



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

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

Stock Code: 1274

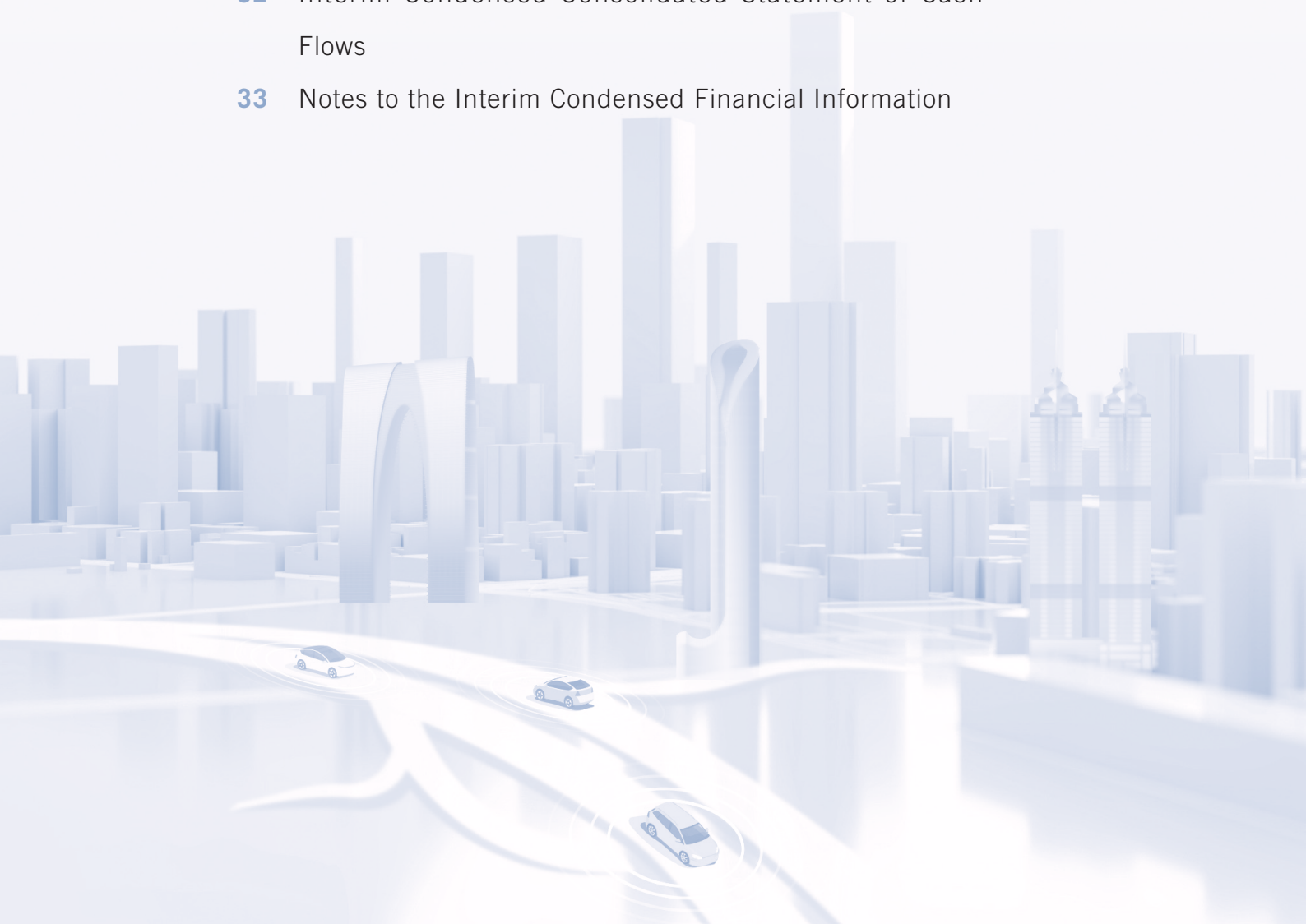


2024

INTERIM REPORT

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Corporate Information

CHINESE NAME OF THE COMPANY

知行汽車科技(蘇州)股份有限公司

ENGLISH NAME OF THE COMPANY

iMotion Automotive Technology (Suzhou) Co., Ltd.

BOARD OF DIRECTORS

Executive Directors

Mr. Song Yang (*Chairman of the Board*)
Mr. Lu Yukun
Mr. Li Shuangjiang

Non-executive Directors

Mr. Li Chengsheng
Mr. Tao Zhixin
Mr. Yang Yuankui

Independent Non-executive Directors

Dr. Zhang Weigong
Mr. Liu Yong
Ms. Xue, Rui Shirley

AUDIT COMMITTEE

Mr. Liu Yong (*Chairman*)
Dr. Zhang Weigong
Ms. Xue, Rui Shirley

REMUNERATION AND APPRAISAL COMMITTEE

Ms. Xue, Rui Shirley (*Chairlady*)
Mr. Lu Yukun
Mr. Liu Yong

NOMINATION COMMITTEE

Dr. Zhang Weigong (*Chairman*)
Mr. Song Yang
Ms. Xue, Rui Shirley

STRATEGY COMMITTEE

Mr. Song Yang (*Chairman*)
Mr. Lu Yukun
Mr. Yang Yuankui

BOARD OF SUPERVISORS

Mr. Luo Hong (*Chairman*)
Mr. Zhu Qinghua
Mr. Wang Bingjie

AUTHORISED REPRESENTATIVES

Mr. Song Yang
Mr. Chung Ming Fai

JOINT COMPANY SECRETARIES

Ms. Liu Fang
Mr. Chung Ming Fai

HEADQUARTERS, REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

19/F and 20/F
Building G2
88 Jinji Lake Avenue
Suzhou Industrial Park
Suzhou, Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISERS

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265 Suzhou Avenue East
Suzhou Industrial Park
Suzhou, Jiangsu Province
PRC

Hong Kong Law:

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Suites 3203-3207, 32nd Floor
Edinburgh Tower
The Landmark
15 Queens Road Central
Central, Hong Kong

AUDITORS

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

COMPLIANCE ADVISOR

Quam Capital Limited
5/F and 24/F (Rooms 2401 and 2412)
Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

China Construction Bank Co., Ltd.
Jiangsu Pilot Free Trade Zone Suzhou Branch
1st Floor, Zijin Oriental Business Plaza
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Dushu Lake Science and Education Innovation Zone
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STOCK CODE

01274

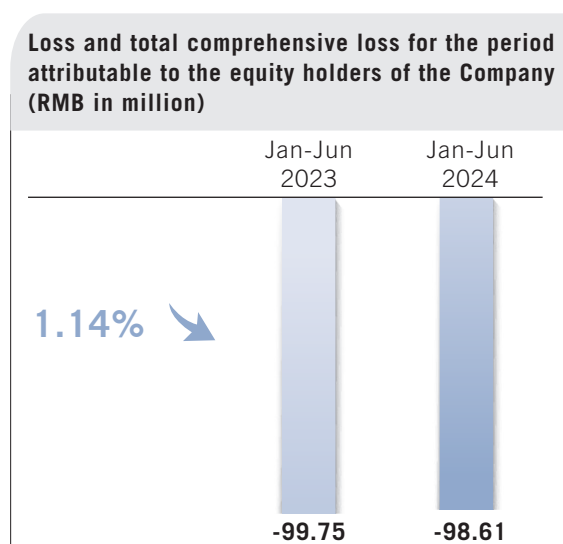
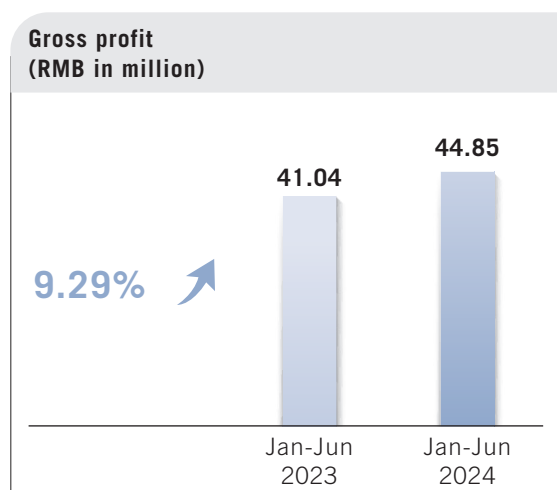
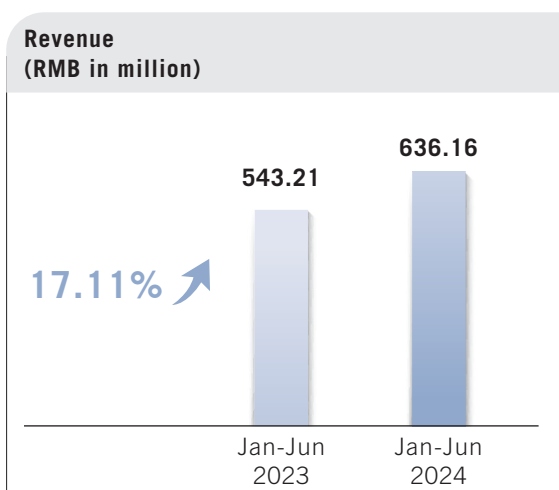
Definitions

“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	the board of directors of the Company
“CG Code”	Corporate Governance Code set out in Appendix C1 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this interim report, Hong Kong, Macau Special Administrative Region and Taiwan region
“Company”	iMotion Automotive Technology (Suzhou) Co., Ltd., a joint stock company incorporated in the PRC with limited liability
“controlling shareholder(s)”	has the meaning ascribed thereto in the Listing Rules, and unless the context otherwise requires
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are not listed on the Stock Exchange
“EUR”	Euro, the lawful currency of European Union
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”, “we” or “us”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which have been listed and traded on the Stock Exchange with effect from December 20, 2023
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”, “HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 2,211,600 H Shares offered by the Company for subscription pursuant to the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) on the terms and conditions as described in the Prospectus, as further described in the section headed “Structure of the Global Offering” in the Prospectus
“International Offer Shares”	the 19,904,400 H Shares initially offered by the Company for subscription at the Offer Price pursuant to the International Offering

“International Offering”	the offer of the International Offer Shares by the international underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to qualified institutional buyers only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in “Structure of the Global Offering” in the Prospectus
“Listing”	listing of the H Shares on the Main Board of the Stock Exchange
“Listing Date”	December 20, 2023, the date on which the H Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“Offer Price”	HK\$29.65 per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%)
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares
“PCBA”	printed circuit boards assembly
“Prospectus”	the prospectus of the Company dated December 12, 2023 issued in connection with the Global Offering and the Listing
“R&D”	research and development
“Reporting Period”	the six months ended June 30, 2024
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) in the issued share capital of the Company, with a nominal value of RMB1.00 each
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	supervisor(s) of the Company
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“USD”	United States dollars, the lawful currency of the United States
“%”	per cent

Financial Highlights

	Six months ended June 30,		
	2024	2023	Change
	(Unaudited)	(Audited)	
	<i>(RMB in million, except percentages and %)</i>		
Revenue	636.16	543.21	17.11%
Gross profit	44.85	41.04	9.29%
Gross profit margin	7.05%	7.55%	-0.50 percentage point
Loss before tax	(98.60)	(99.75)	(1.15%)
Loss and total comprehensive loss for the period attributable to the equity holders of the Company	(98.61)	(99.75)	(1.14%)
Basic and diluted loss per share attributable to equity holders of the parent (in RMB)	(0.44)	(0.49)	(10.20%)



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% 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 a 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 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 (NEVs) and internal combustion engine (ICE) 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.

Management Discussion and Analysis

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 (RMB'000) (Unaudited)	Percentage of total revenue	Amount (RMB'000) (Audited)	Percentage of total 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 for the Reporting Period 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.

Finance 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.

Management Discussion and Analysis

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 (i) raw materials; (ii) semi-finished goods; (iii) work in progress; and (iv) 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:

	As at	December 31,
	June 30,	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Borrowings included in non-current liabilities:		
<i>Secured</i>		
Bank borrowings	<u>62,251</u>	<u>24,159</u>
Borrowings included in current liabilities:		
<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>
Total borrowings	<u>299,329</u>	<u>225,657</u>

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 is 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

During the Reporting Period, the Group subscribed for wealth management products issued by CCB Financial Management Co., Ltd. (建信理財有限責任公司) with an aggregate principal amount of RMB287.09 million and the highest aggregate outstanding balance of such wealth management products was RMB152.70 million. During the Reporting Period, the net fair value gains on such wealth management products amounted to RMB0.49 million. As of June 30, 2024, the Group held such wealth management products as financial assets at fair value of approximately RMB82.76 million in aggregate.

Each of such wealth management products are considered as subscriptions for low-risk deposits with short investment horizon from reputable financial institution and the subscription were made in accordance with the Group's treasury management policy in relation to utilizing its surplus cash reserves. The use of part of the idle funds for cash management by the Company is implemented with the priority of ensuring the normal operation and capital safety of the Group. The subscription of the wealth management products will not affect the Group's daily production and operation and will fully revitalize the Company's idle funds, which is conducive to improving the efficiency of the use of the Company's idle funds and further improving the Company's overall investment income level.

For details of the subscriptions for wealth management products, please refer to the announcement of the Company dated August 28, 2024.

As of June 30, 2024, save as disclosed above, the Group did not have any significant investments. As of June 30, 2024, save as disclosed in the section headed "Use of Proceeds from the Global Offering" in this report, 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.

Management Discussion and Analysis

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.

Corporate Governance and Other Information

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 and to enhance corporate value and accountability. The Company has complied with all applicable code provisions under the CG Code as set out in Appendix C1 to the Listing Rules 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 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, 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. 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%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%).

Corporate Governance and Other Information

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
Total (Note)	100.0%	575.83	575.83	243.93	331.90	

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 proceeds 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. 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 (including sale of treasury shares) at any time during the Reporting Period.

As at June 30, 2024, the Company did not hold any treasury shares.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

The Company is not aware of any changes in the information of Directors, Supervisors and chief executive of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the annual report of the Company and up to the date of this interim report.

Corporate Governance and Other Information

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, there subsisted no arrangement to which the Company or any of its subsidiaries or its parent companies or its fellow subsidiaries was a party and the objectives of or one of the objectives of such arrangement are/is to enable the Directors and Supervisors, their respective spouse or children under the age of 18 to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2024, the interests and short positions of the Directors, the Supervisors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is keen to taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Capacity/Nature of interest	Class of Shares	Number of Shares ⁽¹⁾	Approximate percentage of shareholding in the total number of issued Shares ⁽²⁾	Approximate percentage of shareholding in the relevant class of Shares ⁽³⁾
Mr. LI Shuangjiang	Beneficial owner	Domestic Shares	9,492,781 (L)	4.19%	7.61%
		H Shares	4,745,679 (L)	2.10%	4.67%
Mr. LU Yukun ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	16,476,416 (L)	7.28%	13.21%
		H Shares	4,119,104 (L)	1.82%	4.05%
Mr. LUO Hong	Beneficial owner	Domestic Shares	1,460,730 (L)	0.65%	1.17%
		H Shares	1,460,730 (L)	0.65%	1.44%
Mr. SONG Yang ⁽⁵⁾	Beneficial owner; Interest in controlled corporation	Domestic Shares	65,185,616 (L)	28.80%	52.26%
		H Shares	16,296,404 (L)	7.20%	16.04%

Corporate Governance and Other Information

Notes:

1. The letter “L” denotes the person’s long position in the Shares.
2. The calculation is based on the total number of 226,330,340 Shares in issue as of June 30, 2024.
3. The calculation is based on the total number of 124,726,655 Domestic Shares and 101,603,685 H Shares in issue as of June 30, 2024, respectively.
4. As at June 30, 2024, Suzhou Lanchi Management Consulting Partnership (L.P.) (“**Lanchi Platform**”) was owned as to 37.1% by Mr. LU Yukun as its limited partner. Therefore, Mr. LU Yukun is deemed to be interested in Shares held by Lanchi Platform under the SFO.
5. Mr. SONG Yang is the general partner of each of Lanchi Platform, Suzhou Zichi Management Consulting Partnership (L.P.) (“**Zichi Platform**”), Suzhou Hongchi Management Consulting Partnership (L.P.) (蘇州紅馳管理諮詢合夥企業(有限合夥)) (“**Suzhou Hongchi**”) and Suzhou Luchi Management Consulting Partnership (L.P.) (蘇州綠馳管理諮詢合夥企業(有限合夥)) (“**Suzhou Luchi**”). Therefore, Mr. SONG Yang was deemed to be interested in the Shares held by Lanchi Platform, Zichi Platform, Suzhou Hongchi and Suzhou Luchi under the SFO.

Save as disclosed above, as at June 30, 2024, to the knowledge of the Board, none of the Directors, the Supervisors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under the provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2024, the following entities/persons (other than the Directors, Supervisors or chief executive of the Company) had interests and short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or are directly and indirectly interested in 5% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares ⁽¹⁾	Approximate percentage of shareholding in the total number of Shares ⁽²⁾	Approximate percentage of shareholding in the relevant class of Shares ⁽³⁾
Mixed Reform Fund ⁽⁴⁾	Beneficial owner	Domestic Shares	18,413,960 (L)	8.14%	14.76%
China Chengtong ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	18,413,960 (L)	8.14%	14.76%
Lanchi Platform	Beneficial owner	Domestic Shares	16,476,416 (L)	7.28%	13.21%
SME Fund ⁽⁵⁾	Beneficial owner	Domestic Shares	13,397,704 (L)	5.92%	10.74%
GZVCM ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	13,397,704 (L)	5.92%	10.74%

Corporate Governance and Other Information

Name of Shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares ⁽¹⁾	Approximate percentage of shareholding in the total number of Shares ⁽²⁾	Approximate percentage of shareholding in the relevant class of Shares ⁽³⁾
Mr. SHI Anping ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	13,397,704 (L)	5.92%	10.74%
HL Klemove Suzhou ⁽⁶⁾	Beneficial owner	H Shares	15,316,080 (L)	6.77%	15.07%
HKL ⁽⁶⁾	Interest in controlled corporation	H Shares	15,316,080 (L)	6.77%	15.07%
HL Mando ⁽⁶⁾	Interest in controlled corporation	H Shares	15,316,080 (L)	6.77%	15.07%
Zizhi Yihao ⁽⁷⁾	Beneficial owner	H Shares	12,335,640 (L)	5.45%	12.14%
Zizhi Discovery ⁽⁷⁾	Interest in controlled corporation	H Shares	12,335,640 (L)	5.45%	12.14%
Zizhi Investment ⁽⁷⁾	Interest in controlled corporation	H Shares	12,335,640 (L)	5.45%	12.14%
Mr. HUANG Mingming ⁽⁷⁾	Interest in controlled corporation	H Shares	12,335,640 (L)	5.45%	12.14%
Beijing CHJ ⁽⁸⁾	Beneficial owner	H Shares	9,308,980 (L)	4.11%	9.16%
Beijing Co Wheels ⁽⁸⁾	Interest in controlled corporation	H Shares	9,308,980 (L)	4.11%	9.16%
Leading Ideal HK ⁽⁸⁾	Interest in controlled corporation	H Shares	9,308,980 (L)	4.11%	9.16%
Li Auto Inc. ⁽⁸⁾	Interest in controlled corporation	H Shares	9,308,980 (L)	4.11%	9.16%
Amp Lee Ltd. ⁽⁸⁾	Interest in controlled corporations	H Shares	9,308,980 (L)	4.11%	9.16%
Cyric Point ⁽⁸⁾	Interest in controlled corporation	H Shares	9,308,980 (L)	4.11%	9.16%
Vistra Trust ⁽⁸⁾	Trustee	H Shares	9,308,980 (L)	4.11%	9.16%

Corporate Governance and Other Information

Name of Shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares ⁽¹⁾	Approximate percentage of shareholding in the total number of Shares ⁽²⁾	Approximate percentage of shareholding in the relevant class of Shares ⁽³⁾
Mr. LI Xiang ⁽⁸⁾	Interest in controlled corporation/ founder and beneficiary of a trust	H Shares	9,308,980 (L)	4.11%	9.16%
CCBI Suzhou ⁽⁹⁾	Beneficial owner	H Shares	5,614,680 (L)	2.48%	5.53%
CCBI Tianjin ⁽⁹⁾	Interest in controlled corporation	H Shares	5,614,680 (L)	2.48%	5.53%
CCBI Capital (Tianjin) ⁽⁹⁾	Interest in controlled corporation	H Shares	5,614,680 (L)	2.48%	5.53%
CCBI (China) ⁽⁹⁾	Interest in controlled corporation	H Shares	5,614,680 (L)	2.48%	5.53%
CCBI (Holdings) ⁽⁹⁾	Interest in controlled corporation	H Shares	5,614,680 (L)	2.48%	5.53%
CCB Financial Holdings ⁽⁹⁾	Interest in controlled corporation	H Shares	5,614,680 (L)	2.48%	5.53%
CCBI Group Holdings ⁽⁹⁾	Interest in controlled corporation	H Shares	5,614,680 (L)	2.48%	5.53%
CCBC ⁽⁹⁾	Interest in controlled corporation	H Shares	5,614,680 (L)	2.48%	5.53%
Central Huijin ⁽⁹⁾	Interest in controlled corporation	H Shares	5,614,680 (L)	2.48%	5.53%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. The calculation is based on the total number of 226,330,340 Shares in issue as of June 30, 2024.
3. The calculation is based on the total number of 124,726,655 Domestic Shares and 101,603,685 H Shares in issue as of June 30, 2024, respectively.
4. China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd. (中國國有企業混合所有制改革基金有限公司) ("**Mixed Reform Fund**") is a state-owned fund approved by the State Council of the People's Republic of China. As of June 30, 2024, Mixed Reform Fund is held as to 34.23% by China Chengtong Holdings Group Co., Ltd. (中國誠通控股集團有限公司) ("**China Chengtong**"). Therefore, China Chengtong is deemed to be interested in the Shares held by Mixed Reform Fund under the SFO.

Corporate Governance and Other Information

5. Shenzhen Guozhong SME Development Private Equity Investment Fund Partnership (L.P.) (深圳國中中小企業發展私募股權投資基金合夥企業(有限合夥)) (“**SME Fund**”) is managed by its general partner, Shenzhen Guozhong Venture Capital Management Co., Ltd. (深圳國中創業投資管理有限公司) (“**GZVCM**”), which is in turn controlled by Mr. SHI Anping (施安平), an independent third party. Therefore, each of GZVCM and Mr. SHI Anping is deemed to be interested in the Shares held by SME Fund under the SFO.
6. HL Klemove Electronics (Suzhou) Co., Ltd. (漢拿科銳動電子(蘇州)有限公司) (“**HL Klemove Suzhou**”) is wholly owned by HL Klemove Corp. (“**HKL**”), which is an affiliate of HL Mando Corporation (“**HL Mando**”), a company listed on the Korea Exchange (ticker symbol: 204320). Therefore, each of HKL and HL Mando is deemed to be interested in the Shares held by HL Klemove Suzhou under the SFO.
7. Jiaxing Zizhi No. 1 Equity Investment Partnership (L.P.) (嘉興自知一號股權投資合夥企業(有限合夥)) (“**Zizhi Yihao**”) is managed by its general partner Jiaxing Zizhi Discovery Equity Investment Management Partnership (L.P.) (嘉興自知探索股權投資管理合夥企業(有限合夥)) (“**Zizhi Discovery**”). Zizhi Discovery is managed by its general partner Jiaxing Zizhi Equity Investment Management Co., Ltd. (嘉興自知股權投資管理有限公司) (“**Zizhi Investment**”), which is held as to 94.44% by Mr. HUANG Mingming (黃明明), an independent third party. Therefore, each of Zizhi Discovery, Zizhi Investment and Mr. HUANG Mingming is deemed to be interested in the Shares held by Zizhi Yihao under the SFO.
8. Beijing CHJ Information Technology Co., Ltd. (北京車和家信息技術有限公司) (“**Beijing CHJ**”) is a consolidated affiliated entity of Li Auto Inc., a NEV automaker company dual listed on the Stock Exchange (stock code: 2015) and NASDAQ (ticker symbol: LI), controlled through contractual arrangements through its indirectly wholly-owned subsidiary Beijing Co Wheels Technology Co., Ltd. (北京羅克維爾斯科技有限公司) (“**Beijing Co Wheels**”). Beijing Co Wheels is directly wholly owned by Leading Ideal HK Limited (“**Leading Ideal HK**”). Li Auto Inc. is controlled through weighted voting rights as to 68.87% of the voting rights with respect to shareholder resolutions relating to matters other than reserved matters by Amp Lee Ltd. Amp Lee Ltd. is wholly owned by Cyric Point Enterprises Limited. (“**Cyric Point**”) The entire interest in Cyric Point is held by a trust that was established by Mr. Li Xiang (as the settlor) for the benefit of Mr. Li Xiang and his family. The trustee is Vistra Trust (Singapore) Pte. Limited (“**Vistra Trust**”). There, each of Beijing Co Wheels, Leading Ideal HK, Li Auto Inc., Amp Lee Ltd., Cyric Point, Vistra Trust and Mr. Li Xiang is deemed to be interested in the Shares held by Beijing CHJ under the SFO.
9. CCBI Tech Venture (Suzhou) Combined Debt & Equity Private Equity Fund (L.P.) (建銀科創(蘇州)投貸聯動股權投資基金(有限合夥)) (“**CCBI Suzhou**”) is managed by its general partner, Tianjin CCB International Jinhe Equity Investment Management Limited (天津建銀國際金禾股權投資管理有限公司) (“**CCBI Tianjin**”). CCBI Tianjin is directly wholly owned by CCB International Capital (Tianjin) Ltd. (建銀國際資本管理(天津)有限公司) (“**CCBI Capital (Tianjin)**”), which is in turn wholly owned by CCB International (China) Co., Ltd. (建銀國際(中國)有限公司) (“**CCBI (China)**”). CCBI China is directly wholly owned by CCB International (Holdings) Limited (“**CCBI (Holdings)**”) which is directly wholly owned by CCB Financial Holdings Limited (“**CCB Financial Holdings**”). CCB Financial Holdings is directly wholly owned by CCB International Group Holdings Limited (“**CCBI Group Holdings**”), a wholly-owned subsidiary of China Construction Bank Corporation (“**CCBC**”), a company listed on both Shanghai Stock Exchange (stock code: 601939) and the Stock Exchange (stock code: 939). CCBC is held as to 57.12% by Central Huijin Investment Ltd. (“**Central Huijin**”). Therefore, each of the CCBI Tianjin, CCBI Capital (Tianjin), CCBI (China), CCBI (Holdings), CCB Financial Holdings, CCBI Group Holdings, CCBC and Central Huijin is deemed to be interested in the Shares held by Beijing CHJ under the SFO.

Save as disclosed above, as at June 30, 2024, no person, other than the Directors, Supervisors or chief executive of the Company whose interests are set out in the section headed “Directors’, Supervisors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had registered an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

MATERIAL LITIGATION

For the Reporting Period and as at the date of this interim report, the Company was neither involved in any material litigation or arbitration, nor may be brought up or accused of any pending material litigation or claims.

AUDIT COMMITTEE REVIEW OF FINANCIAL STATEMENTS

The Audit Committee 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 interim report that would materially affect the Group's operating and financial performance.

On behalf of the Board
iMotion Automotive Technology (Suzhou) Co., Ltd.
Mr. SONG Yang
Chairman of the Board and Executive Director

Hong Kong, August 16, 2024

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	(591,305)	(502,173)
Gross profit		44,852	41,039
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	(11,077)	6,133
Operating loss		(100,063)	(101,549)
Finance income	9	3,655	2,034
Finance costs	9	(2,192)	(233)
Finance income – net		1,463	1,801
Loss before income tax		(98,600)	(99,748)
Income tax expense	10	(29)	–
Loss for the period		(98,629)	(99,748)
Other comprehensive income: <i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		16	–
Loss and total comprehensive loss for the period attributable to the owners of the Company		(98,613)	(99,748)
Loss per share attributable to the owners of the Company (in RMB)			
Basic and diluted loss per share	11	(0.44)	(0.49)

Interim Condensed Consolidated Balance Sheet

	Note	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	162,004	94,244
Right-of-use assets	13	35,849	34,484
Intangible assets	14	41,056	11,236
Financial assets at fair value through profit or loss	20	3,517	3,517
Other non-current assets	15	11,679	20,705
		<u>254,105</u>	<u>164,186</u>
Current assets			
Inventories	16	346,562	256,017
Other current assets	19	80,577	77,122
Trade receivables	17	381,146	219,093
Financial assets at fair value through other comprehensive income	18	14,763	7,098
Financial assets at fair value through profit or loss	20	309,356	228,277
Restricted cash	21	306	306
Cash and cash equivalents	21	212,390	720,453
		<u>1,345,100</u>	<u>1,508,366</u>
Total assets		<u>1,599,205</u>	<u>1,672,552</u>
EQUITY			
Share capital	22	226,330	226,330
Treasury stock	23	–	–
Reserves	23	1,117,796	1,117,780
Accumulated losses		(319,031)	(220,402)
Total equity		<u>1,025,095</u>	<u>1,123,708</u>

Interim Condensed Consolidated Balance Sheet

	Note	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Other payables and accruals	31	2,155	2,155
Borrowings	26	62,251	24,159
Lease liabilities	13	–	630
Contract liabilities	4	1,450	1,450
Provisions	27	9,390	6,968
Deferred income	28	3,382	3,548
		<u>78,628</u>	<u>38,910</u>
Current liabilities			
Trade and notes payables	30	142,137	185,528
Other payables and accruals	31	101,958	105,440
Contract liabilities	4	6,994	10,647
Borrowings	26	237,078	201,498
Lease liabilities	13	4,178	1,797
Derivative financial instruments	29	–	293
Provisions	27	3,137	4,731
		<u>495,482</u>	<u>509,934</u>
Total liabilities		<u>574,110</u>	<u>548,844</u>
Total equity and liabilities		<u>1,599,205</u>	<u>1,672,552</u>
Net current assets		<u>849,618</u>	<u>998,432</u>

Interim Condensed Consolidated Statement of Changes in Equity

	Note	Attributable to equity holders of the Company			Total RMB'000
		Share capital RMB'000	Reserves RMB'000	Accumulated losses RMB'000	
As at 1 January 2023		10,211	681,550	(25,294)	666,467
Comprehensive loss					
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)
Transactions with equity holders					
Capitalization Issue	22, 23	194,003	(194,003)	–	–
Share-based payment	24	–	44,796	–	44,796
		194,003	(149,207)	–	44,796
As at 30 June 2023 (Audited)		<u>204,214</u>	<u>532,508</u>	<u>(125,207)</u>	<u>611,515</u>

	Note	Attributable to equity holders of the Company			Total RMB'000
		Share capital RMB'000	Reserves RMB'000	Accumulated losses RMB'000	
As at 1 January 2024		226,330	1,117,780	(220,402)	1,123,708
Comprehensive loss					
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)
As at 30 June 2024 (Unaudited)		<u>226,330</u>	<u>1,117,796</u>	<u>(319,031)</u>	<u>1,025,095</u>

Interim Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
Cash flows from operating activities			
Net cash used in operations		(410,566)	(82,916)
Interest received from cash at banks	9	3,655	2,034
Net cash used in operating activities		(406,911)	(80,882)
Cash flows from investing activities			
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		626	–
Net cash used in investing activities		(168,734)	(80,170)
Cash flows from financing activities			
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		(3,516)	(7,696)
Net cash generated from/(used in) financing activities		65,374	(58,566)
Net decrease in cash and cash equivalents		(510,271)	(219,618)
Cash and cash equivalents at beginning of the period		720,453	365,745
Exchange gains on cash and cash equivalents	6	2,208	560
Cash and cash equivalents at end of the period	21	212,390	146,687

Notes to the Interim Condensed Financial Information

1 GENERAL INFORMATION

iMotion Automotive Technology (Suzhou) Co., Ltd. was incorporated in Suzhou on 27 December 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").

Notes to the Interim Condensed Financial Information

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.

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

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

Notes to the Interim Condensed Financial Information

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:

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

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

Notes to the Interim Condensed Financial Information

4 REVENUE AND SEGMENT INFORMATION (Continued)

(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 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Non-current assets recognised for costs incurred to acquire contracts	4,375	5,250
Current assets recognised for costs incurred to acquire contracts	1,750	1,750
Total assets recognised for costs incurred to acquire contracts (i)	6,125	7,000
Non-current assets recognised for costs incurred to fulfill contracts	442	529
Current assets recognised for costs incurred to fulfill contracts	36,512	44,659
Total assets recognised for costs incurred to fulfill contracts (ii)	36,954	45,188
Non-current liabilities – rendering of services (iii)	1,450	1,450
Current liabilities – rendering of services (iv)	6,750	10,337
Current liabilities – sales of products (v)	244	310
Total contract liabilities	8,444	12,097

Notes to the Interim Condensed Financial Information

4 REVENUE AND SEGMENT INFORMATION (Continued)

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

(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 (Note 19) and non-current assets (Note 15) in the balance sheet.

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Assets recognised from costs incurred to acquire contracts	7,000	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	(875)	(3,583)
	6,125	7,000

(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 (Note 19) and non-current assets (Note 15) in the balance sheet.

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

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.

Notes to the Interim Condensed Financial Information

4 REVENUE AND SEGMENT INFORMATION (Continued)

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

(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

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

(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).

Notes to the Interim Condensed Financial Information

5 OTHER INCOME

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
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 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
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>

Notes to the Interim Condensed Financial Information

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 (Note 8)	96,364	120,329
Design and development expenses	29,455	20,456
Depreciation and amortization expenses (Notes 12, 13 and 14)	9,969	8,709
Warranty (Note 27)	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 (Note 13)	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
Total	725,643	658,107

8 EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
Wages, salaries and bonuses	80,781	65,832
Pension obligations, housing funds, medical insurances and other social insurances (i)	14,090	10,724
Other employee benefits (ii)	1,493	553
Share-based payment expenses (Note 24)	–	43,220
	96,364	120,329

(i) Pension obligations, housing funds, medical insurances and other social insurances

Full-time employees of the Group in the PRC are members of a state-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs, subject to certain ceiling, as determined by local government authority to the pension obligations, housing funds, medical insurances and other social insurances to fund the benefits. The Group's liabilities in respect of benefits schemes are limited to the contribution payable in each period.

(ii) Other employee benefits

Other employee benefits mainly include meal, traveling, transportation allowances and other allowances.

Notes to the Interim Condensed Financial Information

9 FINANCE INCOME – NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(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 (Note 13)	(80)	(96)
	(2,794)	(233)
Less: borrowing costs capitalized in property, plant and equipment	602	–
Finance costs	(2,192)	(233)
Finance income – net	1,463	1,801

10 INCOME TAX EXPENSE

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

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 the 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 SAT 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.

Notes to the Interim Condensed Financial Information

10 INCOME TAX EXPENSE (Continued)

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 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”).

11 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.

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

(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 (as defined in Note 22) 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.

Notes to the Interim Condensed Financial Information

12 PROPERTY, PLANT AND EQUIPMENT

	Machinery and molds RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Furniture RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
As at 31 December 2023							
<i>(Audited)</i>							
Cost	28,166	3,719	19,534	3,030	9,236	60,610	124,295
Accumulated depreciation	(9,800)	(1,669)	(9,819)	(1,824)	(6,939)	-	(30,051)
Net book amount	18,366	2,050	9,715	1,206	2,297	60,610	94,244
Six months ended							
30 June 2024							
<i>(Unaudited)</i>							
Opening net book amount	18,366	2,050	9,715	1,206	2,297	60,610	94,244
Exchange differences	-	(4)	(1)	-	-	-	(5)
Additions	6,200	1,146	3,538	43	422	61,755	73,104
Transfers	12,262	-	-	-	-	(12,355)	(93)
Disposals	-	-	(2)	(1)	-	-	(3)
Depreciation charge <i>(Note 7)</i>	(1,699)	(256)	(2,150)	(155)	(983)	-	(5,243)
Closing net book amount	35,129	2,936	11,100	1,093	1,736	110,010	162,004
As at 30 June 2024							
<i>(Unaudited)</i>							
Cost	46,628	4,861	23,065	3,067	9,658	110,010	197,289
Accumulated depreciation	(11,499)	(1,925)	(11,965)	(1,974)	(7,922)	-	(35,285)
Net book amount	35,129	2,936	11,100	1,093	1,736	110,010	162,004

Notes to the Interim Condensed Financial Information

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

- (a) Depreciation of property, plant and equipment charged to profit or loss is analyzed as follows:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
Cost of sales	1,752	1,465
Selling expenses	10	14
Administrative expenses	403	356
Research and development expenses	3,078	3,059
	<u>5,243</u>	<u>4,894</u>

13 LEASES

- (a) Amounts recognized in the consolidated balance sheet

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
	Right-of-use assets	
Land use rights (i)	31,091	31,659
Leased buildings (ii)	4,758	2,825
	<u>35,849</u>	<u>34,484</u>
Lease liabilities		
Current	4,178	1,797
Non-current	–	630
	<u>4,178</u>	<u>2,427</u>

(i) In December 2021, the Group acquired land use right to construct headquarter building for manufacturing and research and development in Suzhou, Jiangsu Province, the PRC.

(ii) Additions to leased buildings of the Group and the Company during the six months ended 30 June 2024 and 2023 were approximately RMB3,738,000 and nil, respectively.

Notes to the Interim Condensed Financial Information

13 LEASES (Continued)

(b) Amounts recognized in profit or loss

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
Depreciation charge of right-of-use assets		
Land use rights	–	473
Leased buildings	<u>1,784</u>	<u>1,380</u>
	<u>1,784</u>	<u>1,853</u>
Interest expenses (included in finance cost) (Note 9)	80	96
Expenses relating to short-term leases (included in cost of sales, selling expenses, administrative expenses and research and development expenses) (Note 7)	<u>275</u>	<u>206</u>

The total cash outflows for leases of buildings during the six months ended 30 June 2024 and 2023 were approximately RMB2,342,000 and RMB1,935,000, respectively.

Notes to the Interim Condensed Financial Information

14 INTANGIBLE ASSETS

	Automotive technology license (a) <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2023 (Audited)			
Cost	–	23,143	23,143
Accumulated amortization	–	(11,907)	(11,907)
Net book amount	–	11,236	11,236
Six months ended 30 June 2024 (Unaudited)			
Opening net book amount	–	11,236	11,236
Additions	31,132	1,537	32,669
Transfers (Note 12)	–	93	93
Amortization charge (Note 7)	(1,038)	(1,904)	(2,942)
Closing net book amount	30,094	10,962	41,056
As at 30 June 2024 (Unaudited)			
Cost	31,132	24,773	55,905
Accumulated amortization	(1,038)	(13,811)	(14,849)
Net book amount	30,094	10,962	41,056

(a) Acquisition of the automotive technology license (the “License”)

The Group accounted for the acquisition of the License as an addition to intangible asset with a total cost of approximately RMB31,132,000. The cash consideration of RMB31,132,000 was fully paid in 2024.

(b) Amortization of intangible assets has been charged to profit or loss as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cost of sales	566	233
Administrative expenses	316	343
Research and development expenses	2,060	1,386
	2,942	1,962

Notes to the Interim Condensed Financial Information

15 OTHER NON-CURRENT ASSETS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Contract fulfillment costs (i)	442	529
Less: provisions for impairment of contract fulfillment costs (Note 19)	<u>–</u>	<u>–</u>
	442	529
Prepayment for property, plant and equipment	6,862	14,926
Capitalized upfront fee (ii)	6,125	7,000
Less: Non-current capitalized upfront fee to be settled within one year (Note 19)	(1,750)	(1,750)
	4,375	5,250
	11,679	20,705

(i) The amortisation of contract fulfillment costs charged to cost of sales was RMB17,454,000 and RMB8,116,000 for the six months ended 30 June 2024 and 2023, respectively.

(ii) Capitalized upfront fee represents the payments to customers made by the Company in order to obtain certain contracts, which are amortized to offsetting revenue based on the transfer of relevant goods and services. The amount of amortization to net sales was RMB875,000 and RMB1,458,000 for the six months ended 30 June 2024 and 2023, respectively.

Notes to the Interim Condensed Financial Information

16 INVENTORIES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Raw materials	202,852	205,824
Semi-finished goods	1,075	481
Work in progress	4,239	399
Finished goods	139,239	49,937
	347,405	256,641
Less: provisions for impairment	(843)	(624)
	346,562	256,017

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.

17 TRADE RECEIVABLES

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

Notes to the Interim Condensed Financial Information

17 TRADE RECEIVABLES (Continued)

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 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
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
	386,043	222,813

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

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Current		
Debt investments		
– bank acceptance notes (i)	14,763	7,098

- (i) As at 30 June 2024 and 31 December 2023, notes receivable were bank acceptance notes aged less than six months.

Notes to the Interim Condensed Financial Information

19 OTHER CURRENT ASSETS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Other receivables		
– Refundable deposits	5,743	5,403
– Payments on behalf of employees	222	60
– Others	21	571
	5,986	6,034
Provisions for impairment	(69)	(70)
	5,917	5,964
Prepayments for		
– capitalized upfront fee (Note 15)	1,750	1,750
– other taxes	233	169
– raw materials to third parties	45	549
– other operating expenses	9,871	4,261
	11,899	6,729
Contract fulfillment costs	39,054	47,124
Less: provisions for impairment of contract fulfillment costs	(2,542)	(2,465)
	36,512	44,659
Input VAT to be deducted	26,249	19,770
Total other current assets	80,577	77,122

As at 30 June 2024 and 31 December 2023, the fair values of other current assets of the Group, except for the prepayments, contract fulfillment costs and input VAT to be deducted which are not financial assets, approximated their carrying amounts.

Notes to the Interim Condensed Financial Information

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Classification of financial assets at FVPL

The Group classifies the followings as financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortized cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the Group has not elected to recognize fair value gains and losses through OCI.

The Group's financial assets measured at FVPL include the following:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Non-current assets		
Unlisted investment with preferred rights (i)	3,517	3,517
Current assets		
Investments in wealth management products issued by banks and financial institutes	144,055	109,733
Investment in private funds (ii)	165,301	118,544
	309,356	228,277

(i) In November 2021, the Group purchased 1.11% equity interest of Lingti Technology (Shanghai) Co., Ltd. (瓩鈦科技(上海)有限公司) ("Lingti") with total consideration of RMB3,000,000, which is recorded as investment measured at fair value through profit or loss. Lingti is a company specializing in the development of millimeter wave sensor chips and relative module solutions of algorithm software.

(ii) The investments represented three private funds. Investment objectives were mainly to invest in short-term monetary instruments (including cash and cash equivalents), national debt, and other short-term securities, etc..

Notes to the Interim Condensed Financial Information

21 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Cash at banks and in hand	212,696	720,759
Less: restricted cash (b)	(306)	(306)
Cash and cash equivalents	212,390	720,453

The maximum exposure to credit risk at the reporting date is the carrying values of cash and cash equivalents and restricted cash as mentioned above.

(b) Restricted cash

As at 30 June 2024 and 31 December 2023, restricted cash with amount of RMB306,000 were government grants reserved in separate account, mainly for subsidizing the Group's purchases of equipment, which can not be withdrawn without prior application.

Cash and cash equivalents are denominated in:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
RMB	141,987	157,530
HKD	36,191	514,761
USD	33,650	48,050
EUR	562	112
	212,390	720,453

Notes to the Interim Condensed Financial Information

22 SHARE CAPITAL

A summary of movements in the Company's authorized, issued and fully paid share capital is as follows:

	Number of shares	Share capital <i>RMB'000</i>
As at 1 January 2023	10,210,717	10,211
Capitalization Issue (i)	194,003,623	194,003
Issuance of ordinary shares upon global offering (ii)	<u>22,116,000</u>	<u>22,116</u>
As at 30 June 2024 and 31 December 2023	<u>226,330,340</u>	<u>226,330</u>

(i) On 23 March 2023, the Shareholders of the Company passed a resolution approving the capitalization of RMB194,003,623 from the share premium reserve for the issuing of 194,003,623 Shares with a nominal value of RMB1.0 each to the Shareholders at that time on a pro rata basis (the "Capitalization Issue"). Upon completion, the total issued Shares of the Company increased from 10,210,717 Shares to 204,214,340 Shares with a nominal value of RMB1.0 each.

(ii) On 20 December 2023, the Company has completed a global offering of 22,116,000 H Shares of par value of RMB1.00 each at the price of HK\$29.65 per H Share.

Notes to the Interim Condensed Financial Information

23 TREASURY STOCK AND RESERVES

	Reserves				Total RMB'000
	Share premium RMB'000	Special reserves RMB'000	Other reserves RMB'000	Foreign currency translation RMB'000	
As at 1 January 2023	666,951	–	14,599	–	681,550
Capitalization Issue (Note 22(i))	(194,003)	–	–	–	(194,003)
Issuance of ordinary shares upon global offering (Note 22(ii))	539,236	–	–	–	539,236
Share-based payment (Note 24)	–	–	90,989	–	90,989
Currency translation differences	–	–	–	8	8
Provision of safety fund surplus reserve (iii)	–	362	–	–	362
Utilisation of safety fund surplus reserve (iii)	–	(362)	–	–	(362)
As at 31 December 2023 (Audited)	1,012,184	–	105,588	8	1,117,780
As at 1 January 2024	1,012,184	–	105,588	8	1,117,780
Currency translation differences	–	–	–	16	16
Provision of safety fund surplus reserve (iii)	–	34	–	–	34
Utilisation of safety fund surplus reserve (iii)	–	(34)	–	–	(34)
As at 30 June 2024 (Unaudited)	1,012,184	–	105,588	24	1,117,796

(i) The Group recorded other reserves to reflect the contributions from shareholders for share award schemes of employees (Note 24).

(ii) According to the Administrative Measures for the Collection and Utilisation of Enterprise Work Safety Funds (Cai Zi [2022] No. 136) jointly issued by the Ministry of Finance and the State Administration of Emergency Management, the subsidiary of the Group, iMotion Electronics Technology (Suzhou) Co., Ltd. is required to establish a safety fund surplus reserve based on a certain percentage of the prior year's revenue.

(iii) According to the Administrative Measures for the Collection and Utilisation of Enterprise Work Safety Funds (Cai Zi [2022] No. 136) jointly issued by the Ministry of Finance and the State Administration of Emergency Management, the subsidiary of the Group, iMotion Electronics Technology (Suzhou) Co., Ltd. is required to establish a safety fund surplus reserve based on a certain percentage of the prior year's revenue during the six months ended 30 June 2024.

Notes to the Interim Condensed Financial Information

24 SHARE-BASED PAYMENTS

(a) Share award schemes

- (i) Suzhou Lanchi Enterprise Management L.P. (蘇州藍馳管理諮詢企業(有限合夥)) (“Suzhou Lanchi”) and Suzhou Zichi Enterprise Management L.P.(蘇州紫馳管理諮詢企業(有限合夥)) (“Suzhou Zichi”), (collectively referred to as the “Vehicles”) were incorporated in the PRC under the Company Law of the PRC as a vehicle to hold the ordinary shares for the Company’s employees under the Employee Share Ownership Plan (the “ESOP”).

As the Company did not have power to govern the relevant activities of the Vehicles nor repurchase or settlement obligations but only derive benefits from the contributions of the eligible employees who are awarded with the shares under the ESOP, the directors of the Company consider it does not control and not to consolidate the Vehicles. No statutory financial statements had been prepared by the Vehicles during the six months ended 30 June 2024 and 2023.

In February 2023, 137,700 RSUs were granted to certain directors, managements and employees (the “Grantees”) at a consideration of RMB4.75 per share under the ESOP through Suzhou Lanchi and Suzhou Zichi as rewards for their services, full time devotion and professional expertise to the Group.

All the shares granted are vested on the later of the following two points: the third anniversary from the date of fulfilling the service or IPO success as prescribed in the ESOP. If an employee ceased to be employed by the Group within this period, the awarded shares would be forfeited, and forfeited shares would be purchased back by Mr. Song Yang (宋陽) at the price that the employees initially purchased the shares, and would be reallocated in the subsequent grants, if any, at the discretion of Mr. Song Yang.

The fair value of the restricted shares granted to employees is determined by using the discounted cash flow method to determine the underlying equity fair value of the Company and equity allocation based on Option Pricing Model (“OPM”) model to determine the fair value of common shares. Significant estimates on key assumptions, such as risk-free interest rate, volatility, and dividend yield are made based on management’s best estimates:

	Key assumptions
WACC	18%
Terminal growth rate	2.3%

Set out below are the movement in the number of restricted shares awarded under the share award schemes:

	Number of restricted shares awarded
As at 1 January 2023	1,062,662
Granted	137,700
Forfeited	(312,695)
Capitalization Issue	23,121,293
As at 30 June 2024 and 31 December 2023	24,008,960

Notes to the Interim Condensed Financial Information

24 SHARE-BASED PAYMENTS (Continued)

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognized during the periods as part of employee benefit expense were as follows:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
Share-based payment expenses	–	43,220

25 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Financial assets at amortized costs:		
– Trade receivables (Note 17)	381,146	219,093
– Other receivables (Note 19)	5,917	5,964
– Cash and cash equivalents (Note 21)	212,390	720,453
– Restricted cash (Note 21)	306	306
Financial assets at FVPL (Note 20)	312,873	231,794
Financial assets at FVOCI (Note 18)	14,763	7,098
	927,395	1,184,708

Notes to the Interim Condensed Financial Information

25 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Financial liabilities at amortized cost:		
– Borrowings (Note 26)	299,329	225,657
– Trade and notes payables (Note 30)	142,137	185,528
– Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 31)	89,612	76,750
– Lease liabilities (Note 13)	4,178	2,427
Derivative financial instruments (Note 29)	–	293
	535,256	490,655

26 BORROWINGS

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

Notes to the Interim Condensed Financial Information

26 BORROWINGS (Continued)

- (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 rate 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 rate 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 rate 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:

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

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

Notes to the Interim Condensed Financial Information

27 PROVISIONS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Non-current		
Warranties (ii)	<u>9,390</u>	<u>6,968</u>
Current		
Onerous contract to be executed (i)	<u>984</u>	<u>1,039</u>
Warranties (ii)	<u>2,153</u>	<u>3,692</u>
	<u>3,137</u>	<u>4,731</u>
	<u>12,527</u>	<u>11,699</u>

- (i) The Group entered into irrevocable contracts with certain customers to provide autonomous driving related R&D services. The costs estimated to execute the contracts exceed the expected revenue to be received under the contracts. As at 30 June 2024 and 31 December 2023, the Group has recognised provision for any excess of unavoidable costs over expected benefits after the contract fulfillment cost have been tested for impairment (Note 19).
- (ii) The Group provides warranties for certain products and undertakes the obligation to repair or replace items that fail to perform satisfactorily. The amount of provisions for product warranties is estimated based on the sales volume and industry experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and is revised when appropriate.

The movements of the Group's provisions are analyzed as follows:

	Onerous contract to be executed RMB'000	Warranties RMB'000	Total RMB'000
As at 1 January 2024	1,039	10,660	11,699
Provisions for the period	–	5,743	5,743
Amounts utilized during the period	<u>(55)</u>	<u>(4,860)</u>	<u>(4,915)</u>
As at 30 June 2024 (Unaudited)	984	11,543	12,527
As at 1 January 2023	1,700	2,843	4,543
Provisions for the period	–	11,663	11,663
Amounts utilized during the period	<u>(661)</u>	<u>(3,846)</u>	<u>(4,507)</u>
As at 31 December 2023 (Audited)	1,039	10,660	11,699

Notes to the Interim Condensed Financial Information

28 DEFERRED INCOME

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Government grants	3,382	3,548

The Group received government grants mainly for subsidizing the Group's purchases of equipments for research and development. These government grants were recorded as deferred income and credited to profit or loss on a straight-line basis over the useful lives of the related equipments.

29 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Foreign exchange options contract	–	293

As at 31 December 2023, the Company entered into one foreign exchange options contract with total principal amounts of USD5,000,000. The options contracts were all settled in 2024.

Amount recognized in profit or loss is set out below:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
Fair value gains – net (Note 6)		
– realized	626	–
– unrealized	–	–
	626	–

Notes to the Interim Condensed Financial Information

30 TRADE AND NOTES PAYABLES

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

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

Notes to the Interim Condensed Financial Information

31 OTHER PAYABLES AND ACCRUALS

	As at 30 June 2024 RMB'000 (Unaudited)	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
	104,113	107,595
Less: non-current portion (ii)	(2,155)	(2,155)
	101,958	105,440

(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.

32 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related because they are subject to common control, common significant influence or joint control in the controlling shareholder's families. Members of key management and their close family member of the Group are also considered as related parties.

33 DIVIDEND

No dividend has been paid or declared by the Company during the periods ended 30 June 2024 and 2023.