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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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024**

#### **FINANCIAL HIGHLIGHTS**

During the Reporting Period, the Group recorded:

- Revenue of RMB636.16 million, which was increased by 17.11% compared to the corresponding period in 2023.
- Gross profit of RMB44.85 million, which was increased by 9.29% compared to the corresponding period in 2023.
- Gross profit margin was 7.05% (corresponding period in 2023: 7.55%).
- Loss before tax for the Reporting Period was decreased by 1.15% to RMB98.60 million (corresponding period in 2023: RMB99.75 million).
- Loss and total comprehensive loss for the Reporting Period attributable to the equity holders of the Company for the Reporting Period was decreased by 1.14% to RMB98.61 million (corresponding period in 2023: RMB99.75 million).
- Basic and diluted loss per share attributable to equity holders of the parent amounted to RMB0.44 for the Reporting Period (corresponding period in 2023: RMB0.49).
- The Board does not recommend the payment of an interim dividend for the Reporting Period (corresponding period in 2023: Nil).

#### **INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of iMotion Automotive Technology (Suzhou) Co., Ltd. (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” or “**us**”) for the six months ended June 30, 2024 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2023 as follows:

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
Revenue	4	636,157	543,212
Cost of sales	7	<u>(591,305)</u>	<u>(502,173)</u>
<b>Gross profit</b>		<b>44,852</b>	<b>41,039</b>
Selling expenses	7	(11,550)	(13,565)
Administrative expenses	7	(23,201)	(38,382)
Research and development expenses	7	(99,587)	(103,987)
(Impairment losses)/net reversal of impairment losses on financial assets		(1,698)	2,989
Other income	5	2,198	4,224
Other (losses)/gains – net	6	<u>(11,077)</u>	<u>6,133</u>
<b>Operating loss</b>		<b>(100,063)</b>	<b>(101,549)</b>
Finance income	8	3,655	2,034
Finance costs	8	<u>(2,192)</u>	<u>(233)</u>
<b>Finance income – net</b>		<b>1,463</b>	<b>1,801</b>
<b>Loss before income tax</b>		<b>(98,600)</b>	<b>(99,748)</b>
Income tax expense	9	<u>(29)</u>	<u>–</u>
<b>Loss for the period</b>		<b><u>(98,629)</u></b>	<b><u>(99,748)</u></b>
Other comprehensive income: <i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		<u>16</u>	<u>–</u>
<b>Loss and total comprehensive loss for the period attributable to the owners of the Company</b>		<b><u>(98,613)</u></b>	<b><u>(99,748)</u></b>
<b>Loss per share attributable to the owners of the Company (in RMB)</b>			
Basic and diluted loss per share	10	<u>(0.44)</u>	<u>(0.49)</u>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at <b>30 June 2024</b> <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i> <i>(Audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		162,004	94,244
Right-of-use assets		35,849	34,484
Intangible assets		41,056	11,236
Financial assets at fair value through profit or loss		3,517	3,517
Other non-current assets		11,679	20,705
		<u>254,105</u>	<u>164,186</u>
<b>Current assets</b>			
Inventories	<i>11</i>	346,562	256,017
Other current assets		80,577	77,122
Trade receivables	<i>12</i>	381,146	219,093
Financial assets at fair value through other comprehensive income		14,763	7,098
Financial assets at fair value through profit or loss		309,356	228,277
Restricted cash		306	306
Cash and cash equivalents		212,390	720,453
		<u>1,345,100</u>	<u>1,508,366</u>
<b>Total assets</b>		<u><u>1,599,205</u></u>	<u><u>1,672,552</u></u>
<b>EQUITY</b>			
Share capital		226,330	226,330
Treasury stock		–	–
Reserves		1,117,796	1,117,780
Accumulated losses		(319,031)	(220,402)
<b>Total equity</b>		<u><u>1,025,095</u></u>	<u><u>1,123,708</u></u>

	<i>Note</i>	As at <b>30 June 2024</b> <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i> <i>(Audited)</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables and accruals		2,155	2,155
Borrowings	13	62,251	24,159
Lease liabilities		–	630
Contract liabilities		1,450	1,450
Provisions		9,390	6,968
Deferred income		3,382	3,548
		<u>78,628</u>	<u>38,910</u>
<b>Current liabilities</b>			
Trade and notes payables	14	142,137	185,528
Other payables and accruals	15	101,958	105,440
Contract liabilities		6,994	10,647
Borrowings	13	237,078	201,498
Lease liabilities		4,178	1,797
Derivative financial instruments		–	293
Provisions		3,137	4,731
		<u>495,482</u>	<u>509,934</u>
<b>Total liabilities</b>		<u><u>574,110</u></u>	<u><u>548,844</u></u>
<b>Total equity and liabilities</b>		<u><u>1,599,205</u></u>	<u><u>1,672,552</u></u>
<b>Net current assets</b>		<u><u>849,618</u></u>	<u><u>998,432</u></u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>Note</i>	Attributable to equity holders of the Company			Total <i>RMB'000</i>
	Share capital <i>RMB'000</i>	Reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	
<b>As at 1 January 2023</b>	10,211	681,550	(25,294)	666,467
<b>Comprehensive loss</b>				
Loss for the period	–	–	(99,748)	(99,748)
Provision of safety fund surplus reserve	–	340	(340)	–
Utilisation of safety fund surplus reserve	–	(175)	175	–
	–	165	(99,913)	(99,748)
<b>Transactions with equity holders</b>				
Capitalization Issue	194,003	(194,003)	–	–
Share-based payment	–	44,796	–	44,796
	194,003	(149,207)	–	44,796
<b>As at 30 June 2023 (Audited)</b>	<b>204,214</b>	<b>532,508</b>	<b>(125,207)</b>	<b>611,515</b>

<i>Note</i>	Attributable to equity holders of the Company			Total <i>RMB'000</i>
	Share capital <i>RMB'000</i>	Reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	
<b>As at 1 January 2024</b>	226,330	1,117,780	(220,402)	1,123,708
<b>Comprehensive loss</b>				
Loss for the period	–	–	(98,629)	(98,629)
Other comprehensive loss	–	16	–	16
Provision of safety fund surplus reserve	–	34	(34)	–
Utilisation of safety fund surplus reserve	–	(34)	34	–
	–	16	(98,629)	(98,613)
<b>As at 30 June 2024 (Unaudited)</b>	<b>226,330</b>	<b>1,117,796</b>	<b>(319,031)</b>	<b>1,025,095</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2024</b>	<b>2023</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Cash flows from operating activities</b>			
Net cash used in operations		(410,566)	(82,916)
Interest received from cash at banks	8	<u>3,655</u>	<u>2,034</u>
<b>Net cash used in operating activities</b>		<u><b>(406,911)</b></u>	<u><b>(80,882)</b></u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(46,674)	(15,092)
Payments for intangible assets		(35,608)	(1,603)
Proceeds from sale of property, plant and equipment		2	100
Proceeds from disposals of financial assets at fair value through profit or loss		374,659	1,281,795
Payments for financial assets at fair value through profit or loss		(461,739)	(1,345,370)
Proceeds from settlement of derivative financial instruments		<u>626</u>	<u>–</u>
<b>Net cash used in investing activities</b>		<u><b>(168,734)</b></u>	<u><b>(80,170)</b></u>
<b>Cash flows from financing activities</b>			
Payments of lease liabilities		(2,067)	(1,729)
Repayments of borrowings		(116,384)	(48,857)
Proceeds from borrowings		189,551	–
Interest paid for borrowings		(2,210)	(284)
Payments for listing expenses		<u>(3,516)</u>	<u>(7,696)</u>
<b>Net cash generated from/(used in) financing activities</b>		<u><b>65,374</b></u>	<u><b>(58,566)</b></u>
<b>Net decrease in cash and cash equivalents</b>		<u><b>(510,271)</b></u>	<u><b>(219,618)</b></u>
Cash and cash equivalents at beginning of the period		720,453	365,745
Exchange gains on cash and cash equivalents	6	<u>2,208</u>	<u>560</u>
<b>Cash and cash equivalents at end of the period</b>		<u><b>212,390</b></u>	<u><b>146,687</b></u>

# NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

## 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.

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

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 interim financial information comprises the condensed consolidated balance sheet as at 30 June 2024, the related condensed consolidated statement of comprehensive loss, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months then ended, and selected explanatory notes (the "Interim Condensed Financial Information"). The Interim Condensed Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand of RMB (RMB'000) except when otherwise indicated.

This Interim Condensed Financial Information has not been audited.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2024 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 2023, which have been prepared in accordance with IFRS Accounting 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 2023, as described in those annual financial statements.

Taxes on income during the six months ended 30 June 2024 and 2023 are accrued using the tax rate that would be applicable to expected total earnings for the full financial year.

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

A number of new or amended standards became applicable for the annual reporting period commencing on 1 January 2024. The Group assessed the adoption of these new and amended standards and concluded that they did not have a significant impact on the Group's interim results and financial position.

<b>Standards</b>	<b>Key requirements</b>	<b>Effective for annual periods beginning on or after</b>
IAS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
IAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
IAS 7 (Amendments) and IFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024

**(b) New or amended standards not adopted by the Group**

The followings are new or amended standards that have been issued but are not effective for the financial year beginning on 1 January 2024 and have not been early adopted by the Group. The Group plans to adopt these new or amended standards when they become effective:

<b>Standards</b>	<b>Key requirements</b>	<b>Effective for annual periods beginning on or after</b>
IAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
IFRS 9 (Amendments) and IFRS 7 (Amendments)	Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability Disclosures	1 January 2027

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.

## **4 REVENUE AND SEGMENT INFORMATION**

**(a) Description of segments and principal activities**

During the six months ended 30 June 2024, 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**

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 six months ended 30 June 2023 and 2024 is as follows:

	<b>Six months ended 30 June</b>	
	<b>2024</b> <i><b>RMB'000</b></i> <i><b>(Unaudited)</b></i>	<b>2023</b> <i><b>RMB'000</b></i> <i><b>(Audited)</b></i>
Autonomous driving solutions and products	<b>613,257</b>	520,856
Autonomous driving-related R&D services	<b>19,610</b>	12,083
Sales of PCBA products	<b>3,290</b>	10,273
	<b>636,157</b>	543,212

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

**(c) Assets and liabilities related to contracts with customers**

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

	<b>As at</b> <b>30 June</b> <b>2024</b> <i><b>RMB'000</b></i> <i><b>(Unaudited)</b></i>	<b>As at 31</b> <b>December</b> <b>2023</b> <i><b>RMB'000</b></i> <i><b>(Audited)</b></i>
	Non-current assets recognised for costs incurred to acquire contracts	<b>4,375</b>
Current assets recognised for costs incurred to acquire contracts	<b>1,750</b>	1,750
Total assets recognised for costs incurred to acquire contracts (i)	<b>6,125</b>	7,000
Non-current assets recognised for costs incurred to fulfill contracts	<b>442</b>	529
Current assets recognised for costs incurred to fulfill contracts	<b>36,512</b>	44,659
Total assets recognised for costs incurred to fulfill contracts (ii)	<b>36,954</b>	45,188
Non-current liabilities – rendering of services (iii)	<b>1,450</b>	1,450
Current liabilities – rendering of services (iv)	<b>6,750</b>	10,337
Current liabilities – sales of products (v)	<b>244</b>	310
Total contract liabilities	<b>8,444</b>	12,097

**(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.

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	<b>As at 31 December 2023 RMB'000 (Audited)</b>
Assets recognised from costs incurred to acquire contracts	<b>7,000</b>	14,583
Decrease in contract acquisition costs due to termination of a contract	–	(4,000)
Amortisation recognised as cost of selling products during the period/year	<b>(875)</b>	<b>(3,583)</b>
	<b>6,125</b>	<b>7,000</b>

**(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.

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	<b>As at 31 December 2023 RMB'000 (Audited)</b>
Assets recognised from costs incurred to fulfill contracts	<b>39,496</b>	47,653
Impairment loss recognised as cost of providing services during the period/year	<b>(2,542)</b>	<b>(2,465)</b>
	<b>36,954</b>	<b>45,188</b>

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 amount of provision for impairment of contract fulfillment costs recognized was RMB77,000 and RMB305,000 for the six months ended 30 June 2024 and 2023, respectively.

**(iii) Significant changes in contract liabilities**

The decrease was due to the recognition of revenue in relation to contract liabilities and an decrease in overall contract activity during the six months ended 30 June 2024.

**(iv) Revenue recognised in relation to contract liabilities**

	<b>Six months ended 30 June 2024 RMB'000 (Unaudited)</b>	<b>2023 RMB'000 (Audited)</b>
Revenue recognised that was included in the contract liability balance at the beginning of the period	<b>6,162</b>	<b>5,033</b>

(v) *Transaction price allocated to the unsatisfied performance obligations*

	As at 30 June 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i> <i>(Audited)</i>
Aggregate amount of transaction price allocated to contracts that are partially or fully unsatisfied		
Rendering of services	58,503	49,995
Sales of products	119,631	179,632
	<u>178,134</u>	<u>229,627</u>

The above remaining performance obligations are mainly related to the contract of rendering of services and sales of products. Management expects that the unsatisfied obligations of RMB154,534,000 and RMB224,027,000 as of 30 June 2024 and 31 December 2023, respectively will be recognised as revenue within the next twelve months. The remaining unsatisfied obligations will be recognised in one to two year(s).

5 OTHER INCOME

	Six months ended 30 June	
	2024 <i>RMB'000</i> <i>(Unaudited)</i>	2023 <i>RMB'000</i> <i>(Audited)</i>
Government grants (i)	<u>2,198</u>	<u>4,224</u>

(i) During the six months ended 30 June 2024 and 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.

6 OTHER (LOSSES)/GAINS – NET

	Six months ended 30 June	
	2024 <i>RMB'000</i> <i>(Unaudited)</i>	2023 <i>RMB'000</i> <i>(Audited)</i>
Net fair value gains on derivative financial instruments	626	–
Net (losses)/gains on disposals of property, plant and equipment and intangible assets	(1)	88
Net fair value (losses)/gains on financial assets at FVPL	(5,708)	5,110
Net foreign exchange (losses)/gains	(6,026)	884
Others	32	51
	<u>(11,077)</u>	<u>6,133</u>

## 7 EXPENSES BY NATURE

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
Changes in inventories of finished goods	(93,736)	174,242
Raw materials and consumables used	661,178	308,617
Employee benefit expenses	96,364	120,329
Design and development expenses	29,455	20,456
Depreciation and amortization expenses	9,969	8,709
Warranty	5,743	4,274
Legal, consulting and other professional fees	4,608	1,917
Travel expense	3,142	1,939
Business development expenses	2,054	1,131
Advertising and publicity expenses	1,224	1,115
Expenses relating to short-term leases	275	206
Provision for impairment of inventories	266	241
Provision for impairment of contract fulfillment costs	77	305
Listing expenses	–	10,367
Others	5,024	4,259
<b>Total</b>	<b>725,643</b>	<b>658,107</b>

## 8 FINANCE INCOME – NET

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
Finance income:		
Interest income on cash at banks	3,655	2,034
Finance costs:		
Interest expenses on bank borrowings	(2,714)	(137)
Interest and finance charges on lease liabilities	(80)	(96)
	(2,794)	(233)
Less: borrowing costs capitalized in property, plant and equipment	602	–
Finance costs	(2,192)	(233)
<b>Finance income – net</b>	<b>1,463</b>	<b>1,801</b>

## 9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
Current income tax expense	29	–
Deferred income tax expense	–	–
<b>Income tax expense</b>	<b>29</b>	<b>–</b>

Income tax expense is recognised based on management’s estimate of the weighted average effective annual income tax rate expected for the full financial year.

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 six months ended 30 June 2024 and 2023. 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.

In accordance with the Public Notice Jointly Issued by the Ministry of Finance (“MOF”) and State Administration of Taxation (“STA”) on Further Implementing the Preferential CIT Policies for Small and Thin-Profit Enterprises (MOF&STA Public Notice [2022] No. 13), from 1 January 2022 to 31 December 2024, a small low-profit enterprise, the taxable income of which, is more than RMB1 million but no more than RMB3 million shall be subject to the corporate income tax at a tax rate of 20%, based on 25% of the taxable income.

In accordance with the Public Notice Jointly Issued by the MOF and STA Regarding the Further Supporting of Preferential Tax Policies for Small and Micro Enterprises (“SMEs”) and Individual Businesses (STA Public Notice [2023] No. 6), for SMEs, the policy that the first RMB1 million of their annual taxable income shall be reduced by 75% and subject to CIT at the rate of 20% was extended to 31 December 2027.

Except for iMotion Electronics Technology (Suzhou) Co., Ltd., the Company’s subsidiaries qualified as a small low-profit enterprise and enjoyed the above preferential income tax policy. The effective corporate income tax rate was 20% during the six months ended 30 June 2024 and 2023.

According to the relevant laws and regulations promulgated by the STA, 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”).

## 10 LOSS PER SHARE

### (a) Basic loss per share

Basic loss per share is calculated by dividing the loss of the Group attribute to owners of the Company by weighted average number of ordinary shares issued during the six months ended 30 June 2024 and 2023.

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<i>(Unaudited)</i>	<i>(Audited)</i>
Loss attributable to the ordinary equity holders of the Company <i>(RMB'000)</i>	<b>(98,629)</b>	(99,748)
Weighted average number of ordinary shares outstanding (thousand shares) (i)	<b>226,330</b>	204,214
Basic loss per share (expressed in RMB per share)	<b><u>(0.44)</u></b>	<b><u>(0.49)</u></b>

- (i) 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 six months ended 30 June 2024 and 2023, diluted loss per share was the same as basic loss per share as there were no potentially dilutive ordinary shares outstanding during the periods.

**11 INVENTORIES**

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	<b>As at 31 December 2023 RMB'000 (Audited)</b>
Raw materials	202,852	205,824
Semi-finished goods	1,075	481
Work in progress	4,239	399
Finished goods	139,239	49,937
	<u>347,405</u>	<u>256,641</u>
Less: provisions for impairment	<u>(843)</u>	<u>(624)</u>
	<u><b>346,562</b></u>	<u><b>256,017</b></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 six months ended 30 June 2024 and 2023, inventories recognized as cost of sales amounted to approximately RMB566,367,000 and RMB482,360,000, respectively, and the provision for impairment of inventories as recognized for the respective periods amounted to approximately RMB266,000 and RMB241,000, respectively. All these expenses and impairment charge have been included in “cost of sales” in the consolidated statements of comprehensive income.

**12 TRADE RECEIVABLES**

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	<b>As at 31 December 2023 RMB'000 (Audited)</b>
Due from third parties	386,043	222,813
Provisions for impairment	<u>(4,897)</u>	<u>(3,720)</u>
Total	<u><b>381,146</b></u>	<u><b>219,093</b></u>

As at 30 June 2024 and 31 December 2023, the aging analysis of the trade receivables based on revenue recognition date is as follows:

	As at <b>30 June</b> <b>2024</b> <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i> <i>(Audited)</i>
Within 3 months	331,573	213,474
3 to 6 months	29,328	8,098
6 to 12 months	24,421	–
Over 12 months	721	1,241
	<u>386,043</u>	<u>222,813</u>

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

### 13 BORROWINGS

	As at <b>30 June</b> <b>2024</b> <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i> <i>(Audited)</i>
<b>Borrowings included in non-current liabilities:</b>		
<i>Secured</i>		
Bank borrowings (i)	<u>62,251</u>	<u>24,159</u>
<b>Borrowings included in current liabilities:</b>		
<i>Unsecured</i>		
Bank borrowings (ii)	129,430	140,967
Other loans (iii)	106,960	35,414
Bills payable (iv)	–	24,933
Interest payables	<u>688</u>	<u>184</u>
	<u>237,078</u>	<u>201,498</u>
<b>Total borrowings</b>	<u><b>299,329</b></u>	<u><b>225,657</b></u>

(i) The Group has pledged its land use rights with carrying amounts of approximately RMB31,091,000 (31 December 2023: RMB31,659,000) to bank as the security for the long-term bank borrowings of RMB62,251,000 (31 December 2023: RMB24,159,000) as at 30 June 2024. The Group's long-term interest bearing borrowings were RMB-denominated borrowings with floating rates linked to Loan Prime Rate. Interest is payable quarterly. The principal for the borrowings are payable in batches from 21 June 2026 to 21 December 2026.

(ii) As at 30 June 2024, the Company had short-term borrowings from a PRC bank with amounts totalling RMB129,430,000 (31 December 2023: RMB94,930,000) and an effective interest of 2.95% per annum, respectively.

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.

- (iii) As at 30 June 2024, the Company had import bill advance paid by a PRC bank with amounts totalling RMB106,960,000 (31 December 2023: RMB35,414,000) and an effective interest of 2.75% (31 December 2023: nil) per annum.
- (iv) 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.
- (v) **Other disclosures**

During the six months ended 30 June 2024 and 2023, the Group had not been in violation of any of the 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:

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
Less than 6 months	<b>201,890</b>	24,933
Between 6 and 12 months	<b>34,500</b>	176,381
Between 1 and 2 years	<b>20,000</b>	–
Between 2 and 5 years	<b>42,251</b>	24,159
	<b>298,641</b>	225,473

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

#### 14 TRADE AND NOTES PAYABLES

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
Trade payables		
– Payables for materials	<b>136,416</b>	184,649
Notes payables (i)		
– Payables for materials	<b>5,721</b>	879
	<b>142,137</b>	185,528

- (i) The maturity term of the notes payables is 3 months.
- (ii) The carrying amounts of trade payables approximate their fair values due to their short-term maturity in nature.



(iii) The aging analysis of the trade payables based on purchase date is as follows:

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
Up to 1 year	136,258	184,649
1 to 2 years	158	–
	<b>136,416</b>	<b>184,649</b>

## 15 OTHER PAYABLES AND ACCRUALS

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
Payables for purchases of property, plant and equipment	49,229	26,306
Payroll and welfare payables	12,845	28,994
Accruals	7,935	7,144
Other taxes payables	1,656	1,851
Accrued listing expenses	–	18,020
Others (i)	32,448	25,280
	<b>104,113</b>	<b>107,595</b>
Less: non-current portion (ii)	<b>(2,155)</b>	<b>(2,155)</b>
	<b>101,958</b>	<b>105,440</b>

(i) 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 30 June 2024, the service fees collected by the Company from the customer but unpaid to the supplier were approximately RMB28,103,000 (31 December 2023: RMB21,713,000).

(ii) 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 30 June 2024, USD300,000 of unpaid amount which would be settled beyond 12 months were reclassified to non-current portion of other payables and accruals.

## 16 DIVIDENDS

No dividend has been paid or declared by the Company during the Reporting Period. (30 June 2023: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. MARKET REVIEW

#### **In the first half of 2024, China's vehicle market witnessed a balanced growth**

China's vehicle production and sales reached 13.891 million units and 14.047 million units respectively, representing period-over-period growth of 4.9% and 6.1%, respectively. Among them, cumulative production and sales of passenger vehicles reached 11.886 million units and 11.979 million units, representing period-over-period growth of 5.4% and 6.3%, respectively. It is noteworthy that Chinese-branded passenger vehicles showed strong momentum with total sales of 7.419 million units recorded, representing 61.9% of the total sales of passenger vehicles, and increased by 8.8 percentage points as compared with the corresponding period of the previous year in terms of market share. Production and sales of new energy vehicles continued to sustain rapid growth, with the market share achieved stable growth. In the first half of 2024, China's production and sales of new energy vehicles totalled 4.929 million units and 4.944 million units, representing period-over-period growth of 30.1% and 32.0%, respectively, and the market share was 35.2%. In the first half of 2024, despite the rising local protectionism, for example, the European Union imposed punitive tariff on new energy vehicles exported from China, China's vehicle exports still maintained rapid growth and hit 2.793 million units, representing period-over-period growth of 30.5%.

#### **In the first half of 2024, the PRC government authorities have successively launched various policies promoting the development of the industry of autonomous driving and intelligent connected vehicles**

On January 17, 2024, the five ministries, namely the Ministry of Industry and Information Technology (工業和信息化部), the Ministry of Public Security (公安部), the Ministry of Natural Resources (自然資源部), the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部) and the Ministry of Transport (交通運輸部), jointly issued the circular on Carrying out the Pilot Program for the Application of "Integration of Vehicle-Road-Cloud" in Intelligent Connected Vehicles (關於開展智能網聯汽車「車路雲一體化」應用試點工作的通知), which would accelerate the integration of autonomous driving, V2X and the cloud control platform, thus forming synergistic autonomous driving function that is safer and more effective. On June 4, 2024, the Ministry of Industry and Information Technology (工業和信息化部), the Ministry of Public Security (公安部), the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部) and the Ministry of Transport (交通運輸部) jointly issued the circular on Orderly Development of the Pilot Program for the Access and Road Testing of Intelligent Connected Vehicles by the Four Ministries (《四部門有序開展智能網聯汽車准入和上路通行試點工作的通知》), which listed the first batch 9 automobile enterprises as a consortium to participate in the pilot program for the access and road testing of intelligent connected vehicles. The launch of such circular is conducive to facilitating the improvement of autonomous driving function and performance as well as the progress of industrialization, while accelerating the improvements of the access mechanism of L3/L4 autonomous driving and road traffic safety management system, thereby further perfecting the supporting policies for the launch of L3/L4 autonomous driving.

## **The algorithm model of autonomous driving was continuously upgraded**

In January 2024, Tesla officially launched FSD V12 to its customers in the North America, making it the first company to achieve end-to-end autonomous driving in terms of series-produced vehicle models. FSD V12's strong generalization capability for complex scenarios and its anthropomorphic driving style similar to that of experienced drivers have greatly raised the upper limit of autonomous driving technology, making end-to-end autonomous driving the focus of the entire autonomous driving industry. Vehicle companies, autonomous driving technology companies, and artificial intelligence companies have all started to invest in the development of end-to-end technology. At the same time, we also found that an unanimous understanding of end-to-end technology has not yet formed in the industry and there are still different views on system architecture and technology routes; serial production of end-to-end technology is also facing many challenges, such as computing power, data, and interpretability, which are yet to be solved by joint efforts of all parties in the industry.

## **II. BUSINESS REVIEW**

The Group is an autonomous driving solution provider in China. Relying on a number of advanced system research and development (“**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.

During the Reporting Period, we delivered more than 96,000 autonomous driving solutions and products to our customers, representing an increase of 92.9% as compared to the same period last year, as more and more customer vehicle models equipped with our autonomous driving solutions and products entered serial production and delivery stage. During the Reporting Period, we recorded revenue of approximately RMB636.16 million, representing a period-over-period increase of 17.11%, and realized gross profit of RMB44.85 million, representing a period-over-period increase of 9.29%.

### **Autonomous driving solutions and products**

During the Reporting Period, 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 and internal combustion engine vehicles, and are capable of realizing comprehensive autonomous driving functions.

During the Reporting Period, we generated revenue of approximately RMB613.26 million (corresponding period in 2023: RMB520.86 million) from the provision of autonomous driving solutions and products, representing an increase of 17.74% as compared to that for the corresponding period in 2023, accounting for approximately 96.40% of our total revenue during the Reporting Period, of which revenue from the sales of AD domain controllers amounted to approximately RMB597.94 million (corresponding period in 2023: RMB515.54 million), representing an increase of 15.98% as compared to that for the corresponding period in 2023, remaining the largest revenue source of the Company; revenue from the sales of intelligent front cameras amounted to approximately RMB15.32 million (corresponding period in 2023: RMB5.32 million), representing an increase of 187.97% as compared to that for the corresponding period in 2023, the increase of which was mainly attributable to the new vehicle models of Dongfeng Motor, Geely Auto, Chery and other brands entering the serial production and delivery phase.

### **Autonomous driving-related R&D services**

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: (1) the development of software and hardware for autonomous driving; (2) the development of algorithms and functions for autonomous driving; and (3) functional safety consulting and validation. Our autonomous driving-related R&D services are primarily focused on two areas: (1) 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; and (2) 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 Reporting Period, we recorded revenue from the autonomous driving-related R&D services of approximately RMB19.61 million (corresponding period in 2023: RMB12.08 million), representing approximately 3.08% of our total revenue in the Reporting Period. The increase in revenue from autonomous driving-related R&D services for the Reporting Period as compared to that for the corresponding period in 2023 was primarily due to that the Company obtained new R&D projects and completed the corresponding development tasks and obtained the customer's acceptance.

## **Sale of PCBA products**

During the Reporting Period, we added a world-class surface mount technology (SMT) production line to support customers in producing more demanding PCBA products, and now we have a total of three SMT production lines. We continue to be engaged in manufacturing and sales of PCBA products to third parties. 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 Reporting Period, we recorded revenue from the sale of PCBA products of approximately RMB3.29 million (corresponding period in 2023: RMB10.27 million), accounting for approximately 0.52% of our total revenue in the Reporting Period.

## **Project acquisition**

During the Reporting Period, we obtained a total of 18 letters of nomination from well-known OEM customers including, among others, Chery, Geely Auto, Dongfeng Motor, Leapmotor and Polestar, most of vehicle models of which will be put into production in 2024 and 2025, which will help us consolidate our advantages in commercialization and occupy a larger market share.

## **R&D progress**

Our self-developed iDC series AD domain controller has newly added iDC300 model, which uses domestic chips to meet our customers' requirements for chip localization, has achieved serial production delivery in the first half of 2024, and has been highly praised by customers in highway navigate on autopilot (NoA) and other functions. So far, the iDC series has formed three different platforms, iDC 100 (original iDC Mid), iDC300 (domestic chips) and iDC500 (original iDC High), to meet customers' requirements for automatic parking, highway NoA, urban NoA and other different levels of autonomous driving. In terms of algorithms, the Company is also actively deploying end-to-end models. We have completed the deployment of the BEV+Transformer perceptual large model on the iDC500, which is expected to be put into serial production in the second half of 2024. Meanwhile, we have also carried out the neural networking of the decision-making planning module.

We are actively promoting the serial production of iDEA, a cockpit integration product. The product will realize both autonomous driving and intelligent cockpit functions on a single chip, which will help customers reduce vehicle costs and bring better functional experience to end users. It is expected that iDEA will be launched in the market in 2025.

## **Overseas layout**

Our German subsidiary has been officially put into operation. On the one hand, it provides our Chinese customers with support for entering Europe market, including road testing, functional verification, regulatory certification and after-sales support. In the first half of 2024, we have helped two Chinese customers to obtain European Union GSR (General Safety Regulation) certification for their vehicle models. On the other hand, the German subsidiary also provides services directly to European customers and further develops the European market.

### III. FINANCIAL REVIEW

#### Revenue

Revenue for the Reporting Period was RMB636.16 million, representing an increase of RMB92.95 million or 17.11% as compared to that for the corresponding period in 2023. Among which, revenue from sales of autonomous driving solutions and products was RMB613.26 million, representing an increase of RMB92.40 million or 17.74% as compared to that for the corresponding period in 2023; revenue from rendering of autonomous driving-related R&D services was RMB19.61 million, representing an increase of RMB7.53 million or 62.29% as compared to that for the corresponding period in 2023; and revenue from sales of PCBA products was RMB3.29 million, representing a decrease of RMB6.98 million or 67.97% as compared to that for the corresponding period in 2023.

A substantial portion of the revenue of the Group was generated from sales of autonomous driving solutions and products, accounting for 96.40% of its revenue for the Reporting Period (corresponding period in 2023: 95.89%). In addition, revenue generated from rendering of autonomous driving-related R&D services accounted for 3.08% of its revenue for the Reporting Period (corresponding period in 2023: 2.22%), and revenue from sales of PCBA products accounted for 0.52% of its revenue for the Reporting Period (corresponding period in 2023: 1.89%). 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 six months ended June 30,			
	2024		2023	
	Amount	Percentage	Amount	Percentage
	(RMB'000)	of total	(RMB'000)	of total
	(Unaudited)	revenue	(Audited)	revenue
Autonomous driving solutions and products				
– AD domain controller solutions	597,939	93.99%	515,535	94.91%
– Intelligent front cameras	15,318	2.41%	5,321	0.98%
Subtotal	613,257	96.40%	520,856	95.89%
Autonomous driving-related R&D services	19,610	3.08%	12,083	2.22%
Sales of PCBA products	3,290	0.52%	10,273	1.89%
Total	636,157	100.00%	543,212	100.00%



## **Cost of Sales and Services**

Cost of sales and services for the Reporting Period was RMB591.31 million, representing an increase of RMB89.13 million or 17.75% as compared to that for the corresponding period in 2023. Among which, cost of sales of autonomous driving solutions and products for the Reporting Period was RMB570.56 million representing an increase of RMB86.41 million or 17.85% as compared to that for the corresponding period in 2023; cost of rendering of autonomous driving-related R&D services was RMB16.91 million, representing an increase of RMB9.12 million or 117.06% as compared to that for the corresponding period in 2023; and cost of sales of PCBA products was RMB3.84 million, representing a decrease of RMB6.40 million or 62.54% as compared to that for the corresponding period in 2023.

## **Gross Profit and Gross Profit Margin**

Gross profit for the Reporting Period was RMB44.85 million, representing an increase of RMB3.81 million or 9.29% as compared to that for the corresponding period in 2023. Of which, gross profit of sales of autonomous driving solutions and products for the Reporting Period was RMB42.70 million, representing an increase of RMB5.99 million or 16.31% as compared to that for the corresponding period in 2023; gross profit of rendering of autonomous driving-related R&D services was RMB2.70 million, representing a decrease of RMB1.59 million or 37.12% as compared to that for the corresponding period in 2023; and gross loss of sales of PCBA products was RMB0.55 million (the gross profit for the corresponding period in 2023: RMB36 thousand).

Gross profit margin for the Reporting Period was 7.05% (corresponding period in 2023: 7.55%).

## **Other Income**

Other income primarily consists of government subsidies for the Group's R&D expenditures and manufacturing bases. Other income for the Reporting Period amounted to RMB2.20 million, representing a decrease of 47.96% as compared with RMB4.22 million for the corresponding period in 2023. The decrease was mainly due to a decrease of government grants.

## **Other (Losses)/Gains – Net**

Net other (losses)/gains primarily consist of (i) net fair value losses or gains on financial assets at fair value through profit or loss (“FVTPL”) in relation to losses or gains from our wealth management products; (ii) net foreign exchange losses or gains; (iii) net fair value gains on derivative financial instruments; (iv) net losses or gains on disposals of property, plant and equipment and intangible assets; and (v) others. Net other losses for the Reporting Period amounted to RMB11.08 million (net other gains for the corresponding period in 2023: RMB6.13 million). The change was mainly due to a decrease in investment income from wealth management products and an increase in foreign exchange losses.

## **Selling Expenses**

Selling expenses for the Reporting Period amounted to RMB11.55 million, representing a decrease of 14.85% as compared with RMB13.57 million for the corresponding period in 2023. The decrease was mainly attributable to a decrease in share-based payments to sales and marketing personnel. As a percentage of revenue, the selling expenses decreased from 2.50% for corresponding period in 2023 to 1.82% for the Reporting Period, down by 0.68 percentage point.

## **Administrative Expenses**

Administrative expenses for the Reporting Period amounted to RMB23.20 million, representing a decrease of 39.55% as compared with RMB38.38 million for the corresponding period in 2023. The decrease was mainly attributable to a decrease in share-based payments to administrative personnel and a decrease in the listing expenses. As a percentage of revenue, the administrative expenses decreased from 7.07% for corresponding period in 2023 to 3.65% for the Reporting Period, down by 3.42 percentage point.

## **Research and Development Expenses**

Research and development expenses for the Reporting Period amounted to RMB99.59 million, representing a decrease of 4.23% as compared with RMB103.99 million for the corresponding period in 2023. The decrease was mainly attributable to a decrease in share-based payments to the R&D personnel. As a percentage of revenue, the research and development expense decreased from 19.14% for corresponding period in 2023 to 15.65% for the Reporting Period, down by 3.49 percentage point.

## **Finance Income**

Finance income primarily consists of interest income on cash at bank. Finance income for the Reporting Period amounted to RMB3.66 million, representing an increase of RMB1.62 million as compared with RMB2.03 million for the corresponding period in 2023.

## **Financial Costs**

Finance costs for the Reporting Period amounted to RMB2.19 million, representing an increase of RMB1.96 million as compared with RMB0.23 million for the corresponding period in 2023. The increase was mainly attributable to an increase in interest on bank borrowings.

## **Loss for the Reporting Period**

As a result of the foregoing, loss for the Reporting Period amounted to RMB98.63 million, representing a decrease in loss of 1.12% as compared with RMB99.75 million for the corresponding period in 2023.

## **Loss and Total Comprehensive Loss for the Reporting Period Attributable to the Equity Holders of the Company**

For the Reporting Period, loss and total comprehensive loss for the Reporting Period attributable to owners of the parent amounted to RMB98.61 million, representing a decrease in loss of 1.14% as compared with RMB99.75 million for the corresponding period in 2023.



## **IV. LIQUIDITY AND CAPITAL RESOURCES**

### **Cash Flows**

For the Reporting Period, the Group's net cash outflow used in operating activities was RMB406.91 million, as compared with RMB80.88 million of its net cash outflow used in operating activities for the corresponding period in 2023.

For the Reporting Period, the Group's net cash outflow used in investing activities was RMB168.73 million, as compared with RMB80.17 million of its net cash outflow used in investing activities for the corresponding period in 2023. During the Reporting Period, the net cash outflow of investing activities was mainly attributable to payment for property, plant and equipment, intangible assets and financial assets at FVTPL.

For the Reporting Period, the Group's net cash inflow generated from financing activities was RMB65.37 million, as compared with RMB58.57 million of its net cash outflow of financing activities for the corresponding period in 2023. The change was mainly attributable to the proceeds from bank borrowings.

### **Net Current Assets**

As at June 30, 2024, the Group's net current assets amounted to RMB849.62 million, as compared to its net current assets of RMB998.43 million as at December 31, 2023.

### **Inventories**

The Group's inventories consist of (1) raw materials; (2) semi-finished goods; (3) work in progress; and (4) finished goods. As at June 30, 2024, the Group's inventories amounted to RMB346.56 million, representing an increase of 35.37% as compared with RMB256.02 million as at December 31, 2023. The increase was mainly attributable to an increase in ending inventories due to the increase in sales orders in the second quarter of 2024.

In the first half of 2024, the Group's average inventory turnover days (the average inventory turnover days is based on the average of opening and ending balance of inventories divided by cost of sales for that year and multiplied by 180 days.) were 92 days, representing an increase as compared with 58 days in corresponding period in 2023, which was mainly attributable to the larger ending balance of inventories to meet the increase in sales orders in the second quarter of 2024.

### **Borrowings**

As at June 30, 2024, the Group's borrowings were RMB299.33 million, representing an increase of 32.65% as compared with RMB225.66 million as at December 31, 2023. All the Group's bank borrowings and other loans are denominated in Renminbi.

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

	<b>As at</b>	
	<b>June 30,</b>	December 31,
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Borrowings included in non-current liabilities:</b>		
<i>Secured</i>		
Bank borrowings	<u>62,251</u>	<u>24,159</u>
<b>Borrowings included in current liabilities:</b>		
<i>Unsecured</i>		
Bank borrowings	129,430	140,967
Other loans	106,960	35,414
Bills payable	–	24,933
Interest payables	<u>688</u>	<u>184</u>
	<u>237,078</u>	<u>201,498</u>
<b>Total borrowings</b>	<b><u>299,329</u></b>	<b><u>225,657</u></b>

### **Gearing Ratio**

As at June 30, 2024, the gearing ratio, which is calculated as net debt divided by total capital, is not applicable due to net cash position of the Group (corresponding period in 2023: not applicable).

### **Pledge of Assets**

The Group has pledged its land use rights with carrying amounts of approximately RMB31.09 million to bank as the security for the long-term bank borrowings of RMB62.25 million as at June 30, 2024.

### **Capital Expenditures and Investment**

The Group's capital expenditures comprise primarily expenditures on property, plant and equipment and intangible assets. During the Reporting Period, the Group's total capital expenditures were RMB82.28 million, representing an increase of 392.85% as compared with RMB16.70 million for the corresponding period in 2023. The increase was mainly due to the increase in payment for property, plant and equipment and intangible assets.

## **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 are 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 June 30, 2024, the Group did not have any material contingent liabilities.

## **Staff Cost and Employee Remuneration Policy**

As at June 30, 2024, the Group had 460 employees (as at June 30, 2023: 337 employees). Staff cost of the Group decreased by 19.92% from RMB120.33 million for the corresponding period in 2023 to RMB96.36 million for the Reporting Period, which was mainly attributable to a decrease in share-based payments to employees.

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. The employee incentive schemes were 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.

## **V. SIGNIFICANT INVESTMENTS**

For the Reporting Period, 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 June 30, 2024). As of June 30, 2024, save as disclosed in the section headed "Use of Proceeds from the Global Offering" in this announcement, the Group did not have other future 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

The autonomous driving industry is the national strategic development direction, and the development of the autonomous driving industry can bring multi-dimensional improvement at both social and industrial levels, so the rapid development has become an inevitable trend. National standard policies as well as demonstration and pilot policies intensively introduced by local governments are expected to promote the comprehensive upgrading of autonomous driving and accelerate the serial production of L3/L4 autonomous driving technology.

The rapid development of automotive intelligence in China is also reshaping consumers' preferences for purchasing vehicles, and consumers are increasingly interested in high-end intelligent features such as autonomous driving technology and intelligent cockpit. According to "McKinsey China Auto Consumer Insights 2024" (《2024 麥肯錫中國汽車消費者洞察》) report recently released by McKinsey, more than half of consumers have already identified the intelligence level as a key factor in purchasing a vehicle, with "more advanced autonomous driving features" and "better intelligent cockpit experience" ranking first and second, respectively. Large models and end-to-end technology have greatly enhanced the ceiling of autonomous driving. The iterative autonomous driving algorithm model greatly improves the user experience. The autonomous driving function has been rapidly improved from "usable" to "useful", making it "commonly used" by end consumers. We firmly believe that this will accelerate the popularization of autonomous driving and make autonomous driving an essential feature of vehicles.

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

Competition among Chinese automotive enterprises is intensifying, and OEM customers are demanding higher cost-effectiveness of autonomous driving solutions and products. Leveraging our full-stack self-development capabilities in hardware, software and algorithm levels, along with our independent and controllable supply chain and in-house manufacturing capabilities, we will continue to enhance our competitiveness in an all-round way through technological innovation, process optimization, lean manufacturing, scaling up and other aspects to provide our customers with more cost-effective autonomous driving solutions and products.

### **Increase our R&D investment to solidify our leading position**

We will continue to increase investment in more advanced algorithms. We have completed the deployment of BEV + Transformer-based perceptual large model on iDC500. At the same time, we will also conduct deep cooperation with well-known universities and leading scientific research institutions to accelerate the large modeling of decision-making planning module and improve the experience of autonomous driving function. We will continue to increase investment in computing power and data and accelerate algorithm iteration. In terms of products, we will launch iDC510, the next-generation product of iDC500, to provide customers with the next-generation urban NoA-capable AD domain controller with stronger performance and better functionality at a controllable cost through chip-level integration. We will resolutely promote the serial production process of iDEA, a cockpit integration product, which is expected to become another fast-growing product line of the Company.

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

In the first half of 2024, we have obtained letters of nomination from several new customers. We will continue to deepen cooperation with existing customers and actively expand new customers. At present, most of our customers are still Chinese OEM vehicle manufacturers, and the business expansion targeting to Chinese joint venture brand vehicle companies and international OEM customers will be a key direction in the future.

## **Enhance our value chain integration capabilities**

We will continue to cooperate with existing international first-class system-on chips (SoC) suppliers, and actively introduce domestic automotive-grade SoC chip suppliers to meet customers' requirements for chip localization. At the same time, we are also actively exploring cooperation opportunities in autonomous driving related industries to enhance value chain integration through product or business combination. In addition, we plan to strengthen our vertical integration capabilities through mergers and acquisitions of quality companies that can create synergies.

## **Actively promote overseas production capacity deployment**

Since 2024, the escalation of geopolitical risks and the rise of overseas local protectionism have still affected China's automotive industry. In particular, the United States, the European Union and other countries and regions have adjusted their tariff policies for new energy vehicles, which has had a certain adverse impact on China's vehicle export costs and overseas sales. In order to expand the global market, enhance overseas supply capacity and weaken effects of overseas tariff policies, many vehicle enterprises have established overseas production bases in Southeast Asia, Europe, South America and other regions. In order to serve our customers and expand the global market, we will actively promote the overseas production capacity deployment.

## **Actively deploy more diversified business models**

Our current solutions focus primarily on autonomous driving of passenger vehicles. We have recently obtained letters of nomination from customers in the light commercial vehicle segment. 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 has conducted substantive communication with customers in the field of autonomous driving such as two-wheeled vehicles and agricultural machinery.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining and promoting high standards of corporate governance, to safeguard the interests of the shareholders of the Company (the “**Shareholders**”) and to enhance corporate value and accountability. The Company has complied with all applicable code provisions under the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities (“**Listing Rules**”) of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as the basis for its corporate governance practices during the Reporting Period, except for code provision C.2.1 described below. 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.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors’ and supervisors’ securities transactions. After making specific enquiries to all the Directors and supervisors, each of them has confirmed that they have complied with the Model Code during the Reporting Period.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period (corresponding period in 2023: Nil).

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

On December 20, 2023, 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 of the Company (“**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 RMB RMB1.00 per H share. Offer shares were issued to and subscribed by Hong Kong and overseas investors through the Global Offering at the offer price of HK\$29.65 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 RMB575.83 million (equivalent to approximately HK\$595.23 million). The following table sets forth the Company's use of the proceeds from the Global Offering as at June 30, 2024:

	Approximate percentage of the total net proceeds	Net proceeds from the Global Offering (RMB' million)	Unutilised net proceeds as of January 1, 2024 (RMB' million)	Actual use of proceeds during the Reporting Period (RMB' million)	Unutilised net proceeds as of June 30, 2024 (RMB' million)	Expected time to utilize the remaining net proceeds in full
Enhancing research and development of our autonomous driving solutions and products	45.0%	259.12	259.12	102.71	156.41	By the end of the year 2025
Capital expenditure in relation to our R&D headquarters, manufacturing premises and new production lines	35.0%	201.54	201.54	90.38	111.16	By the end of the year 2025
Expanding our sales and service network	10.0%	57.58	57.58	9.29	48.30	By the end of the year 2025
Working capital and general corporate purposes	10.0%	57.58	57.58	41.55	16.03	By the end of the year 2025
<b>Total (Note)</b>	<b>100.0%</b>	<b>575.83</b>	<b>575.83</b>	<b>243.93</b>	<b>331.90</b>	

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

As at June 30, 2024, the unutilized net proceed from the Global Offering amounted to approximately RMB331.90 million. The Group will utilise the net proceeds in accordance with the intended purposes and the same portion 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. Should there be any change in the intended use of the unutilised net proceeds, the Company will make appropriate announcement(s) in due course.

## **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 at any time during the six months ended June 30, 2024.

## **AUDIT COMMITTEE REVIEW OF FINANCIAL STATEMENTS**

The audit committee of the Company has reviewed the unaudited consolidated financial statements and interim results of the Group for the six months ended June 30, 2024, and is of the view that the Group's unaudited consolidated interim results for the six months ended June 30, 2024 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

## **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

There were no material events after June 30, 2024 and up to the date of this announcement that would materially affect the Group's operating and financial performance.

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

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.imotion.ai](http://www.imotion.ai)). The interim report of the Company for the six months ended June 30, 2024 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, August 16, 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.*