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iMotion Automotive Technology (Suzhou) Co., Ltd.
知行汽車科技(蘇州)股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1274)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023

FINANCIAL HIGHLIGHTS

During the year ended December 31, 2023, the Group has recorded:

- Revenue of RMB1,216,287 thousand, which was decreased by 8.27% compared to the same period in 2022, including:
 - revenue from sales of autonomous driving solutions and products decreased by 9.78%, from RMB1,252,949 thousand for the year ended December 31, 2022 to RMB1,130,440 thousand for the year ended December 31, 2023;
 - revenue from rendering of autonomous driving-related R&D services increased by 66.28%, from RMB37,956 thousand for the year ended December 31, 2022 to RMB63,112 thousand for the year ended December 31, 2023;
 - revenue from sales of PCBA products decreased by 35%, from RMB34,977 thousand for the year ended December 31, 2022 to RMB22,735 thousand for the year ended December 31, 2023.
- Gross profit of RMB120,953 thousand, which was increased by 9.39% compared to the same period in 2022, including:
 - gross profit of sales of autonomous driving solutions and products decreased by 0.27%, from RMB93,348 thousand for the year ended December 31, 2022 to RMB93,097 thousand for the year ended December 31, 2023;
 - gross profit of rendering of autonomous driving-related R&D services increased by 100.99%, from RMB13,229 thousand for the year ended December 31, 2022 to RMB26,589 thousand for the year ended December 31, 2023;
 - gross profit of sales of PCBA products decreased by 68.29%, from RMB3,996 thousand for the year ended December 31, 2022 to RMB1,267 thousand for the year ended December 31, 2023.

- Gross profit margin was 9.94% (2022: 8.34%), of which:
 - gross profit margin of sales of autonomous driving solutions and products was 8.24% (2022: 7.45%);
 - gross profit margin of rendering of autonomous driving-related R&D services was 42.13% (2022: 34.85%);
 - gross profit margin of sales of PCBA products was 5.57% (2022: 11.43%).
- Loss before tax for the Reporting Period decreased by 43.01% to RMB195,108 thousand (2022: RMB342,376 thousand).
- Loss attributable to the equity holders of the Company for the Reporting Period was decreased by 43.02% to RMB195,100 thousand (2022: RMB342,376 thousand).
- Basic and diluted loss per share attributable to ordinary equity holders of the parent amounted to RMB0.95 for the Reporting Period (2022: RMB1.77).
- The Board does not recommend the payment of a final dividend for the year ended December 31, 2023 (2022: Nil).

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”, and each a “**Director**”) of iMotion Automotive Technology (Suzhou) Co., Ltd. (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” or “**us**”) for the year ended December 31, 2023 (the “**Reporting Period**”), together with the comparative figures for the corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
Revenue	3	1,216,287	1,325,882
Cost of sales	6	<u>(1,095,334)</u>	<u>(1,215,309)</u>
Gross Profit		120,953	110,573
Selling expenses	6	(32,277)	(27,681)
Administrative expenses	6	(83,918)	(41,517)
Research and development expenses	6	(216,624)	(104,047)
Reversal of impairment/(net impairment) losses on financial assets		1,601	(3,717)
Other income	4	7,676	4,710
Other gains/(losses) - net	5	<u>5,718</u>	<u>(628)</u>
Operating loss		(196,871)	(62,307)
Finance income	7	3,109	100
Finance costs	7	<u>(1,346)</u>	<u>(280,169)</u>
Finance income/(costs) - net	7	1,763	(280,069)
Loss before income tax		(195,108)	(342,376)
Income tax expense	8	<u>—</u>	<u>—</u>
Loss for the year		<u>(195,108)</u>	<u>(342,376)</u>
Other comprehensive income: <i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		<u>8</u>	<u>—</u>
Loss and total comprehensive loss for the year attributable to the equity holders of the Company		<u>(195,100)</u>	<u>(342,376)</u>
Loss per share attributable to the equity holders of the Company (in RMB)			
Basic and diluted loss per share	9	<u>(0.95)</u>	<u>(1.77)</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	2023	2022
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		94,244	30,704
Right-of-use assets		34,484	37,408
Intangible assets		11,236	4,859
Financial assets at fair value through profit or loss		3,517	3,000
Other non-current assets		20,705	19,932
		<u>164,186</u>	<u>95,903</u>
Current assets			
Inventories	10	256,017	271,974
Other current assets		77,122	45,178
Trade and notes receivables	11	219,093	289,358
Financial assets at fair value through other comprehensive income		7,098	–
Financial assets at fair value through profit or loss		228,277	182,408
Restricted cash		306	835
Cash and cash equivalents		720,453	365,745
		<u>1,508,366</u>	<u>1,155,498</u>
Total assets		<u>1,672,552</u>	<u>1,251,401</u>
EQUITY			
Paid-in capital		–	–
Share capital		226,330	10,211
Reserves		1,117,780	681,550
Accumulated losses		(220,402)	(25,294)
Total equity		<u>1,123,708</u>	<u>666,467</u>

		As at 31 December	
	<i>Note</i>	2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Other payables and accruals	<i>14</i>	2,155	–
Borrowings	<i>12</i>	24,159	–
Lease liabilities		630	1,572
Contract liabilities		1,450	6,750
Provisions		6,968	3,281
Deferred income		3,548	883
		<u>38,910</u>	<u>12,486</u>
Current liabilities			
Trade and notes payables	<i>13</i>	185,528	438,417
Other payables and accruals	<i>14</i>	105,440	53,879
Contract liabilities		10,647	26,545
Borrowings	<i>12</i>	201,498	49,004
Lease liabilities		1,797	3,341
Derivative financial instruments		293	–
Provisions		4,731	1,262
		<u>509,934</u>	<u>572,448</u>
Total liabilities		<u>548,844</u>	<u>584,934</u>
Total equity and liabilities		<u>1,672,552</u>	<u>1,251,401</u>
Net current assets		<u>998,432</u>	<u>583,050</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company					Total RMB'000
	Paid-in capital RMB'000	Share capital RMB'000	Treasury stock RMB'000	Reserves RMB'000	Accumulated losses RMB'000	
As at 1 January 2022	9,087	–	(465,516)	492,791	(594,696)	(558,334)
Comprehensive loss						
Loss for the year	–	–	–	–	(342,376)	(342,376)
Transactions with the equity holders of the Company						
Capital contributions from the equity holders of the Company	1,124	–	–	344,876	–	346,000
Recognition of financial instruments with preferred rights at amortized cost	–	–	(346,000)	–	–	(346,000)
Derecognition of financial instruments with preferred rights at amortized cost	–	–	811,516	711,635	–	1,523,151
Conversion into a joint stock company	(10,211)	10,211	–	(911,778)	911,778	–
Share-based payment	–	–	–	44,026	–	44,026
	(9,087)	10,211	465,516	188,759	911,778	1,567,177
As at 31 December 2022	–	10,211	–	681,550	(25,294)	666,467

	Attributable to the equity holders of the Company			
	Share capital RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2023	10,211	681,550	(25,294)	666,467
Comprehensive loss				
Loss for the period	–	–	(195,108)	(195,108)
Other comprehensive loss	–	8	–	8
Provision of safety fund surplus reserve	–	362	(362)	–
Utilisation of safety fund surplus reserve	–	(362)	362	–
	<u>–</u>	<u>8</u>	<u>(195,108)</u>	<u>(195,100)</u>
Transactions with the equity holders of the Company				
Issuance of ordinary shares upon global offering	22,116	539,236	–	561,352
Capitalization Issue	194,003	(194,003)	–	–
Share-based payment	–	90,989	–	90,989
	<u>216,119</u>	<u>436,222</u>	<u>–</u>	<u>652,341</u>
As at 31 December 2023	<u>226,330</u>	<u>1,117,780</u>	<u>(220,402)</u>	<u>1,123,708</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
Net cash used in operations	(264,899)	(65,667)
Interest received from cash at banks	<u>3,109</u>	<u>100</u>
Net cash used in operating activities	<u>(261,790)</u>	<u>(65,567)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(74,493)	(24,437)
Payments for intangible assets	(9,829)	(1,506)
Government grants received in relation to acquisition of non-current assets	2,976	–
Proceeds from sale of property, plant and equipment	100	30
Proceeds from disposals of financial assets at fair value through profit or loss	1,790,922	2,008,902
Payments for financial assets at fair value through profit or loss	(1,828,011)	(1,940,749)
Payments for settlement of derivative financial instruments	–	(801)
Net cash (used in)/generated from investing activities	<u>(118,335)</u>	<u>41,439</u>
Cash flows from financing activities		
Proceeds from contributions from equity holders	–	346,000
Proceeds from issuance of H shares upon global offering	596,716	–
Payments of lease liabilities	(3,860)	(3,073)
Repayments of borrowings	(48,857)	(35,500)
Proceeds from borrowings	225,474	48,857
Interest paid for borrowings	(1,141)	(375)
Payments for listing expenses	(31,849)	–
Net cash generated from financing activities	<u>736,483</u>	<u>355,909</u>
Net increase in cash and cash equivalents	<u>356,358</u>	<u>331,781</u>
Cash and cash equivalents at beginning of the year	365,745	32,042
Exchange gains on cash and cash equivalents	<u>(1,650)</u>	<u>1,922</u>
Cash and cash equivalents at end of the year	<u><u>720,453</u></u>	<u><u>365,745</u></u>

I NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

iMotion Automotive Technology (Suzhou) Co., Ltd. was incorporated in Suzhou on December 27, 2016 as a limited liability company. The address of its registered office is G2-1901 1902 2002, No. 88 Jinji Lake Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC.

Upon approval by the shareholders' general meeting held in November 2022, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC and changed its registered name from "iMotion Automotive Technology (Suzhou) Co., Ltd. (知行汽車科技(蘇州)有限公司)" to "iMotion Automotive Technology (Suzhou) Co., Ltd. (知行汽車科技(蘇州)股份有限公司)" on 29 December 2022.

In December 2023, the Company successfully completed its initial public offering. The Company's H shares have been listed on The Main Board of The Stock Exchange of Hong Kong Limited since 20 December 2023.

The Company and its subsidiaries (together, "the Group") are principally engaged in the development, manufacture and sale of autonomous driving products and solutions.

2 BASIS OF PREPARATION

(i) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments that are measured at fair value.

(iii) New or amended standards not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Standards and amendments	Effective for accounting periods beginning on or after
IFRS 16 (Amendment) ‘Lease Liability in a Sale and Leaseback’	1 January 2024
IAS 1 (Amendment) ‘Non-current Liabilities with Covenants’	1 January 2024
IAS 1 (Amendment) ‘Classification of Liabilities as Current or Non-current’	1 January 2024
IFRS 7 (Amendment) and IAS 7 (Amendment) ‘Supplier Finance Arrangements’	1 January 2024
IAS 21 (Amendment) ‘Lack of Exchangeability’	1 January 2025
IFRS 10 (Amendment) and IAS 28 (Amendment) ‘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. According to the preliminary assessment made by the Group, no significant impact on the financial performance and positions of the Group is expected when they become effective.

3 REVENUE AND SEGMENT INFORMATION

(a) Description of segments and principal activities

During the year ended 31 December 2023, the Group is engaged in the production, research and development and sales of autonomous driving products and solutions in the PRC. The executive directors of the Company (i.e., the CODM) review the operating results of the business as one operating segment to make strategic decisions and resources allocation. Therefore, the Group regards that there is only one segment which is used to make strategic decisions.

Geographical information

Most of the Group’s business and operations are conducted in Mainland China and currently, the Group’s principal market, majority of revenue, operating loss and non-current assets are derived from/located in the PRC. Accordingly, no geographical segment information is presented.

(b) Revenue during the reporting period

Revenue represents the invoiced value of goods sold and rendering of services, which is net of rebate and discounts.

Revenue mainly comprises sales of autonomous driving solutions and other products and rendering of services. An analysis of the Group’s revenue by category for the years ended 31 December 2023 and 2022 is as follows:

	Year ended 31 December	
	2023	2022
	RMB’000	RMB’000
Autonomous driving solutions and products	1,130,440	1,252,949
Autonomous driving-related R&D services	63,112	37,956
Sales of PCBA products	22,735	34,977
	1,216,287	1,325,882

All the Group's revenue is recognised at a point in time.

For the year ended 31 December 2023, Geely Group was the Group's largest customer and the Group's revenue from Geely Group was RMB1,135.1 million (2022: RMB1,277.5 million), representing approximately 93.3% (2022: 96.4%) of the Group's total revenue during the same year.

(c) Assets and liabilities related to contracts with customers

The Group recognized the following assets and liabilities related to the contracts with customers:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current assets recognised for costs incurred to acquire contracts	5,250	11,667
Current assets recognised for costs incurred to acquire contracts	<u>1,750</u>	<u>2,916</u>
Total assets recognised for costs incurred to acquire contracts (i)	<u>7,000</u>	<u>14,583</u>
Non-current assets recognised for costs incurred to fulfill contracts	529	6,380
Current assets recognised for costs incurred to fulfill contracts	<u>44,659</u>	<u>28,246</u>
Total assets recognised for costs incurred to fulfill contracts (ii)	<u>45,188</u>	<u>34,626</u>
Non-current liabilities – rendering of services (iii)	1,450	6,750
Current liabilities – rendering of services (iv)	10,337	26,364
Current liabilities – sales of products (v)	<u>310</u>	<u>181</u>
Total contract liabilities	<u>12,097</u>	<u>33,295</u>

(i) Assets recognised from costs to acquire contracts

In addition to the contract balances disclosed above, the Group has also recognised an asset in relation to costs to acquire contracts. This is presented within other current assets and non-current assets in the balance sheet.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Assets recognised from costs incurred to acquire contracts	14,583	17,500
Decrease in contract acquisition costs due to termination of a contract	(4,000)	–
Amortisation recognised as cost of selling products during the year	<u>(3,583)</u>	<u>(2,917)</u>
	<u>7,000</u>	<u>14,583</u>

(ii) Assets recognised from costs to fulfill contracts

In addition to the contract balances disclosed above, the Group has also recognised assets in relation to costs to fulfill contracts. This is presented within other current assets and non-current assets in the balance sheet.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Assets recognised from costs incurred to fulfill contracts	47,653	39,388
Less: provisions for impairment of contract fulfillment costs	(2,465)	(4,762)
	<u>45,188</u>	<u>34,626</u>

Contract fulfillment costs represented costs that relate directly to a contract for autonomous driving related R&D services provided by the Company, primarily including direct labour, direct materials and allocations of costs incurred in providing the promised services directly to the customers. The provision for impairment of contract fulfillment costs as recognized was RMB617,000 (2022: RMB4,421,000) for the year ended 31 December 2023.

(iii) Significant changes in contract liabilities

The decrease was due to the fulfillment of obligations with respect to the contract liabilities, and the amount of contract liabilities was recognised as revenue during the year ended 31 December 2023.

(iv) Revenue recognised in relation to contract liabilities

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u>24,088</u>	<u>753</u>

(v) Transaction price allocated to the unsatisfied performance obligations

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Aggregate amount of transaction price allocated to contracts that are partially or fully unsatisfied		
Rendering of services	49,995	97,398
Sales of products	179,632	246,130
	<u>229,627</u>	<u>343,528</u>

The above remaining performance obligations are mainly related to the contracts of rendering of services and sales of products. Management expects that the unsatisfied obligations of RMB224,027,000 as of 31 December 2023 will be recognised as revenue within the next twelve months. The remaining unsatisfied obligations will be recognised in one to two year(s).

4 OTHER INCOME

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	<u>7,676</u>	<u>4,710</u>

During the year ended 31 December 2023, the government grants mainly include government subsidies for the Group's research and development expenditures as well as construction for advanced industry base. There are no unfulfilled conditions or other contingencies attaching to the grants recognized.

5 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Net fair value gains on financial assets at FVPL	9,296	7,729
Net gains/(losses) on disposals of property, plant and equipment and intangible assets	87	(73)
Net fair value losses on derivative financial instruments	(293)	(2,252)
Net foreign exchange losses	(3,493)	(6,284)
Others	<u>121</u>	<u>252</u>
	<u>5,718</u>	<u>(628)</u>

6 EXPENSES BY NATURE

The detailed analysis of cost of sales, selling expenses, administrative expenses and research and development expenses is as follows:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Changes in inventories of finished goods	184,627	(195,619)
Raw materials and consumables used	863,058	1,328,028
Employee benefit expenses	247,782	154,971
Design and testing expenses	50,033	56,861
Listing expenses	29,232	2,056
Depreciation and amortization expenses	17,606	13,953
Warranty	10,740	3,746
Travel expense	5,160	5,039
Advertising and publicity expenses	3,021	2,157
Legal, consulting and other professional fees	2,957	3,969
Business development expenses	2,522	1,606
Provision for impairment of contract fulfillment costs	617	4,421
Provision for impairment of inventories	602	25
Expenses relating to short-term leases	384	727
Others	<u>9,812</u>	<u>6,614</u>
Total	<u>1,428,153</u>	<u>1,388,554</u>

7 FINANCE INCOME/(COSTS) – NET

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Finance income:		
Interest income on cash at banks	3,109	100
Finance costs:		
Interest expenses on bank and other borrowings	(1,238)	(484)
Financial cost on financial instruments with preferred rights at amortized cost	–	(279,420)
Interest and finance charges on lease liabilities	(169)	(265)
	<u>(1,407)</u>	<u>(280,169)</u>
Less: borrowing costs capitalized in property, plant and equipment	<u>61</u>	<u>–</u>
Finance costs	<u>(1,346)</u>	<u>(280,169)</u>
Finance income/(costs) – net	<u><u>1,763</u></u>	<u><u>(280,069)</u></u>

During the year ended 31 December 2023, the interest rate applicable to the Group's capitalization of borrowings costs in construction in progress was 3.00% (2022: Nil).

8 INCOME TAX EXPENSE

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Current income tax expense	–	–
Deferred income tax expense	–	–
Income tax expense	<u><u>–</u></u>	<u><u>–</u></u>

The Group's principal applicable taxes and tax rates are as follows:

The Company was entitled to a preferential corporate income tax rate of 15% during the years ended 31 December 2023 and 2022. The Company obtained its High and New Technology Enterprises (“HNTE”) qualification in year 2019, and hence it is entitled to a preferential tax rate of 15% for a three-year period commencing 2019. This qualification is subject to a requirement that the Company should reapply for HNTE qualification every three years. The Company re-applied for HNTE qualification and the application was approved for another three-year period commencing 2022.

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 175% from 2018 onwards (subsequently raised to 200% from 2021 onwards) of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the “Super Deduction”).

A reconciliation of the expected income tax calculated at the applicable corporate income tax rate and loss before income tax, with the actual corporate income tax is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss before income tax	(195,108)	(342,376)
Income tax credit computed at the applicable income tax rate of 25%	(48,778)	(85,593)
Tax effects of:		
Preferential tax rate	20,428	34,541
Expenses not deductible for taxation purposes	259	42,010
Super Deduction in respect of R&D expenditures	(23,098)	(10,450)
Utilisation of previously unrecognised tax losses	(2,337)	(304)
Tax losses for which no deferred income tax assets was recognized	38,956	11,649
Other Temporary differences for which no deferred income tax assets were recognised	14,570	8,147
	—————	—————
Income tax expense	—	—
	=====	=====

As at 31 December 2023, the Group had unused tax losses of approximately RMB534,932,000 (2022: RMB287,308,000) that can be carried forward against future taxable income, respectively. No deferred income tax asset has been recognized in respect of such tax losses due to the unpredictability of future taxable income.

The Group principally conducted its business in Mainland China, where the accumulated tax losses will normally expire within 5 years. Pursuant to the relevant regulations on extension for expiries of unused tax losses of HNTE issued in August 2018, the expiry period of the accumulated unexpired tax losses of the Company, which is qualified as HNTE, from 2018 had been extended from 5 years to 10 years. The Company re-applied for HNTE status in 2022 and the approval was obtained in October 2022.

Deductible losses that are not recognized for deferred income tax assets will expire as follows:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Expiry year		
2023	–	2,510
2024	1,330	8,348
2025	167	167
2026	2,466	3,170
2027	4,566	4,602
2028	27,731	27,592
2029	45,639	45,639
2030	54,205	54,205
2031	66,757	66,757
2032	74,318	74,318
2033	257,753	–
	<u>534,932</u>	<u>287,308</u>

9 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share for the years ended 31 December 2023 and 2022 are calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2023	2022
Loss attributable to the equity holders of the Company (RMB'000)	(195,108)	(342,376)
Weighted average number of ordinary shares outstanding (thousand shares) (Note)	<u>204,881</u>	<u>193,459</u>
Basic loss per share (expressed in RMB per share)	<u>(0.95)</u>	<u>(1.77)</u>

Note:

The weighted average number of ordinary shares in issue before the Company's conversion into a joint stock company was determined assuming the paid-in capital had been fully converted into the Company's share capital at the same conversion ratio of 1:1 as upon conversion into joint stock company in August 2022.

In addition to the aforementioned, the weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effect of the Capitalization Issue completed on 23 March 2023.

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive instruments. For the years ended 31 December 2023 and 2022, diluted loss per share was the same as basic loss per share as there were no potentially dilutive ordinary shares outstanding during the year.

10 INVENTORIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Raw materials	205,824	36,700
Semi-finished goods	481	624
Work in progress	399	3,180
Finished goods	49,937	231,640
	<u>256,641</u>	<u>272,144</u>
Less: provision for impairment	(624)	(170)
	<u>256,017</u>	<u>271,974</u>

Raw materials primarily consist of materials for volume production which will be transferred into production cost when incurred as well as using for research and development.

Finished goods include products ready for transit at production plants and products delivered to customers but acceptance has not been obtained yet.

During the year ended 31 December 2023, inventories recognized as cost of sales amounted to approximately RMB1,046,150,000 (2022: RMB1,128,160,000), and the provision for impairment of inventories as recognized for the year amounted to approximately RMB602,000 (2022: RMB25,000). All these expenses and impairment charge have been included in “cost of sales” in the consolidated statement of comprehensive loss.

11 TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Notes receivables	–	750
Trade receivables (a)		
Due from third parties	222,813	293,978
Provisions for impairment	(3,720)	(5,370)
	<u>219,093</u>	<u>288,608</u>
Total	<u>219,093</u>	<u>289,358</u>

The carrying amounts of the Group’s trade and notes receivables are denominated in the following currencies:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
RMB	217,944	286,549
USD	4,869	8,179
	<u>222,813</u>	<u>294,728</u>

(a) **Trade receivables**

(i) ***Aging analysis of the trade receivables***

As at 31 December 2023 and 2022, the aging analysis of the trade receivables based on date of revenue recognition is as follows:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	213,474	273,481
3 to 6 months	8,098	20,031
6 to 12 months	–	466
Over 12 months	1,241	–
	<hr/>	<hr/>
Total	222,813	293,978
	<hr/> <hr/>	<hr/> <hr/>

(ii) ***Fair values of the trade receivables***

Due to the short-term nature of the trade receivables, their carrying amounts are considered to be approximately the same as their fair values.

(iii) ***Impairment and risk exposure***

Trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Details of the allowance for impairment and the movement in the allowance balance has been set out as follows:

	Trade and notes receivables
	<i>RMB'000</i>
As at 1 January 2023	(5,370)
Decrease/(Increase) in loss allowance recognized in profit or loss during the year	<hr/> 1,650
As at 31 December 2023	<hr/><hr/>(3,720)
As at 1 January 2022	(1,656)
Increase in loss allowance recognized in profit or loss during the year	<hr/> (3,714)
As at 31 December 2022	<hr/><hr/>(5,370)

12 BORROWINGS

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Borrowings included in non-current liabilities:		
<i>Secured</i>		
Bank borrowings (a)	24,159	–
Borrowings included in current liabilities:		
<i>Unsecured</i>		
Bank borrowings (b)	140,967	–
Other loans (c)	35,414	48,857
Bills payable (d)	24,933	–
Interest payables	184	147
	201,498	49,004
Total borrowings	225,657	49,004

(a) The Group has pledged its land use rights with carrying amounts of approximately RMB31,659,000 to bank as the security for the long-term bank borrowings of RMB24,159,000 as at 31 December 2023. The Group's long-term interest bearing borrowings were RMB-denominated borrowings with floating rates linked to LPR. Interest is payable quarterly. The principal for the borrowings are payable in batches from 21 June 2026 to 21 December 2026.

(b) As at 31 December 2023, the Company had short-term borrowings from a PRC bank with amounts totalling RMB94,930,000 and an effective interest of 2.95% per annum.

As at 31 December 2023, the Company had short-term borrowings from a PRC bank with amounts totalling USD6,500,000 and an effective interest of 5.75% per annum.

(c) As at 31 December 2023, the Company had import bill advance paid by a PRC bank with amounts totalling RMB35,414,000 (31 December 2022:RMB48,857,000) and an effective interest of nil (31 December 2022: 2.4%) per annum.

(d) Borrowings of RMB24,933,000 comprise of short-term borrowings as obtained from the discounting of bank acceptance notes. The Group recognised the cash obtained from the discount of notes receivable that did not satisfy the derecognition criteria as short-term borrowings and the interests thereon was calculated based on the effective interest rate method and included as borrowing interest expenses.

(e) **Other disclosures**

During the years ended 31 December 2023 and 2022, the Group had not been in violation of any of the covenants nor subject to material financial covenants pursuant to the applicable borrowing agreements that the Group entered with the lenders.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity date, whichever is earlier, were as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Less than 6 months	24,933	48,857
Between 6 and 12 months	176,381	–
Between 2 and 5 years	24,159	–
	<u>225,473</u>	<u>48,857</u>

The fair values of current borrowings approximate their carrying amount as the discounting impact is not significant.

As at 31 December 2023 and 2022, the Group has the following undrawn bank facilities:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
RMB facilities	<u>472,094</u>	<u>326,894</u>

13 TRADE AND NOTES PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables		
– Payables for materials	184,649	291,910
Notes payables (a)		
– Payables for materials	<u>879</u>	<u>146,507</u>
	<u>185,528</u>	<u>438,417</u>

(a) The notes payables have maturity terms ranging from 2 to 6 months.

As at 31 December 2023 and 2022, the Company had guaranteed notes payables from a PRC bank with amounts totalling nil and RMB110,864,000 respectively, which were guaranteed by Mr. Song Yang.

(b) The carrying amounts of trade payables approximate their fair values due to their short-term maturity in nature.

- (c) The aging analysis of the trade payables based on purchase date at the end of each reporting period is as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Up to 1 year	184,649	291,826
1 to 2 years	–	84
	<u>184,649</u>	<u>291,910</u>

14 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Payroll and welfare payables	28,994	20,539
Accruals	7,144	5,089
Other taxes payables	1,851	8,830
Payables for purchases of property, plant and equipment	26,306	1,656
Accrued listing expenses	18,020	3,811
Others (a)	25,280	13,954
	<u>107,595</u>	<u>53,879</u>
Less: non-current portion (b)	<u>(2,155)</u>	<u>–</u>
	<u>105,440</u>	<u>53,879</u>

- (a) The Group agreed to collect service fees from an OEM customer and pay on behalf of the customer to a supplier, who provided part of the R&D services in relation to its hardware and software used in autonomous driving products. As at 31 December 2023, the service fees collected by the Company from the customer but unpaid to the supplier were approximately RMB21,713,000 (2022: RMB12,920,000).
- (b) The Group makes the payment based on the pre-determined payment milestone in the acquisition contracts of certain softwares. In August 2023, the Company has agreed with the supplier to specify the payment schedule of unpaid amounts. Accordingly, the Company has or will pay USD200,000, USD250,000 and USD300,000 to the supplier in November 2023, 2024 and 2025, respectively. As a result, as at 31 December 2023, USD300,000 of unpaid amount which would be settled beyond 12 months were reclassified to non-current portion of other payables and accruals.

15. DIVIDENDS

No dividend has been paid or declared by the Company during the years ended 31 December 2023 and 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

I. MARKET REVIEW

In 2023, both China's vehicle production and sales exceeded 30 million units for the first time, reaching 30.161 million units and 30.094 million units respectively. The production and sales of new energy vehicles were 9.587 million units and 9.495 million units, respectively, representing year-on-year growth of 35.8% and 37.9%, respectively, and the market share achieved rapid growth to 31.6%. Among these, China's vehicle exports surged by 57.9% year-on-year to a record high of 4.91 million units, contributing 55.7% to the growth in total vehicle sales.

The PRC government authorities, including the State Council, the National Development and Reform Commission, the State Administration for Market Regulation and the Ministry of Transport, have issued a series of policies on the industry of autonomous driving and intelligent connected vehicles in recent years, aiming at providing policy and financial encouragement and support for strategic emerging industries at the national level: (i) the PRC government encourages enterprises in the fields of artificial intelligence and internet, etc. to develop into leading enterprises engaged in providing automobile propulsion system solutions; (ii) the PRC government optimized and upgraded digital infrastructure, especially for key emerging fields such as autonomous driving, and provided systematic artificial intelligence services; and (iii) the PRC government will strengthen the research and development of intelligent transport and key special equipment and promote the application of intelligent connected vehicles (such as the intelligent automobile, automatic driving, and coordinated vehicle network). The PRC government regards the autonomous driving and intelligent connected vehicles industry as a national development plan and promotes its continuous development. On November 17, 2023, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of Housing and Urban-Rural Development, and the Ministry of Transport jointly issued Circular on the Pilot Program for the Access and Road Testing of Intelligent Connected Vehicles (《關於開展智能網聯汽車准入和上路通行試點工作的通知》), aiming to further facilitate the improvement of the function and performance of intelligent connected vehicles and the iteration and optimisation of the industrial ecosystem to promote the high-quality development of the intelligent connected vehicle industry. We believe it will make a positive contribution to the acceleration of large-scale commercialisation of advanced autonomous driving technology.

II. BUSINESS REVIEW

The Group is an autonomous driving solution provider in China. Relying on a number of advanced system R&D capabilities such as computing platforms, efficient middleware and artificial intelligence algorithms, the Group provides advanced autonomous driving solutions to customers through efficient integration of software and hardware. We have commercialized level 2 to level 2+ autonomous driving solutions (level 2+ is not an official classification under SAE(1) standard), and are developing level 2 to level 4 autonomous driving solutions for automotive manufacturers (OEMs). Our principal activities include (1) provision of autonomous driving solutions and products; (2) provision of autonomous driving-related R&D services; and (3) sales of printed circuit boards assembly (“PCBA”) products.

In 2023, with the recovery of the overall domestic economy and benefitted from the further improvement of consumers’ awareness and acceptance of autonomous driving passenger vehicles, the market for autonomous driving passenger vehicles has further expanded. The Group keeps an eye on market dynamics, identifies market demand, strengthens product refinement management and provides a wide range of autonomous driving solutions to satisfy customers’ different cost and technological requirements. For the year ended December 31, 2023, we delivered more than 130,000 autonomous driving solutions and products to our customers, representing an increase of 58% as compared to 2022.

Autonomous driving solutions and products

In 2023, we generated most of our revenue from the sales of our autonomous driving solutions and products to OEMs, which included autonomous driving domain controllers and intelligent front camera products. We develop autonomous driving solutions and products for OEMs by leveraging core vertically integrated competencies in product design and development, algorithm and function development, system integration and manufacturing, etc.. Our solutions and products for autonomous driving can be installed on both new energy vehicles (“NEVs”) and internal combustion engine (“ICE”) vehicles, and are capable of realizing comprehensive autonomous driving functions.

During the year, we generated revenue of approximately RMB1,130,440 thousand (2022: RMB1,252,949 thousand) from the provision of autonomous driving solutions and products, accounting for approximately 92.94% of our total revenue in 2023, of which revenue from the sales of AD domain controllers amounted to approximately RMB1,115,044 thousand (2022: RMB1,249,834 thousand), remaining the largest revenue source of the Company. AD domain controllers function is the brain of autonomous driving solutions – fusing and processing data from the vehicle’s sensors to make autonomous driving decisions and trigger actuators in the vehicles. In 2023, revenue from the sales of AD domain controllers represented a decrease of 10.79% as compared to the corresponding period in 2022, mainly due to gradual reduction in the unit price as a result of the Group’s strategic adjustment in 2023, while the sales volume of AD domain controllers in 2023 increased significantly compared with that of 2022. In particular, during the year, revenue from iDC Mid, our full-stack, self-developed AD domain controllers, increased significantly from approximately RMB441 thousand in 2022 to approximately RMB13,955 thousand in 2023, which was mainly attributable to the increase in revenue generated from the procurement of iDC Mid by Chery EXEED of approximately RMB12,647 thousand.

During the year, revenue from iFC, our self-developed intelligent front cameras, increased significantly from approximately RMB3,115 thousand in 2022 to approximately RMB15,396 thousand in 2023, which was mainly attributable to the increase in the revenue generated from the procurement by Geely and Dongfeng for their vehicle models.

Autonomous driving-related R&D services

In 2023, we continued to provide autonomous driving-related R&D services to OEMs. Our autonomous driving-related R&D services are primarily focused on three aspects: (i) the development of software and hardware for autonomous driving; (ii) the development of algorithms and functions for autonomous driving; and (iii) functional safety consulting and validation. Our autonomous driving-related R&D services are primarily focused on two areas: (i) proof-of-concept projects. In these projects, OEMs engage us to conduct concept validation for new technology. Leveraging our comprehensive R&D capabilities and utilizing advanced technology, we develop and provide prototypes to OEMs within a short time to conduct concept validation, including proof-of-concept projects involving level 3 or level 4 autonomous driving; and (ii) R&D services in relation to the supply of our autonomous driving solutions. After receiving the letter of nomination, we start providing R&D services to customers, which primarily include R&D of hardware, software, algorithms and autonomous driving functions, as well as implementation, integration, verification and testing services.

During the year, we recorded revenue from the autonomous driving-related R&D services of approximately RMB63,112 thousand (2022: RMB37,956 thousand), representing approximately 5.19% of our total revenue in 2023. The increase in revenue from autonomous driving-related R&D services in 2023 as compared with the corresponding period in 2022 was primarily because we recognize revenue for autonomous driving-related R&D services on project basis.

Sale of PCBA products

In 2023, we continued to be engaged in manufacturing and sales of PCBA products to third parties. Using our two-surface mount technology (SMT) lines, we mount different electronic components on the PCB, such as SoCs, resistors, capacitors, and transmitters to prepare fully usable PCBA based on our customers' specifications.

During the year, we recorded revenue from the sale of PCBA products of approximately RMB22,735 thousand (2022: RMB34,977 thousand), accounting for approximately 1.87% of our total revenue in 2023.

Project acquisition

In 2023, we obtained 16 letters of nomination from well-known OEM customers including, among others, Geely, Great Wall Motor, Chery and Dongfeng, and it is anticipated that we will occupy a larger market share in the future by offering more diverse and cost-effective solutions to OEMs.

R&D progress

In respect of R&D, we have maintained an efficient pace of iteration. In terms of cost and performance, iDC Mid, our full-stack, self-developed AD controller product, has reached an industry-leading level through efficient integration of software and hardware, supporting highway navigate on autopilot (“NoA”), home-zone parking, surround view 3D display and other functions, and has been delivered in bulk to the leading domestic vehicle companies since the first quarter of 2023. iDC Mid has obtained letters of nomination in respect of six vehicle models, making it an important new product line of the Company. iDC High, our next-generation AD domain controller, is even stronger in computing. We are deploying a more advanced BEV Transformer algorithm on this platform, which is expected to have a significant improvement in performance and covers more autonomous driving scenarios. iDC High has also obtained letters of nomination from two vehicle companies, including a top vehicle company in China, and will start series production in 2024. In respect of intellectual property rights, as of the end of 2023, we had applied for 161 invention patents, of which 149 were related to software and algorithms, accounting for 92.55%. We have obtained 42 software copyrights and 34 invention patents, of which 31 are related to software and algorithms.

Overseas layout

The Company established a subsidiary in Germany in October 2023, mainly responsible for customer service, sales and validation of autonomous driving solutions and products in relation to the business of the Company in Europe, to further develop the European market. During the Reporting Period, the subsidiary in Germany had not commenced any substantial business operations. It is worth mentioning that in February 2024, we helped one of China's top vehicle companies equipped with our autonomous driving products obtain the European Union GSR (General Safety Regulation) certification for the first time, signifying that the products of the Company are fully compliant with the requirements for export to the European Union.

III. FINANCIAL REVIEW

Revenue

Revenue for the year ended December 31, 2023 was RMB1,216,287 thousand, representing a decrease of RMB109,595 thousand or 8.27% as compared to that for the corresponding period in 2022. Among which, revenue from sales of autonomous driving solutions and products was RMB1,130,440 thousand, representing a decrease of RMB122,509 thousand or 9.78% as compared to that for the corresponding period in 2022; revenue from rendering of autonomous driving-related R&D services was RMB63,112 thousand, representing an increase of RMB25,156 thousand or 66.28% as compared to that for the corresponding period in 2022; and revenue from sales of PCBA products was RMB22,735 thousand, representing a decrease of RMB12,242 thousand or 35% as compared to that for the corresponding period in 2022.

A substantial portion of the revenue of the Group was generated from sales of autonomous driving solutions and products, accounting for 92.94% of its revenue for the year ended December 31, 2023 (2022: 94.50%). In addition, revenue generated from rendering of autonomous driving-related R&D services accounted for 5.19% of its revenue for the year ended December 31, 2023 (2022: 2.86%), and revenue from sales of PCBA products accounted for 1.87% of its revenue for the year ended December 31, 2023 (2022: 2.64%). Revenue of the Group was mainly derived from our operations in the PRC.

The following table sets forth a breakdown of the Group's revenue and relevant information for the Reporting Period:

	For the year ended December 31,			
	2023	2022	2023	2022
	Amount (RMB'000)	Percentage of total revenue	Amount (RMB'000)	Percentage of total revenue
Autonomous driving solutions and products				
– AD domain controller solutions	1,115,044	91.67%	1,249,834	94.26%
– Intelligent front cameras	15,396	1.27%	3,115	0.24%
Subtotal	1,130,440	92.94%	1,252,949	94.50%
Autonomous driving-related R&D services	63,112	5.19%	37,956	2.86%
Sales of PCBA products	22,735	1.87%	34,977	2.64%
Total	1,216,287	100.00%	1,325,882	100.00%

Cost of Sales and Services

Cost of sales and services for the year ended December 31, 2023 was RMB1,095,334 thousand, representing a decrease of RMB119,974 thousand or 9.87% as compared to that for the corresponding period in 2022. Among which, cost of sales of autonomous driving solutions and products for the year ended December 31, 2023 was RMB1,037,343 thousand representing a decrease of RMB122,258 thousand or 10.54% as compared to that for the corresponding period in 2022; cost of rendering of autonomous driving-related R&D services was RMB36,524 thousand, representing an increase of RMB11,797 thousand or 47.71% as compared to that for the corresponding period in 2022; and cost of sales of PCBA products was RMB21,468 thousand, representing a decrease of RMB9,513 thousand or 30.71% as compared to that for the corresponding period in 2022.

Gross Profit and Gross Profit Margin

Gross profit for the year ended December 31, 2023 was RMB120,953 thousand, representing an increase of RMB10,380 thousand or 9.39% as compared to that for the corresponding period in 2022. Of which, gross profit of sales of autonomous driving solutions and products for the year ended December 31, 2023 was RMB93,097 thousand, representing a decrease of RMB251 thousand or 0.27% as compared to that for the corresponding period in 2022; gross profit of rendering of autonomous driving-related R&D services was RMB26,589 thousand, representing an increase of RMB13,360 thousand or 100.99% as compared to that for the corresponding period in 2022; and gross profit of sales of PCBA products was RMB1,267 thousand, representing a decrease of RMB2,729 thousand or 68.30% as compared to that for the corresponding period in 2022.

Gross profit margin for the year ended December 31, 2023 was 9.94% (2022: 8.34%).

Other Income

Other income primarily consists of government subsidies for the Group's R&D expenditures and manufacturing bases. For the year ended December 31, 2023 amounted to RMB7,676 thousand, representing an increase of 62.97% as compared with RMB4,710 thousand for the year ended December 31, 2022. The increase was mainly due to an increase of government grants.

Other Gains/(Losses) – Net

Net other gains/(losses) primarily consist of (i) net fair value gains on financial assets at fair value through profit or loss (“FVTPL”) in relation to gains from our wealth management products; (ii) net foreign exchange losses; (iii) net fair value losses or gains on derivative financial instruments; (iv) net gains or losses on disposals of property, plant and equipment, and intangible assets; and (v) others. Net other gains for the year ended December 31, 2023 amounted to RMB5,718 thousand, representing an increase of RMB6,346 thousand as compared with net other losses RMB628 thousand for the year ended December 31, 2022. The increase was mainly due to an increase of fair value gains on financial assets and fair value losses on derivative financial instruments, and a decrease of foreign exchange losses.

Selling Expenses

Selling expenses for the year ended December 31, 2023 amounted to RMB32,277 thousand, representing an increase of 16.6% as compared with RMB27,681 thousand for the year ended December 31, 2022. The increase was mainly attributable to an increase in warranty of RMB6,994 thousand. As a percentage of revenue, the selling expenses increased over the corresponding period of last year from 2.09% for the year ended December 31, 2022 to 2.65% for the year ended December 31, 2023, up by 0.56 percentage point.

Administrative Expenses

Administrative expenses for the year ended December 31, 2023 amounted to RMB83,918 thousand, representing an increase of 102.13% as compared with RMB41,517 thousand for the year ended December 31, 2022. The increase was mainly attributable to an increase in employee benefit expenses of RMB4,830 thousand and an increase in share-based payments to administrative personnel of RMB10,132 thousand, and an increase in listing expenses of RMB27,176 thousand. As a percentage of revenue, the administrative expenses increased over the corresponding period of last year from 3.13% for the year ended December 31, 2022 to 6.90% for the year ended December 31, 2023, up by 3.77 percentage point.

Research and Development Expenses

Research and development expenses for the year ended December 31, 2023 amounted to RMB216,624 thousand, representing an increase of 108.20% as compared with RMB104,047 thousand for the year ended December 31, 2022. The increase was mainly attributable to an increase in employee benefit expenses of RMB55,672 thousand and an increase in share-based payments to R&D personnel of RMB40,149 thousand. As a percentage of revenue, the research and development expense increased over the corresponding period of last year from 7.85% for the year ended December 31, 2022 to 17.81% for the year ended December 31, 2023, up by 9.96 percentage point.

Finance Income

Finance income primarily consists of interest income on cash at bank. Finance income for the year ended December 31, 2023 amounted to RMB3,109 thousand, representing an increase of RMB3,009 thousand as compared with RMB100 thousand for the year ended December 31, 2022.

Finance Costs

Finance costs for the year ended December 31, 2023 amounted to RMB1,346 thousand, representing an decrease of RMB278,823 thousand as compared with RMB280,169 thousand for the year ended December 31, 2022. The decrease was mainly attributable to a decrease of financial cost on financial instruments with preferred rights in connection with the issuance by the Company to Pre-IPO Investors of ordinary shares in Pre-IPO financings that conferred certain preferred rights, including redemption rights, upon such Pre-IPO Investors. The Company and the related Pre-IPO Investors have mutually agreed to terminate such preferred rights in 2022, resulting in decreases in financial cost on financial instruments with preferred rights at amortized cost.

Loss Before Tax

As a result of the foregoing, loss before tax for the year ended December 31, 2023 amounted to RMB195,108 thousand, representing a decrease of 43.01% as compared with RMB342,376 thousand for the year ended December 31, 2022.

Loss for the Year

As a result of the foregoing, loss for the year ended December 31, 2023 amounted to RMB195,108 thousand, representing a decrease of 43.01% as compared with RMB342,376 thousand for the year ended December 31, 2022.

Loss for the Year Attributable to the Equity Holders of the Company

For the year ended December 31, 2023, loss for the year attributable to owners of the parent amounted to RMB195,100 thousand, representing a decrease of 43.02% as compared with RMB342,376 thousand for the year ended December 31, 2022.

IV. LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

For the year ended December 31, 2023, the Group's net cash outflow generated from operating activities was RMB261,790 thousand, as compared with RMB65,567 thousand of its net cash outflow generated from operating activities for the year ended December 31, 2022. The net cash outflow of operating activities increased by RMB196,223 thousand year on year.

For the year ended December 31, 2023, the Group's net cash outflow of investing activities was RMB118,335 thousand, as compared with RMB41,439 thousand of its net cash inflow generated from investing activities for the year ended December 31, 2022. During the Reporting Period, the net cash outflow of investing activities was mainly attributable to payment for construction project and financial assets at FVTPL.

For the year ended December 31, 2023, the Group's net cash inflow generated from financing activities was RMB736,483 thousand, as compared with RMB355,909 thousand of its net cash inflow of financing activities for the year ended December 31, 2022. The increase in net cash inflow of financing activities was mainly attributable to proceeds from issuance of H shares upon global offering of the Company ("**Global Offering**").

Net Current Assets

As at December 31, 2023, the Group's net current assets amounted to RMB998,432 thousand, as compared to its net current assets of RMB583,050 thousand as at December 31, 2022.

Inventories

The Group's inventories consist of (i) raw materials; (ii) semi-finished goods; (iii) work in progress; and (iv) finished goods. As at December 31, 2023, the Group's inventories amounted to RMB256,017 thousand, representing a decrease of 5.87% as compared with RMB271,974 thousand for the year ended December 31, 2022. The decrease was mainly attributable to finished goods decrease of RMB181,703 thousand in inventories, due to the recognition of cost of sales for the delivered finished goods.

In 2023, the Group's average inventory turnover days (The average inventory turnover days are calculated by dividing the average of opening and ending balance of inventories by cost of sales for that year and multiplying by 360 days.) were 87 days, representing an increase as compared with 82 days in 2022, mainly attributable to the lower cost of sales in 2023.

Borrowings

As at December 31, 2023, the Group's borrowings were RMB225,657 thousand, representing an increase of 360.49% as compared with RMB49,004 thousand as at December 31, 2022. All the Group's bank loans and other borrowings are denominated in Renminbi and US dollars.

The following table sets forth the Group's bank borrowings and other loans as at the dates indicated:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
<i>Secured</i>		
Bank borrowings	<u>24,159</u>	<u>—</u>
Borrowings included in current liabilities:		
<i>Unsecured</i>		
Bank borrowings	140,967	—
Other loans	35,414	48,857
Bills payable	24,933	—
Interest payables	<u>184</u>	<u>147</u>
	<u>201,498</u>	<u>49,004</u>
Total borrowings	<u>225,657</u>	<u>49,004</u>

Gearing Ratio

As at December 31, 2023, the gearing ratio, which is calculated as net debt divided by total capital, is not applicable due to net cash position (2022: not applicable).

Pledge of Assets

The Group has pledged its land use rights with carrying amounts of approximately RMB31,659 thousand to bank as the security for the long-term bank borrowings of RMB24,159 thousand as at December 31, 2023.

Capital Expenditures and Investment

The Group's capital expenditures comprise primarily expenditures on land use rights, property, plant and equipment and intangible assets. For the year ended December 31, 2023, the Group's total capital expenditures were RMB84,322 thousand, representing an increase of 225.03% as compared with RMB25,943 thousand for the year ended December 31, 2022.

Treasury Policies and Exposure to Fluctuation in Exchange Rates

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are cash and cash equivalents, trade receivables and trade payables denominated in HKD, USD and EUR. The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB and net investment in foreign operations.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. Cash repatriation from the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Additionally, the Group enters into foreign exchange options contract to mitigate the foreign exchange risk. The Group did not have other significant exposure to foreign exchange risk.

Contingent Liabilities

As at December 31, 2023, the Group did not have any contingent liabilities.

Staff Cost and Employee Remuneration Policy

As at December 31, 2023, the Group had 380 employees (as at December 31, 2022: 331 employees). Staff cost of the Group increased by 59.89% from RMB154,971 thousand for the year ended December 31, 2022 to RMB247,782 thousand for the year ended December 31, 2023, mainly attributable to the expansion of R&D team and an increase in share-based payments.

We are committed to establishing a competitive and fair remuneration. In order to effectively motivate our employees, we continually refine our remuneration and incentive policies through market research. We conduct annual performance evaluation for our employees to provide feedback on their performance. Compensation for our staff typically consists of base salary and a performance-based bonus. An employee incentive scheme was also established for the benefit of our Directors, supervisors, senior management and core employees as remuneration for their services provided to us and to incentivize and reward the eligible persons who have contributed to the success of our Company. For details of the employee incentive scheme, please refer to the section headed “Employee Incentive Scheme” contained in the Company’s annual report to be issued in due course.

V. SIGNIFICANT INVESTMENTS

For the year ended December 31, 2023, the Group did not have any significant investments (including any investment in an investee company with a value of 5% or more of the Group’s total assets as of December 31, 2023). As of December 31, 2023, save as disclosed in the section headed “Use of Proceeds from the Global Offering” in this announcement, the Group did not have other plans for material investments and capital assets.

VI. MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions or disposal of subsidiaries, associates and joint ventures during the Reporting Period.

VII. FUTURE STRATEGY AND PROSPECTS

Generally, China is still actively promoting the development of intelligent connected vehicles. The release of Circular on the Pilot Program for the Access and Road Testing of Intelligent Connected Vehicles marks the official entry of L3/L4 autonomous driving into the pilot stage, which will promote the industrialization of L3/L4 autonomous driving and help the industry to advance towards the large-scale series production of L3/L4. New energy vehicles are expected to maintain a high growth rate, and the continuous upgrading and iteration of electrification and intelligence will bring better experience to users. Meanwhile, vehicles are shifting from a traditional means of transport to a third living space, all of which will help to improve customers’ desire to buy.

The products and brand power of local vehicle enterprises have been improved continuously and received high recognition from domestic and overseas end-users, the export of which, therefore, is projected to increase notably. The end customers’ awareness is becoming more comprehensive and acceptance of autonomous driving is getting higher, there is a growing demand for autonomous driving; especially for new-energy vehicles, the autonomous driving function is becoming an integral part reflective of its intelligence.

Continue to pioneer the large-scale commercialization of autonomous driving solutions and products

We will continuously optimise and refine our existing product lines, and expand our in-house manufacturing capacity to reinforce our business expansion; and provide more cost-effective solutions and products to our customers through technological advancement and supply chain optimisation.

Increase our R&D investment to solidify our leading position

The Company focuses on delivering large-scale commercial autonomous driving solutions to the market. Through the development and integration of many technologies and systems such as multi-sensor data perception fusion technology, decision-making and planning technology, control and execution technology, positioning technology, human-computer interaction scheme and simulation system, we endow autonomous driving hardware products and vehicles with intelligent driving capability. At present, we have independently developed core algorithms, middleware and cloud platforms. In the future, we will continue to optimize software, improve technical barriers and cost performance of solutions, and continuously optimize the core competitiveness of our products. In terms of algorithms, we are deploying the BEV Transformer, which will enter serial production in 2024. We will enhance our self-developed middleware to make it more automatic and programmatic, and provide a more user-friendly interface for more third-party developers. In terms of computing platforms, we will develop a new-generation of computing frameworks that are compatible with our algorithm iterations in order to achieve a seamless integration of hardware and software. Meanwhile, we will invest in the R&D of integrated cockpit-driving platform and vehicle central computing platform.

Continue to deepen, expand, and diversify our OEM customer base

We will deepen our cooperation with existing customers and strive to expand our products and solutions to more vehicle models. Meanwhile, we will continue to increase the size of our sales and marketing teams to achieve breakthroughs in key potential customers. In addition, we will work with our strategic partners to expand our OEM customer base.

Enhance our value chain integration capabilities

We will continue to cooperate with existing international first-class system-on chips (“SoC”) suppliers, and actively establish cooperation with domestic automotive-grade SoC suppliers. We intend to deepen our cooperation with sensor suppliers to create modular solutions to shorten the development cycle and enhance the adaptability of our solutions. In addition, we plan to strengthen our vertical integration capabilities through mergers and acquisitions of quality companies that can create synergies.

Build an international brand with a global presence

We will adhere to our overseas expansion strategy by serving Chinese OEMs’ overseas business on the one hand, and actively developing international customers on the other. In 2024, our products and solutions will follow our customers to North America, Korea, Japan and other countries, and we are therefore actively planning for a global sales and service network. In addition, we will leverage the resources provided by our strategic overseas shareholders, such as HL Klemove, to explore new overseas business opportunities and establish more international strategic alliances.

Actively explore more diversified business models

Our current solutions focus primarily on autonomous driving of passenger vehicles. In addition, there are also broad application prospects for autonomous driving solutions in special scenarios such as public transportation, freight logistics, agricultural machinery, industry and warehousing, mines and ports, which can help improve transportation efficiency, reduce injuries and lower costs. The Company will actively explore business opportunities in these business fields.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company will be held on Thursday, June 20, 2024 (“**AGM**”) and the notice thereof will be available to the shareholders of the Company (“**Shareholders**”) in a manner as required by the Rules Governing the Listing of Securities (“**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”). In order to determine Shareholders’ entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, June 17, 2024 to Thursday, June 20, 2024 (both days inclusive). In order to be entitled to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all the share transfer documents together with the relevant share certificates are lodged with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, June 14, 2024.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2023 (2022: Nil).

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On December 20, 2023 (“**Listing Date**”), the H shares of the Company were listed on the Main Board of the Stock Exchange with 22,116,000 offer shares under the Global Offering, comprising the Hong Kong public offering of 2,211,600 Hong Kong offer shares and the international offering of 19,904,400 international offer Shares at a nominal value of RMB1.00 per H share. Shares were issued to and subscribed by Hong Kong and overseas investors through the Global Offering at the offer price of HKD29.65 per H share (excluding brokerage fee of 1.0%, Securities and Futures Commission transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and Accounting and Financial Reporting Council of Hong Kong transaction levy of 0.00015%).

The net proceeds from the Global Offering, after deduction of the underwriting commission, fees and estimated expenses payable by us in connection with the Global Offering and other expenses, were approximately HKD595.23 million. The following table sets forth the Company’s use of the proceeds from the Global Offering and the planned timetable as at December 31, 2023.

	Approximate percentage of the total net proceeds	Net proceeds from the Global Offering (HKD' million)	Net proceeds utilized as of December 31, 2023 (HKD' million)	Remaining net proceeds as of December 31, 2023 (HKD' million)	Expected time to utilize the remaining net proceeds in full
Enhancing research and development of our autonomous driving solutions and products	45.0%	267.85	0	267.85	By the end of the year 2025
Capital expenditure in relation to our R&D headquarters, manufacturing premises and new production lines	35.0%	208.33	0	208.33	By the end of the year 2025
Expanding our sales and service network	10.0%	59.52	0	59.52	By the end of the year 2025
Working capital and general corporate purposes	10.0%	59.52	0	59.52	By the end of the year 2025
Total (Note)	100.0%	595.23	0	595.23	

Note: Any discrepancies in the above table between the total shown and the sum of the amounts listed are due to rounding.

Since the Listing Date and as at December 31, 2023, the Group has not yet utilized any net proceeds, and will gradually utilize the net proceeds in accordance with the intended purposes as stated in the prospectus of the Company dated December 12, 2023. The expected timeline is based on the best estimation of future market conditions and business operations made by the Company currently, and will be subject to change based on future development of market conditions and actual business needs.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date to December 31, 2023.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and to the best knowledge of the Directors, not less than 25% of the Company's total issued shares were in the hands of the public as at the date of this announcement, which complied with the public float requirements under the Listing Rules.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as that on January 15, 2024, the Company incorporated a wholly-owned subsidiary, iMotion Automotive Technology (Jiaxing) Co., Ltd., in Xiaxing, Zhejiang Province, with a registered capital of RMB 250 million, there were no material events after December 31, 2023 and up to the date of this announcement that would materially affect the Group's operating and financial performance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors’ and supervisors’ securities transactions. As the shares of the Company started to listed on the Stock Exchange on December 20, 2023, the Model Code was not applicable to the Company at most of the time during the Reporting Period. However, after making specific enquiries to all the Directors and supervisors, each of them has confirmed that they have complied with the Model Code throughout the period from the Listing Date up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICE OF THE COMPANY

The Company was listed on the Stock Exchange on December 20, 2023 and the Corporate Governance Code (the “**CG Code**”) set out in Appendix C1 to the Listing Rules was not applicable to the Company before the Listing Date.

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. After Listing, the Company has adopted the CG Code as its own code of corporate governance. Save as below, the Company has complied with all applicable code provisions under the CG Code for the period from the Listing Date to the date of this announcement. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Mr. Song Yang is currently both the chief executive officer of the Company and the chairman of the Board. Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be segregated and should not be performed by the same individual. The Board believes that vesting the roles of both chief executive officer and chairman of the Board in the same person has the benefit of ensuring consistent leadership and efficient discharge of executive functions within the Group. The Group considers that the balance of power and authority of the present arrangement will not be impaired as the Board comprises eight other experienced and high-calibre individuals including another two executive Directors, three non-executive Directors and three independent non-executive Directors who would be able to offer advice from various perspectives. In addition, for major decisions of the Group, the Board will make consultations with appropriate Board committees and senior management. Therefore, the Directors consider that the present arrangement is beneficial to and in the interest of the Company and the Shareholders as a whole and the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstance.

AUDIT COMMITTEE

The audit committee of the Company (“**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Liu Yong (chairman of the Audit Committee), Dr. Zhang Weigong and Ms. Xue, Rui Shirley.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and the audited consolidated financial statements and annual results of the Group for the year ended December 31, 2023, and is of the view that the Group’s consolidated financial statements for the year ended December 31, 2023 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.imotion.ai). The annual report of the Company for the year ended December 31, 2023 containing all the information required by the Listing Rules will be despatched to the Shareholders requiring the printed copy and made available on the same websites in due course.

By order of the Board
iMotion Automotive Technology (Suzhou) Co., Ltd.
SONG Yang
Chairman of the Board and Executive Director

Hong Kong, March 28, 2024

As of the date of this announcement, the Board comprises Mr. SONG Yang as chairman of the Board and executive Director; Mr. LU Yukun and Mr. LI Shuangjiang as executive Directors; Mr. LI Chengsheng, Mr. TAO Zhixin and Mr. YANG Yuankui as non-executive Directors; and Dr. ZHANG Weigong, Mr. LIU Yong and Ms. XUE, Rui Shirley as independent non-executive Directors.