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## 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 Alnnovation 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. Wang Jinqiao

#### 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. Wang Jinqiao

Mr. Xie Deren

### NOMINATION COMMITTEE

Dr. Kai-Fu Lee (*Chairman*)

Ms. Ko Wing Yan Samantha

Ms. Jin Keyu

### SUPERVISORY COMMITTEE

Ms. Lin Ying

Mr. Nie Mingming

Ms. Duan Chengjin

### JOINT COMPANY SECRETARIES

Mr. Xiao Lei

Ms. Kwan Sau In

### 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

5/F, Manulife Place

348 Kwun Tong Road, Kowloon

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](mailto: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
“CICC ALPHA”	CCIC 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)
“Company” or “our Company” or “AlInnovation”	Qingdao AlInnovation 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 dollars, the lawful currency of Hong Kong
“Hong Kong”	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”	15 September 2023, being the latest practicable date for ascertaining certain information in this report before its publication

## Definition

“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 Stock Exchange of Hong Kong Limited, as amended, supplemented, or otherwise modified from time to time
“Nomination Committee”	nomination committee of the Board
“Prospectus”	the prospectus of the Company dated 17 January 2022
“Remuneration Committee”	remuneration committee of the Board
“Reporting Period”	the six months ended 30 June 2023
“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)”	H share(s)
“Shareholder(s)”	holder(s) of the Shares
“Single Largest Shareholders Group”	a group of entities and individuals collectively holding approximately 27.33% of the equity interest in the share capital of 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

## Definition

“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
“Supervisory Committee”	supervisory committee of the Company
“%”	percent

## Financial Summary

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	923,851	645,616
Gross profit	298,872	205,664
Operating loss	(211,049)	(241,340)
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>

## 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>

## Financial Summary

## 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>	<b>645,616</b>	<b>100.0</b>

## Part I: Business Review

Alnovation 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 have 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. Alnovation 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, Alnovation is a "National Specialized and New Small Giant Enterprise", and seven of its subsidiaries are Specialized and New Enterprise at provincial/municipal level.

## Business Overview

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, AlInnovation 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 "AlInnoGC", which can provide customers with more complete AI capabilities from perception to decision-making to generation. The "AlInnoGC" 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", AlInnovation 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, AlInnovation has become a large manufacturer in China's artificial intelligence/machine learning platforms market.

As an AI company that stands on technological innovation, AlInnovation 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

AlInnovation'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.



Business Overview

- ❖ 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 MTS tudio and other products and solutions uploaded to the cloud.

MMOC Platform "3 Phase" Strategy

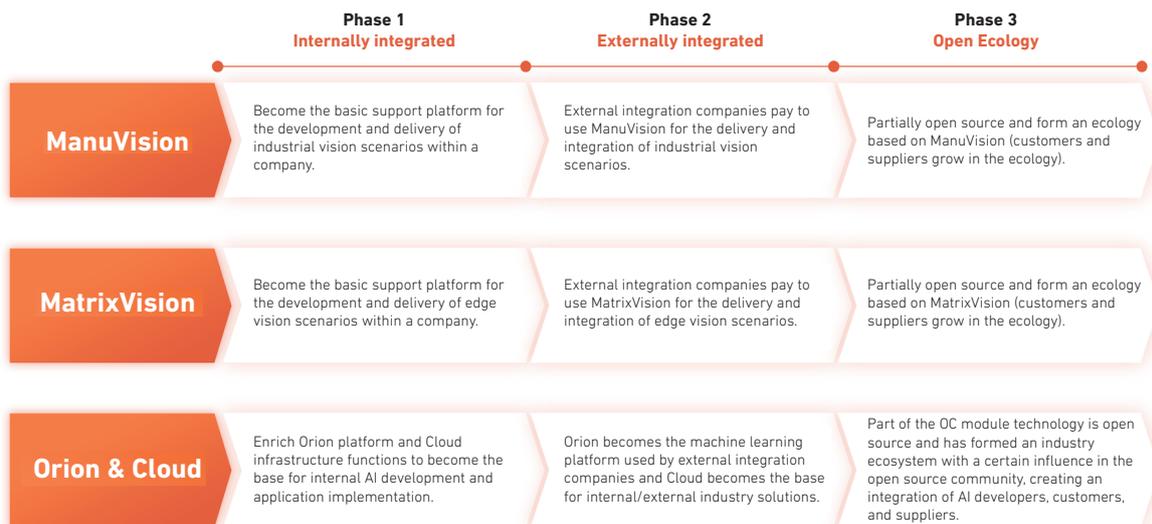


Figure 1: MMOC Platform "3 Phase" Strategy

With the rapid development of large model and generative AI technology, the Company released the AlnnoGC oriented to intelligent manufacturing in the first half of 2023. AlnnoGC is a generative AI platform with industrial large models as the core, which facilitates product/industry solution innovation and supports AlnnoGC 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, AlnnoGC has developed Alnno-15B, which is a pre-training large model with 15 billion parameters. Alnno-15B is based on industrial data sets of AlnnoGC, adopts the standard Transformer architecture (Decoder-only) and supports multiple functions such as text generation, data analysis and knowledge quiz, etc.

## Business Overview

- ❖ 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

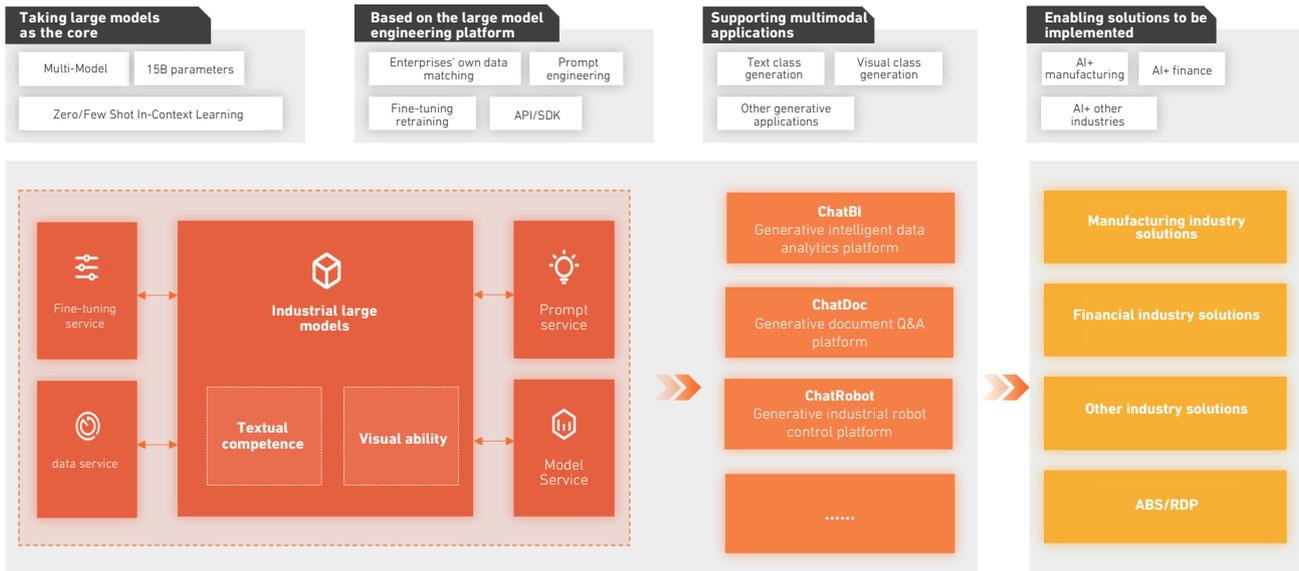


Figure 2: The panorama of AlnoGC

### 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 AlnoGC, 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 Alnovation 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.

## Business Overview

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 AlInnoGC'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 AlInnovation 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, AlInnovation 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, AlInnovation actively reserves and develops related technologies for further development in the future of high-tech innovations —“MMOC AI technology platform” and “AlInnoGC”. 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, AlInnoGC and other solutions on demand to make full use of cloud technology to improve R&D efficiency and reduce R&D costs.

## Business Overview

The AI2.0 AlnoGC 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

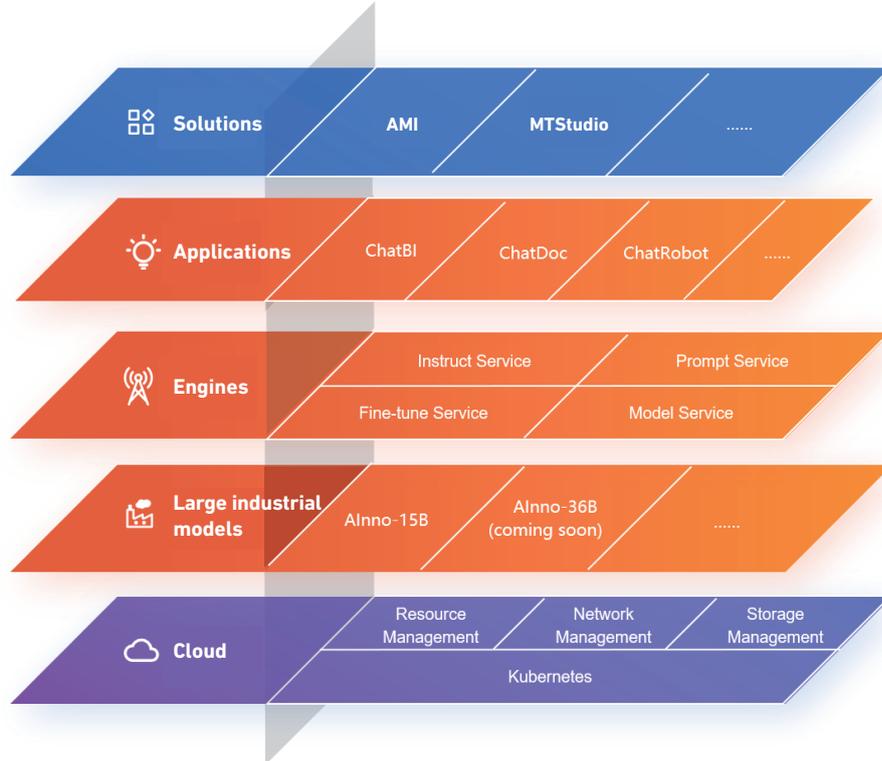


Figure 3: AlnoGC structure

### 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.

## Business Overview

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”, Alnovation 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.

## Management Discussion and Analysis

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.

## Management Discussion and Analysis

### 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.

## Management Discussion and Analysis

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 RMB'000 (Unaudited)	2022 RMB'000 (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.

## Management Discussion and Analysis

### 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 AlInnovation 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:

## Management Discussion and Analysis

Item	Performance Commitment Indicator			
	Financial Year	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)		660	1,320	1,760

## 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.

## Management Discussion and Analysis

### 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	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)	600	1,100	2,300

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.

## Management Discussion and Analysis

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 report, 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 up to the Latest Practicable Date.

## Corporate Governance and Other Matters

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.

### 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.

### CHANGE IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the amendments for the Articles of Association were approved by the Shareholders at the 2022 annual general meeting of the Company held on 12 May 2023. The relevant amendments mainly reflected the change in the total issued Shares and registered capital of the Company upon the cancellation of repurchased Shares by the Company.

For the full text of the amended Articles of Association, please refer to the website of Hong Kong Stock Exchange at <https://www.hkexnews.hk> and the website of the Company at <https://www.ainnovation.com>.

## CHANGES OF POSITIONS HELD BY DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

During the Reporting Period, there has been no change in positions held by Directors, Supervisors and members of senior management.

## CHANGES TO THE INFORMATION OF DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

During the Reporting Period, there has been no change in the information of the Directors, Supervisors and members of senior management as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had 968 employees. During the six months ended 30 June 2023, the employee benefit expenses of the Group amounted to approximately RMB288.1 million, as compared to approximately RMB269.5 million during the six months ended 30 June 2022. The Group integrates its human resources strategy with remuneration plans based on different job sequences to provide competitive salaries and incentives based on performance contributions to all employees. The Group also contributes to social security and provident funds for all employees in accordance with the law, and provides a comprehensive benefit plan including retirement schemes, supplementary medical insurance, accident insurance, annual health check and various subsidies.

## EMPLOYEE TRAINING

The Group formulates staff training and development plans based on business development goals and job qualifications. The Group has always aimed to enhance job suitability and employee competency, and has established four types of empowerment systems focusing on new employee integration, general competence, professional competence in business and leadership in management. At the same time, we provide personalized trainings such as mentorship and partnership to help employees improve their knowledge and ability, achieve job results and realize career development.

## EMPLOYEE INCENTIVE

To incentivize the management team, retain talent and promote the long-term sustainable development of the Company, the Group has adopted the Employee Incentive Scheme pursuant to the resolution of the general meeting of shareholders on 31 March 2021 as an amendment, restatement and consolidation of the previous versions of employee share incentive schemes adopted by the Group since 2018. As of 30 June 2023, 88,271,298 Shares were held by the Employee Incentive Platforms and 88,264,098 Shares were granted.

## Corporate Governance and Other Matters

To encourage, motivate and retain directors and employees who contribute to the Group's ongoing operations, development and long-term growth, and to enhance the Company's ability to attract new talents, and to send positive signals to the market and boost market confidence, the Group has adopted the 2023 Directors and Senior Management H Share Incentive Scheme in accordance with the resolution of the general meeting of shareholders on 13 January 2023, which was capped at a maximum of 25,000,000 H Shares.

### USE OF PROCEEDS FROM SHARE PLACING

In order to enhance the financial strength, enhance market competitiveness and comprehensive strength, and promote the long-term healthy and sustainable development of the Company, on 14 June 2023, the Company successfully placed a total of 19,900,000 new H Shares with nominal value of RMB1.00 each to not less than six Placees (who are independent professional, institutional or other investors), who and whose ultimate beneficial owner(s) are Independent Persons and not connected persons of the Company, at the Placing Price of HK\$19.70 per H Share (a discount of approximately 16.17% to the closing price of HK\$23.50 per H Share quoted on the Stock Exchange on 6 June 2023 (being the date of the Placing Agreement)).

The net proceeds from the Share Placing amounted to approximately HK\$378,856,331. The Company intends to use the net proceeds for the purposes set forth below:

Use	Amount	Percentage	Actual use of net proceeds		Expected timeline for utilization of the unused net proceeds
			during the Reporting Period	The unused net proceeds as of 30 June 2023	
Investment in R&D	Approximately HK\$151.5 million	Approximately 40.0%	—	Approximately HK\$151.5 million	On or before 31 December 2024
Investment in sales and marketing	Approximately HK\$37.9 million	Approximately 10.0%	—	Approximately HK\$37.9 million	On or before 31 December 2024
Investment in strategic expansion	Approximately HK\$113.7 million	Approximately 30.0%	—	Approximately HK\$113.7 million	On or before 31 December 2024
Investment in enhancing our internal system and upgrading our IT infrastructure	Approximately HK\$37.9 million	Approximately 10.0%	—	Approximately HK\$37.9 million	On or before 31 December 2024
Working capital	Approximately HK\$37.9 million	Approximately 10.0%	—	Approximately HK\$37.9 million	On or before 31 December 2024

The above uses are in line with the Company's use of proceeds from the Placing as previously disclosed. Please refer to the Company's announcements dated 7 June 2023 and 14 June 2023 for details of the Placing.

## 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, and 44,744,400 Shares with nominal value of RMB1.00 each were issued to Hong Kong and overseas investors at an offer price of HK\$26.3 per Share. 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	Actual use of net proceeds during the Reporting Period	The unutilized net proceeds as of 31 December 2022	The unutilized net proceeds as of 30 June 2023	Expected timeline
						for utilization of the unutilized net proceeds
Enhancing our R&D capabilities	Approximately HK\$481.6 million	Approximately 45.0%	HK\$34.40 million	Approximately HK\$271.72 million	Approximately HK\$237.32 million	On or before 31 December 2024
Enhancing our commercialization capabilities	Approximately HK\$267.5 million	Approximately 25.0%	HK\$149.38 million	Approximately HK\$267.5 million	Approximately HK\$118.12 million	On or before 31 December 2024
For potential strategic investments and acquisitions	Approximately HK\$107.0 million	Approximately 10.0%	—	Approximately HK\$107.0 million	Approximately HK\$107.0 million	On or before 31 December 2024
Strengthening internal systems and upgrading information infrastructure	Approximately HK\$107.0 million	Approximately 10.0%	—	Approximately HK\$107.0 million	Approximately HK\$107.0 million	On or before 31 December 2024
For working capital and general corporate use	Approximately HK\$107.0 million	Approximately 10.0%	HK\$4.96 million	HK\$58.14 million	Approximately HK\$53.18 million	On or before 31 December 2024

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”. The Company has applied the net proceeds from the Global Offering based on plans as previously disclosed, and the unutilised net proceeds from the Global Offering are expected to be utilised in the same manner as set out in the Prospectus, according to the above changed purposes and as disclosed in the 2022 annual report.

## Corporate Governance and Other Matters

## 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
Total	833,700	—	—	18,174,581

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.

## CONNECTED TRANSACTION

## CONNECTED TRANSACTION IN RELATION TO THE APPOINTMENT OF PLACING AGENTS

## Date:

6 June 2023

## Contracting Parties:

The Company, as the issuer

China International Capital Corporation Hong Kong Securities Limited ("CICC") and Goldman Sachs (Asia) L.L.C. ("GS", together with CICC, the "Joint Placing Agents"), as the Overall Coordinators, Joint Placing Agents and Capital Market Intermediaries for the placement of the Placing Shares

### Subject Matters and Contract Consideration:

Pursuant to the Placing Agreement, the Company has agreed to issue and the Joint Placing Agents (as the joint placing agents of the Company), on a several basis, have agreed to make their best efforts to procure the Placees to subscribe for the Placing Shares at the Placing Price of HK\$19.70 per H Share during the Placing Period under the terms and conditions of the Placing Agreement. In consideration of the services of the Placing Agents in relation to the Placing, the Joint Placing Agents will be entitled to receive (1) a fixed commission representing 2% of the amount equal to the Placing Price multiplied by the number of Placing Shares in the proportion of the Placing Shares as agreed on under the Placing Agreement, which the settlement agent of the Placing shall be authorised to deduct from the payment on behalf of the Joints Placing Agents, and (2) an additional discretionary fee (at a percentage to be determined at the Company's sole discretion) out of the aggregate discretionary fee pool of up to 0.5% of the amount equal to the Placing Price multiplied by the number of Placing Shares.

### Listing Rules Implications

CICC, being one of the Joint Placing Agents and an indirectly wholly-owned subsidiary of China International Capital Corporation Limited, is an associate of CICC ALPHA. CICC ALPHA indirectly holds approximately 14.02% of the issued share capital of the Company as at the date of the Placing Agreement and is a substantial shareholder of the Company. Therefore, CICC ALPHA is a connected person of the Company. Hence, CICC is a connected person of the Company, and the transactions contemplated under the Placing Agreement constitute connected transaction of the Company.

Please refer to the announcements of the Company dated 7 June 2023 and 14 June 2023 for details of connected transaction in relation to the appointment of Placing Agents.

### ISSUED SHARE CAPITAL

As of 30 June 2023, the total share capital of the Company was RMB565,050,738, divided into 565,050,738 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 19 to the financial statements.

### INTERIM DIVIDEND

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

### 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.

## Changes in Share Capital and Information of Shareholders

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

As at 30 June 2023, the interests and short positions of the Directors, Supervisors or the chief executives 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 of the Company

Name of Director, Supervisor and chief executive of the Company	Nature of interest	Number of		Approximate percentage of the issued shares
		ordinary shares held	Long position/ short position	
Mr. Xu Hui	Beneficial Interest	47,581,290	Long positions	8.42%
	Interest in controlled corporation	46,729,207	Long positions	8.27%
Mr. Wang Hua <sup>(1)</sup>	Beneficial Interest	8,640,000	Long positions	1.53%
	Interest held jointly with other persons	145,800,000	Long positions	25.80%

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.

## Changes in Share Capital and Information of Shareholders

## (ii) Interest in associated corporations of the Company

Name of Director, Supervisor and chief executive of the Company	Name of associated corporation	Nature of interest	Number of ordinary shares held	Approximate percentage of the issued shares of the associated corporation
Mr. Wang Hua <sup>(1)</sup>	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 30 June 2023, none of the Directors, Supervisors or the chief executives 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.

## Changes in Share Capital and Information of Shareholders

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

So far as known to any Director or chief executives of the Company, as at 30 June 2023, 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 <sup>(1)</sup>	Beneficial interest	135,000,000	Long position	23.89%
	Interest held jointly with other persons	19,440,000	Long position	3.44%
Sinovation Ventures Yucheng <sup>(1)</sup>	Beneficial interest	8,640,000	Long position	1.53%
	Interest held jointly with other persons	145,800,000	Long position	25.80%
Mr. Wang Hua <sup>(1)</sup>	Beneficial interest	8,640,000	Long position	1.53%
	Interest held jointly with other persons	145,800,000	Long position	25.80%
Ms. Tao Ning <sup>(1)</sup>	Beneficial interest	2,160,000	Long position	0.38%
	Interest held jointly with other persons	152,280,000	Long position	26.95%
Ms. Lang Chunhui <sup>(1)</sup>	Interest held jointly with other persons	154,440,000	Long position	27.33%
Mr. Zhang Ying <sup>(1)</sup>	Interest held jointly with other persons	154,440,000	Long position	27.33%
Beijing Financial Street Xicheng Equity Investment Fund (Limited Partnership) (北京金融街熙誠股權投資基金(有限合伙)) ("Xicheng Fund") <sup>(2)</sup>	Interest in controlled corporation	49,787,662	Long position	8.81%
Mr. Lu Yin <sup>(2)</sup>	Interest in controlled corporation	49,787,662	Long position	8.81%
Mr. Yin Xiaobin <sup>(2)</sup>	Interest in controlled corporation	49,787,662	Long position	8.81%
Zhongjin Xicheng (Beijing) Investment Co., Ltd. (仲金熙誠(北京)投資有限公司) ("Zhongjin Xicheng") <sup>(2)</sup>	Investment manager	49,787,662	Long position	8.81%
Mr. Xu Hui <sup>(3)</sup>	Beneficial interest	47,581,290	Long position	8.42%
	Interest in controlled corporation	46,729,207	Long position	8.27%

## 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
Qingdao Xinnuo Zhicheng Technology Co., Ltd. (青島新諾智成科技有限公司) (“Qingdao Xinnuo Zhicheng”) <sup>(3)</sup>	Interest in controlled corporation	41,311,980	Long position	7.31%
SB Global Advisers Capital Markets Limited	Interest in controlled corporation	39,326,630	Long position	6.96%
SB Global Advisers Limited	Interest in controlled corporation	39,326,630	Long position	6.96%
SoftBank Group Corp.	Interest in controlled corporation	39,326,630	Long position	6.96%
SoftBank Vision Fund II-2 L.P.	Interest in controlled corporation	39,326,630	Long position	6.96%
SVF II Aggregator (Jersey) L.P.	Interest in controlled corporation	39,326,630	Long position	6.96%
SVF II GP (Jersey) Limited	Interest in controlled corporation	39,326,630	Long position	6.96%
SVF II Holdings (DE) LLC	Interest in controlled corporation	39,326,630	Long position	6.96%
SVF II Holdings (Singapore) Pte Ltd.	Interest in controlled corporation	39,326,630	Long position	6.96%
SVF II Investment Holdings (Subco) LLC	Interest in controlled corporation	39,326,630	Long position	6.96%
SVF II Investment Holdings LLC	Interest in controlled corporation	39,326,630	Long position	6.96%
SVF II Zeal Subco (Singapore) Pte. Ltd.	Beneficial interest	39,326,630	Long position	6.96%
Xinnuo Zhiqi <sup>(4)</sup>	Beneficial interest	38,291,634	Long position	6.77%
Qingdao Xinnuo Zhihe Technology Co., Ltd. (青島新諾智合科技有限公司) (“Xinnuo Zhihe”) <sup>(4)</sup>	Interest in controlled corporation	38,291,634	Long position	6.77%
Mr. He Tao <sup>(4)</sup>	Interest in controlled corporation	38,291,634	Long position	6.77%
China International Capital Corporation Limited	Interest in controlled corporation	77,459,084	Long position	13.70%
	Interest in controlled corporation	1,030,000	Short position	0.18%
CICC ALPHA (Beijing) Private Equity Investment Fund Management Co., Ltd.	Executor or administrator	76,429,084	Long position	13.53%
CICC Capital Management Co., Ltd.	Interest in controlled corporation	76,429,084	Long position	13.53%

## Changes in Share Capital and Information of Shareholders

### 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) Ningbo Meishan Free Trade Port Hongxi Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區泓熙股權投資合夥企業(有限合夥)) ("**Hongxi Investment**"), Ningbo Meishan Free Trade Port Hongyue Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區泓越股權投資合夥企業(有限合夥)) ("**Hongyue Investment**") and Ningbo Meishan Free Trade Port Honger Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區泓爾股權投資合夥企業(有限合夥)) ("**Honger Investment**") held 23,133,126, 17,061,024 and 9,593,512 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. CICC ALPHA is held as to 51% by CICC Capital Management Co., Ltd. (中金資本運營有限公司) ("**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 23,133,126, 17,061,024 and 9,593,512 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) Qingdao Innovation Zhicheng Technology Center (Limited Partnership) (青島創新智成科技中心(有限合夥)) ("**Innovation Zhicheng**") directly held 5,417,227 Shares in our Company and is beneficially owned by Mr. Xu Hui. Therefore, Mr. Xu Hui is deemed to be interested in the Shares held by Innovation Zhicheng for purpose of Part XV of the SFO. Qingdao Xinhui Zhiqi Entrepreneurship Service Center (Limited Partnership) (青島新輝智奇創業服務中心(有限合夥)) ("**Qingdao Xinhui**"), Qingdao Xinqi Entrepreneurship Service Center (Limited Partnership) (青島新奇創業服務中心(有限合夥)) ("**Qingdao Xinqi**") and Qingdao Xinda Entrepreneurship Service Center (Limited Partnership) (青島新達創業服務中心(有限合夥)) ("**Qingdao Xinda**") collectively held 41,311,980 Shares in our Company, whose general partner is Qingdao Xinnuo Zhicheng, which is wholly owned by Mr. Xu Hui. Therefore, each of Qingdao Xinnuo Zhicheng and Mr. Xu Hui is deemed to be interested in the 41,311,980 Shares held by Qingdao Xinhui, Qingdao Xinqi and Qingdao Xinda for purpose of Part XV of the SFO.
- (4) 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 30 June 2023, 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 or 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.

# Report on Review of Interim Financial Information

**TO THE BOARD OF DIRECTORS OF  
QINGDAO AINNOVATION TECHNOLOGY GROUP CO., LTD.**

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

## Introduction

We have reviewed the interim financial information set out on pages 40 to 80, which comprises the interim condensed consolidated statement of financial position of Qingdao Alnnovation Technology Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2023 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 31 August 2023

## Interim Condensed Consolidated Statement of Comprehensive Income

For the Six Months Ended 30 June 2023

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Revenue</b>	7	<b>923,851</b>	645,616
Cost of sales	8	<b>(624,979)</b>	(439,952)
<b>Gross profit</b>		<b>298,872</b>	205,664
Selling and distribution expenses	8	<b>(91,191)</b>	(56,484)
General and administrative expenses	8	<b>(190,027)</b>	(189,199)
Research and development expenses	8	<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	9	<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	10	<b>(4,572)</b>	(2,044)
Finance income	10	<b>15,975</b>	16,103
<b>Loss before income tax</b>		<b>(199,646)</b>	(227,281)
Income tax credit/(expense)	11	<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

For the Six Months Ended 30 June 2023

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(195,688)</b>	(233,377)
Non-controlling interests		<b>(365)</b>	3,218
<b>Loss for the period</b>		<b>(196,053)</b>	(230,159)
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the Company		<b>(195,737)</b>	(233,256)
Non-controlling interests		<b>(418)</b>	3,335
<b>Total comprehensive loss for the period</b>		<b>(196,155)</b>	(229,921)
<b>Basic and diluted loss per share for loss attributable to the owners of the Company (in RMB)</b>	13	<b>(0.36)</b>	(0.42)

The notes on pages 47 to 80 are an integral part of this interim condensed consolidated financial information.

## Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Note	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	67,208	81,943
Right-of-use assets	14	80,786	75,089
Intangible assets	14	349,546	206,620
Goodwill	14	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>	583,313
<b>Current assets</b>			
Inventories		95,835	107,772
Trade and notes receivables	15	828,818	571,935
Prepayments and other receivables	16	199,067	191,517
Financial assets at fair value through other comprehensive income	17	11,928	5,310
Financial assets at fair value through profit or loss	18	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>	2,685,134
<b>Total assets</b>		<b>3,815,972</b>	3,268,447
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	19	565,051	559,305
Share premium		2,626,160	2,562,978
Less: Treasury shares	20	(149,634)	(258,821)
Other reserves		798,919	671,882
Accumulated losses		(1,461,603)	(1,265,915)
		<b>2,378,893</b>	2,269,429
<b>Non-controlling interests</b>		<b>182,258</b>	89,546
<b>Total equity</b>		<b>2,561,151</b>	2,358,975

## Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Note	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000
<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	24	88,878	73,166
<b>Total non-current liabilities</b>		<b>213,911</b>	186,164
<b>Current liabilities</b>			
Borrowings	21	90,137	57,590
Lease liabilities		23,403	19,958
Trade and notes payables	22	419,598	280,324
Contract liabilities		120,226	105,486
Other payables and accruals	23	239,497	182,523
Current income tax liabilities		146	3,056
Financial liabilities at fair value through profit or loss	24	147,903	74,371
<b>Total current liabilities</b>		<b>1,040,910</b>	723,308
<b>Total liabilities</b>		<b>1,254,821</b>	909,472
<b>Total equity and liabilities</b>		<b>3,815,972</b>	3,268,447

The notes on pages 47 to 80 are an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2023

(Unaudited)								
Attributable to owners of the Company								
Note	Share	Less:	Share	Other	Accumulated	Total	Non-	Total equity
	capital	Treasury	premium	reserves	losses		controlling	
	RMB'000	shares	RMB'000	RMB'000	RMB'000	RMB'000	interests	RMB'000
	559,305	(258,821)	2,562,978	671,882	(1,265,915)	2,269,429	89,546	2,358,975
Balance at 1 January 2023								
Loss for the period	—	—	—	—	(195,688)	(195,688)	(365)	(196,053)
Other comprehensive loss								
— Currency translation differences	—	—	—	(49)	—	(49)	(53)	(102)
Total comprehensive loss for the period	—	—	—	(49)	(195,688)	(195,737)	(418)	(196,155)
Transactions with owners in their capacity as owners								
— Placing of new shares	19	19,900	—	323,762	—	—	—	343,662
— Shares cancelled	20	(14,154)	274,734	(260,580)	—	—	—	—
— Repurchase of shares	20	—	(165,547)	—	—	—	—	(165,547)
— Share-based payment expenses		—	—	139,912	—	139,912	—	139,912
— Capital injection by non-controlling interests		—	—	—	—	—	19,600	19,600
— Transaction with non-controlling interests		—	—	(12,826)	—	(12,826)	7,562	(5,264)
— Non-controlling interests arising on business combination	27	—	—	—	—	—	65,968	65,968
Total transactions with owners in their capacity as owners		5,746	109,187	63,182	127,086	—	93,130	398,331
Balance at 30 June 2023		565,051	(149,634)	2,626,160	798,919	(1,461,603)	2,378,893	182,258
								2,561,151

The notes on pages 47 to 80 are an integral part of this interim condensed consolidated financial information.

## Interim Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2023

(Unaudited)								
Attributable to owners of the Company								
Note	Less:					Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Other reserves	Accumulated losses			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	514,560	—	1,674,871	498,490	(902,873)	1,785,048	10,260	1,795,308
Loss for the period	—	—	—	—	(233,377)	(233,377)	3,218	(230,159)
Other comprehensive income								
— Currency translation differences	—	—	—	121	—	121	117	238
Total comprehensive (loss)/income for the period	—	—	—	121	(233,377)	(233,256)	3,335	(229,921)
Transactions with owners in their capacity as owners								
— Repurchase of shares	20	(149,978)	—	—	—	(149,978)	—	(149,978)
— Share-based payment expenses	—	—	—	142,945	—	142,945	—	142,945
— Dividends of a subsidiary distributed to non-controlling interests	—	—	—	—	—	—	(539)	(539)
— Issuance of shares by initial public offering, net of attributable transaction costs	44,745	—	888,107	—	—	932,852	—	932,852
— Non-controlling interests arising on business combination	—	—	—	—	—	—	68,561	68,561
Total transactions with owners in their capacity as owners	44,745	(149,978)	888,107	142,945	—	925,819	68,022	993,841
Balance at 30 June 2022	559,305	(149,978)	2,562,978	641,556	(1,136,250)	2,477,611	81,617	2,559,228

The notes on pages 47 to 80 are an integral part of this interim condensed consolidated financial information.

## Interim Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2023

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>			
Cash used in operations		(124,421)	(267,069)
Interest received		15,975	16,103
Income taxes paid		(3,342)	(524)
<b>Net cash used in operating activities</b>		<b>(111,788)</b>	<b>(251,490)</b>
<b>Cash flows from investing activities</b>			
Payments of property, plant and equipment and intangible assets		(3,095)	(6,051)
Proceeds from disposal of financial assets at fair value through profit or loss		250,386	3,370
Payments of financial assets at fair value through profit or loss		(250,000)	(233,810)
Acquisition of subsidiaries	27	(87,867)	(120,682)
Loans to a related party	28	(13,500)	—
Other investing activities		(21,930)	—
Interest received on financial assets at fair value through profit or loss		1,394	5
<b>Net cash used in investing activities</b>		<b>(124,612)</b>	<b>(357,168)</b>
<b>Cash flows from financing activities</b>			
Capital injection of a subsidiary from non-controlling interests		19,600	—
Proceeds from share issuance upon listing		—	957,462
Net proceeds from placing of new shares		350,667	—
Proceeds from award of shares under the employee equity incentive scheme	26	67,693	—
Repurchase of shares		(166,052)	(270,327)
Proceeds from bank borrowings		55,137	21,933
Repayments of bank borrowings		(36,699)	(19,053)
Interest paid of bank borrowings		(1,236)	(368)
Proceeds from a related party borrowing		6,900	19,370
Repayments of a related party borrowing		(6,600)	—
Acquisition of non-controlling interests		(5,264)	—
Payments of lease liabilities		(19,042)	(2,207)
Payment for listing expenses		—	(14,002)
Dividends paid to non-controlling interests		—	(539)
<b>Net cash generated from financing activities</b>		<b>265,104</b>	<b>692,269</b>
<b>Net increase in cash and cash equivalents</b>		<b>28,704</b>	<b>83,611</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>1,642,665</b>	<b>1,553,150</b>
<b>Exchange (losses)/gains on cash and cash equivalents</b>		<b>(1,902)</b>	<b>822</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>1,669,467</b>	<b>1,637,583</b>

The notes on pages 47 to 80 are an integral part of this interim condensed consolidated financial information.

# Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 1 General information of the Group

Qingdao AlInnovation 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.

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

### 3 Accounting policies information (continued)

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.

Standards and amendments	Key requirements	Effective for annual periods beginning on or after
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:

Standards and amendments	Key requirements	Effective for annual periods beginning on or after
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.

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

### 4 Estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2022, as described in those annual financial statements.

### 5 Financial risk management

#### 5.1 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 interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2022.

There have been no changes in the major risk management policies since 31 December 2022.

#### **Credit risk**

The Group is exposed to credit risk in relation to its cash and cash equivalents and restricted cash, financial assets at fair value through other comprehensive income ("FVTOCI"), 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.

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 5 Financial risk management (continued)

## 5.1 Financial risk factors (continued)

## Credit risk (continued)

(i) Credit risk of trade receivables

	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
<b>30 June 2023</b>						
<b>Trade receivables (Note 15)</b>						
Collectively assessed						
Gross carrying amount	523,277	118,874	182,095	69,739	21,809	915,794
Expected loss rate	(4.40%)	(8.71%)	(18.03%)	(54.40%)	(100.00%)	(13.76%)
Loss allowance	(23,044)	(10,354)	(32,828)	(37,938)	(21,809)	(125,973)

	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
<b>31 December 2022</b>						
<b>Trade receivables (Note 15)</b>						
Collectively assessed						
Gross carrying amount	367,696	92,954	94,906	45,865	25,881	627,302
Expected loss rate	(4.14%)	(8.84%)	(20.01%)	(43.90%)	(100.00%)	(14.10%)
Loss allowance	(15,208)	(8,220)	(18,987)	(20,136)	(25,881)	(88,432)

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 5 Financial risk management (continued)

### 5.1 Financial risk factors (continued)

#### Liquidity risk

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	Total RMB'000
<b>As at 30 June 2023</b>				
Trade and notes payables	419,598	—	—	419,598
Other payables and accruals (excluding payroll and welfare payables, warranty and other tax payables)	136,117	—	—	136,117
Borrowings	91,871	—	—	91,871
Financial liabilities at fair value through profit or loss	160,050	84,150	38,250	282,450
Lease liabilities	24,825	26,721	42,645	94,191
	<b>832,461</b>	<b>110,871</b>	<b>80,895</b>	<b>1,024,227</b>

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

### 5 Financial risk management (continued)

#### 5.1 Financial risk factors (continued)

##### Liquidity risk (continued)

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
<b>As at 31 December 2022</b>				
Trade and notes payables	280,324	—	—	280,324
Other payables and accruals (excluding payroll and welfare payables, warranty and other tax payables)	79,045	—	—	79,045
Borrowings	58,549	—	—	58,549
Financial liabilities at fair value through profit or loss	75,900	45,900	45,900	167,700
Lease liabilities	22,005	21,250	50,432	93,687
	515,823	67,150	96,332	679,305

#### 5.2 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).

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 5 Financial risk management (continued)

## 5.2 Fair value estimation (continued)

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2023				
Assets				
Financial assets at FVTOCI				
— Notes receivables	—	—	11,928	11,928
Financial assets at fair value through profit or loss ("FVTPL")				
— Wealth management product	—	14,665	—	14,665
— Investment fund	—	—	68,186	68,186
— Listed equity securities	2,554	—	—	2,554
— Other financial investment instrument	—	70,254	—	70,254
	2,554	84,919	68,186	155,659
Liabilities				
Financial liabilities at FVTPL				
— Contingent considerations	—	—	206,763	206,763
— Convertible bonds	—	—	30,018	30,018
	—	—	236,781	236,781

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 5 Financial risk management (continued)

## 5.2 Fair value estimation (continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2022				
Assets				
Financial assets at FVTOCI				
— Notes receivables	—	—	5,310	5,310
Financial assets at FVTPL				
— Wealth management product	—	14,125	—	14,125
— Investment fund	—	—	69,260	69,260
— Listed equity securities	2,920	—	—	2,920
— Other financial investment instrument	—	69,715	—	69,715
	2,920	83,840	69,260	156,020
Liabilities				
Financial liabilities at FVTPL				
— Contingent considerations	—	—	117,606	117,606
— Convertible bonds	—	—	29,931	29,931
	—	—	147,537	147,537

There were no transfers between Level 1, 2 and 3 during the six months ended 30 June 2023 and 2022.

The fair value of financial instruments that are not traded in an active market (Level 2 and Level 3) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

As at 30 June 2023, the discounted cash flow method was used to determine the fair value of notes receivables, contingent liabilities and convertible bonds. The key assumption under the discounted cash flow method is discount rate (2.1% - 14.0%). The net asset value method was used to determine the fair value of investment fund and no key assumption is applicable for the net asset value method.

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 5 Financial risk management (continued)

## 5.2 Fair value estimation (continued)

The following table presents the changes in level 3 items for the periods ended 30 June 2023 and 2022:

	Six months ended 30 June			
	2023		2022	
	Financial assets at FVTPL RMB'000 (Unaudited)	Financial assets at FVTOCI RMB'000 (Unaudited)	Financial assets at FVTPL RMB'000 (Unaudited)	Financial assets at FVTOCI RMB'000 (Unaudited)
As at the beginning of the period	69,260	5,310	—	34,333
Acquisition of subsidiaries	—	—	3,370	—
Additions	—	11,928	88,751	25,126
Change in fair value	(1,074)	—	(978)	—
Disposals	—	(5,310)	(3,370)	(25,071)
As at the end of the period	68,186	11,928	87,773	34,388
Total losses for the period realised in profit or loss for assets held at the end of the period, under "Other losses, net"	(1,074)	—	(978)	—

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

### 6 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:

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

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

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 7 Revenue

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
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
	<b>923,851</b>	645,616

## 8 Expenses by nature

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
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 14)	16,434	12,746
Amortisation of intangible assets (Note 14)	14,994	4,584
Depreciation of right-of-use assets (Note 14)	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
	<b>1,129,294</b>	903,467

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 9 Other income

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

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

## 10 Finance costs and income

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<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	(1,200)	(200)
Total finance costs	(4,572)	(2,044)
<b>Finance income:</b>		
Interest income from bank deposits	15,975	16,103
Finance income - net	11,403	14,059

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

**11 Income tax (credit)/expense**

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

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

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.

**12 Dividends**

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

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 13 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 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
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)	(0.36)	(0.42)

## (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.

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

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

	Property, plant and equipment RMB'000 (Unaudited)	Right- of-use assets RMB'000 (Unaudited)	Intangible assets RMB'000 (Unaudited)	Goodwill RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<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 (Note 27)	356	845	157,841	132,833	291,875
Disposals	(1,850)	—	—	—	(1,850)
Depreciation and amortisation (Note 8)	(16,434)	(12,388)	(14,994)	—	(43,816)
Net book amount as at 30 June 2023	67,208	80,786	349,546	327,385	824,925
<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 8)	(12,746)	(10,845)	(4,584)	—	(28,175)
Net book amount as at 30 June 2022	84,389	82,697	207,293	184,906	559,285

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

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 15 Trade and notes receivables

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

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:

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

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 16 Prepayments and other receivables

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000
Other receivables		
— Deposits for share repurchase	<b>16,418</b>	16,296
— Other receivables from related parties (Note 28)	<b>13,500</b>	578
— Deposits	<b>10,163</b>	8,371
— Staff advances	<b>2,757</b>	1,749
— Others	<b>13,960</b>	11,546
Other receivables, gross	<b>56,798</b>	38,540
Provision for impairment	<b>(4,765)</b>	(2,305)
Other receivables, net	<b>52,033</b>	36,235
Prepayments to vendors	<b>87,340</b>	109,322
Recoverable value-added tax	<b>59,123</b>	45,424
Recoverable income tax	<b>571</b>	536
<b>Total</b>	<b>199,067</b>	191,517

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

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

**17 Financial assets at fair value through other comprehensive income**

The financial assets at fair value through other comprehensive income comprise 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 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000
Debt investments		
— Notes receivables mature in six months	11,928	5,310

As at 30 June 2023, notes receivable were bank acceptance notes.

**18 Financial assets at fair value through profit or loss**

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000
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
	<b>155,659</b>	156,020

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 19 Share capital

	Number of Shares	Share capital RMB'000
Issued and fully paid:		
As at 30 June 2023	<b>565,050,738</b>	<b>565,051</b>
As at 31 December 2022	559,304,838	559,305

The movements in share capital are set out below:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At the beginning of the period	<b>559,305</b>	514,560
Issuance of ordinary shares (i)	<b>19,900</b>	44,745
Shares cancelled (ii)	<b>(14,154)</b>	—
At the end of the period	<b>565,051</b>	559,305

(i) On 6 June 2023, the Company entered into the placing agreement for the placing of up to 19,900,000 new shares at the placing price of HK\$19.7 per share. The issuance of 19,900,000 shares, net of underwriting commission and other issuance cost, led to an increase of share capital and share premium by approximately RMB19,900,000 and RMB323,762,000, respectively.

(ii) On 12 May 2023, the cumulative shares repurchased by the Company of 14,154,100 shares were cancelled (Note 20).

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 20 Treasury shares

	As at 31 December 2022 RMB'000	Increase in the current period RMB'000 (Unaudited)	Decrease in the current period RMB'000 (Unaudited)	As at 30 June 2023 RMB'000 (Unaudited)
Shares repurchased	258,821	165,547	(274,734)	<b>149,634</b>

- (i) Pursuant to a resolution by the shareholders of the Company at the annual general meeting held on 10 May 2022, the Board of Directors of the Company was granted a general mandate (the "Share Repurchase Mandate") to repurchase shares of the Company up to no more than 10% of the total number of the shares of the Company in issue at the time of the passing of the resolution at the annual general meeting. On 16 May 2022, the Board of Directors of the Company duly resolved to exercise the above Share Repurchase Mandate to repurchase the shares of the Company in the open market for an amount not exceeding HK\$315,000,000, during the repurchase period from 10 May 2022 to the end of the 2022 annual general meeting.
- (ii) During the six months ended 30 June 2023, the number of shares repurchased by the Company totalled 833,700 shares with total consideration amounting to approximately HK\$18,175,000 (equivalent to approximately RMB15,913,000).

In addition, during the six months ended 30 June 2023, the Company, through a trustee, 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. The repurchased shares were recognized as treasury shares and will be fully used as awards shares under a new equity incentive scheme (Note 26).

- (iii) During the six months ended 30 June 2023, the number of shares cancelled by the Company totalled 14,154,100 shares with total consideration amounting to approximately HK\$314,348,000 (equivalent to approximately RMB274,734,000).

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 21 Borrowings

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000
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
	<b>90,137</b>	57,590

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 AlInnovation 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.

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 22 Trade and notes payables

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

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 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000
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
	<b>419,598</b>	280,324

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

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 23 Other payables and accruals

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000
Payroll and welfare payables	75,616	80,917
Repurchase obligation of the employee equity incentive scheme (Note 26)	67,693	—
Accruals and other payables	39,043	51,164
Other payables to related parties (Note 28)	20,448	20,148
Interest payable on convertible bonds	8,933	7,733
Warranty	—	3,838
Other taxes payable	27,764	18,723
	<b>239,497</b>	182,523

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

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000
Contingent considerations (i) (Note (27))	206,763	117,606
Convertible bonds (ii)	30,018	29,931
	<b>236,781</b>	147,537

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

### 24 Financial liabilities at fair value through profit or loss (continued)

- (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 (Note 5.2). 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.

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 25 Commitments

### Capital commitments

As at 30 June 2023 and 31 December 2022, the Group had the following capital commitments:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000
Contracted but not provided for		
— Leasehold improvement	2,590	1,613

## 26 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.

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

### 26 Restricted share incentives scheme (continued)

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	<b>25,000</b>
As at 30 June 2023	<b>25,000</b>

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.

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

**26 Restricted share incentives scheme (continued)**

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 (Note 20). 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>8,323</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" (Note 23).

**27 Business combination**

During the six months ended 30 June 2023, the Group acquired 51% equity interests of Shanghai Compass, a company engaged in computer information technology consulting, big data analysis, and business intelligence solutions, at total consideration of RMB201,493,000, of which, RMB114,750,000 was paid in cash and RMB86,743,000 representing the contingent consideration that were recognized as financial liabilities at fair value through profit or loss (Note 24). Shanghai Compass became a subsidiary of the Group since the acquisition day. The purchase resulted in a net cash outflow of RMB87,867,000 for the six months ended 30 June 2023.

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 27 Business combination (continued)

The following table summarizes the consideration paid, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

	RMB'000
Total purchase consideration	
Cash considerations paid	114,750
Contingent considerations	86,743
	201,493
Total recognized amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	356
Right-of-use assets	845
Intangible assets (i)	157,841
Deferred income tax assets	238
Inventories	12,571
Trade and notes receivables	8,505
Prepayments and other receivables	8,053
Financial assets at fair value through profit or loss	10
Recoverable value-added tax	1,660
Restricted cash	6
Cash and cash equivalents	26,883
Lease liabilities	(513)
Deferred income tax liabilities	(23,674)
Borrowings	(14,109)
Trade and notes payables	(497)
Other payables and accruals	(26,906)
Contract liabilities	(16,641)
	134,628
Less: Non-controlling interests	(65,968)
	68,660

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 27 Business combination (continued)

	RMB'000
Goodwill arising on acquisition:	
Total purchase consideration	201,493
Less: Total identified net assets acquired by the Group	(68,660)
	<hr/>
Goodwill arising on acquisition (ii)	132,833
	<hr/>
Outflow of cash to acquire business, net of cash acquired:	
Cash considerations paid	(114,750)
Cash and cash equivalents in the entities acquired	26,883
	<hr/>
Net cash outflow from the acquisition	(87,867)
	<hr/>

- (i) The identified intangible assets of RMB157,841,000 recognized represent customer relationship and technology. They are initially recognized and measured at fair value as they are acquired in business combinations. When determining the length of useful lives of these intangible assets, management take into account (i) the estimated period during which such asset can bring economic benefits to the Group; and (ii) the useful lives estimated by comparable companies in the market.
- (ii) The goodwill of RMB132,833,000 recognized represents the excess of the purchase consideration over the fair value of the net identifiable assets acquired. The goodwill recorded, not deductible for tax purposes, is primarily attributable to the rich industry implementation experience in vertical segmentation industries of Shanghai Compass that the Group can leverage to further expand into the relevant industry for the continuous iteration of AI products and solutions.

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

### 28 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) Related parties

The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the six months ended 30 June 2023 and 2022:

Name of related parties	Relationship with the Company
Sinovation Ventures (Beijing) Enterprise Management Limited ("Sinovation Ventures")	Shareholder of the Company
CISDI (Chongqing) Information Technology Co., Ltd. ("CISDI Information")	Non-controlling shareholder of a subsidiary
CISDI Group Co., Ltd.	The parent company of CISDI Information
CISDI Engineering Co., Ltd.	Controlled by CISDI Group Co., Ltd.
CISDI Engineering Management Consultants Co., Ltd. ("CISDI Engineering Management")	Controlled by CISDI Group Co., Ltd.
Mr. Chen Hong	Director and non-controlling shareholder of a subsidiary
Mr. Li Weiguo	Director and non-controlling shareholder of a subsidiary
Mrs. Liao Lu	Director and non-controlling shareholder of a subsidiary
Mr. Liu Qian	Director and non-controlling shareholder of a subsidiary
Qingdao Aolipu Intelligence Manufacturing Research Institute Co., Ltd. ("Qingdao Aolipu")	Associate of the Group
Aolipu (Beijing) Intelligence Technology Co., Ltd. ("Beijing Aolipu")	Associate of the Group

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 period.

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 28 Related party transactions (continued)

## (b) Transactions with related parties

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
(i) Sales and services to related parties		
CISDI Information	1,622	—
Sinovation Ventures	749	1,727
CISDI Engineering Management	236	—
CISDI Engineering Co., Ltd.	—	29,174
	<b>2,607</b>	30,901
(ii) Services provided by related parties		
CISDI Group Co., Ltd.	—	256
(iii) Received loans from a related party		
Mr. Li Weiguo	6,900	19,370
(iv) Repayment of loans to a related party		
Mr. Li Weiguo	6,600	—
(v) Loans to a related party		
Mr. Liu Qian	13,500	—

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 28 Related party transactions (continued)

## (c) Balances with related parties

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000
(i) Receivables from related parties		
<b>Trade</b>		
Trade receivables		
— CISDI Engineering Co., Ltd.	26,704	36,204
— CISDI Information	1,087	918
— Sinovation Ventures	334	3,827
— CISDI Engineering Management	250	—
	<b>28,375</b>	40,949
Provision for impairment	<b>(5,170)</b>	(3,436)
	<b>23,205</b>	37,513
<b>Non-Trade</b>		
Other receivables		
— Mr. Liu Qian (i)	13,500	—
— Beijing Aolipu	—	578
	<b>13,500</b>	578

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

## 28 Related party transactions (continued)

## (c) Balances with related parties (continued)

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000
(ii) Payables to related parties		
<b>Trade</b>		
Contract liabilities		
— CISDI Information	—	303
<b>Non-Trade</b>		
Other payables and accruals		
— Mr. Li Weiguo (ii)	20,199	19,899
— Qingdao Aolipu	249	249
	<b>20,448</b>	20,148

- (i) Mr. Liu Qian obtained a loan from a subsidiary of the Group, which was unsecured with an interest at 3% per annum and had been fully settled in July 2023.
- (ii) A subsidiary of the Group obtained loans from Mr. Li Weiguo during the six months ended 30 June 2023, which are unsecured, non-interest bearing and will be due in December 2023.
- (iii) Except for non-trade balances with Mr. Liu Qian and Mr. Li Weiguo, the non-trade balances with related parties are unsecured, non-interest bearing and repayable on demand.

## Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2023

**28 Related party transactions (continued)****(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:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Salaries, bonus and other welfare	<b>6,762</b>	7,927
Share-based payment expenses	<b>33,535</b>	62,278
	<b>40,297</b>	70,205

**29 Events after the reporting period**

The Group had no significant events after the reporting period and up to the date of the approval of the unaudited interim condensed consolidated financial statements.



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