stock code: 2121)
“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 traded on the Stock Exchange
“HK\$” or “Hong Kong Dollars”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“RMB” or “Renminbi”	the lawful currency of the PRC
“Share(s)”	H share(s)
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of our Company
“%”	percent

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, 31 August 2023

*As at the date of this announcement, the Board of the Company comprises Mr. Xu Hui as executive Director, Dr. Kai-Fu Lee, Mr. Wang Hua and Mr. Wang Jinqiao as non-executive Directors, Mr. Xie Deren, Ms. Ko Wing Yan Samantha and Ms. Jin Keyu as independent non-executive Directors.*

\* *For identification purposes only*