创新奇智
AInnovation

Qingdao AInnovation Technology Group Co., Ltd
青島創新奇智科技集團股份有限公司

(A joint stock company incorporated
in the People's Republic of China with limited liability)
（於中華人民共和國註冊成立的股份有限公司）

Stock Code 股份代號: 2121

2022 ANNUAL REPORT
年度報告

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Chairman's and CEO's Statement

Dear Shareholders,

In recent years, Covid-19 pandemic, international conflicts, climate change, digital divide and other common problems faced by mankind have come one after another. Enterprises need to take on a greater responsibility and a higher mission to catalyze industrial innovation through the power of technology, drive economic development and shape a better future.

We believe that ChatGPT's emergence accelerates the arrival of the AI2.0 era, which overcomes the limitations of AI1.0's single domain and multiple models, and enables the analysis of all data and information in multiple modalities and the execution of a wide variety of tasks through a "basic big model" with cross-domain knowledge. In the AI2.0 era, with the maturity and implementation of AIGC technology, a new wave of business potential of AI is expected to be accelerated and ignited in various industries, which will enhance the overall productivity of human society.

For AInnovation, as an AI company that has entered the international capital market on the Hong Kong Stock Exchange, it means that we have to have a longer-term vision and a more forward-looking strategy, to have a deeper understanding and dare to be the first in the world, to pursue strong performance while vigorously promoting underlying technology innovation, and at the same time, to regulate corporate governance and fulfill social responsibility, so as to become a world-class AI company with sustainable development.

In recent years, cutting-edge digital technologies represented by artificial intelligence, cloud computing and big data technologies have been integrated and penetrated into the real economy with manufacturing industry as the core through engineering and industrialization, promoting the rapid development of industrial digitization. We are firmly grasping the growth opportunities arising from the global digitalization economy and the accelerated intelligent transformation of Chinese manufacturing industry. On the one hand, we are strengthening the research and development innovation of underlying technologies, and the MMOC AI technology platform is being effectively applied to more and more industrial fields; on the other hand, we continue to develop more AI application scenarios and implement strategic acquisitions of high-quality intelligent manufacturing service providers to expand the "AI + Manufacturing" layout both internally and externally.

In 2022, we achieved high growth in a challenging environment with record revenue of 1,558 million, up 80.9% year-on-year, and a gross margin that improved 1.6 percentage points from 2021. We are making steady progress towards our dual goals of high revenue and positive profitability. The inclusions of AInnovation into the Hang Seng Composite Index Constituents and Hong Kong Stock Connect Stock List are recognition of our solid performance and clear strategic path in recent years.

The results of this year prove that our strategy of "growth, differentiation, scarcity and pragmatism" has been effectively implemented, and all businesses have achieved remarkable performance. Looking ahead, as the AI 2.0 era accelerates, we will always maintain a spirit of striving as time waits for no man, grow firmly, and operate steadily. We will continue to implement our development strategy, and promote the deep integration of the digital economy and the real economy. We will also focus on long-term capacity building and strengthening our underlying technical capabilities to support our customers and partners, and more importantly, continue to fulfill our social responsibility and strengthen our corporate governance to create more value for society as a whole.

We would like to express our deepest gratitude to our shareholders for their continued support and trust, and to our employees, customers and partners for their continued dedication, professionalism and courage in the face of many challenges, as you will always be the cornerstone and backbone of the sustainable development of AInnovation. Despite the turbulent external environment, we are willing to use our super certainty to counteract the uncertainty of the outside world, maintain our strategic stability, overcome challenges, and seize opportunities to create a more intelligent and brighter future together with our partners.

Yours sincerely,

Kai-Fu Lee
Chairman of AInnovation

Xu Hui
Executive Director and CEO of AInnovation

Corporate Information

Below is the basic information of the Company:

COMPANY'S LEGAL NAME

青島創新奇智科技集團股份有限公司

COMPANY'S ENGLISH NAME

Qingdao AInnovation Technology Group Co., Ltd

BOARD OF DIRECTORS

Executive Director

Mr. Xu Hui *(Chief Executive Officer)*

Non-Executive Directors

Dr. Kai-Fu Lee *(Chairman)*
Mr. Wang Hua
Mr. Wang Jinqiao (appointed on 27 September 2022)
Mr. Zhou Wei (resigned on 26 July 2022)

Independent Non-Executive Directors

Mr. Xie Deren
Ms. Ko Wing Yan Samantha
Ms. Jin Keyu

AUDIT COMMITTEE

Mr. Xie Deren *(Chairman)*
Mr. Wang Hua
Ms. Ko Wing Yan Samantha

REMUNERATION COMMITTEE

Ms. Ko Wing Yan Samantha *(Chairwoman)*
Mr. Xie Deren
Mr. Wang Jinqiao (appointed on 27 September 2022)
Mr. Zhou Wei (resigned on 26 July 2022)

NOMINATION COMMITTEE

Dr. Kai-Fu Lee *(Chairman)*
Ms. Ko Wing Yan Samantha
Ms. Jin Keyu

SUPERVISORY COMMITTEE

Ms. Lin Ying
Mr. Nie Mingming
Ms. Duan Chengjin (appointed on 27 September 2022)
Mr. Gu Xuan Richard (resigned on 27 September 2022)

JOINT COMPANY SECRETARIES

Mr. Xiao Lei
Ms. Kwan Sau In

AUTHORIZED REPRESENTATIVES

Mr. Xu Hui
Mr. Xiao Lei

REGISTERED OFFICE AND HEADQUARTER

Room 501
Block A, Haier International Plaza
No. 939 Zhenwu Road, Economic Development Zone
Jimo District, Qingdao
Shandong, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road, Kowloon
Hong Kong

AUDITOR

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

LEGAL ADVISORS

As to Hong Kong Law
Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC Law
King & Wood Mallesons
18/F, East Tower
World Financial Center
No. 1 Dongsanhuan Zhonglu
Chaoyang District, Beijing
PRC

COMPLIANCE ADVISER

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANK

Bank of China Jimo Branch
No. 973
Lanao Road, Jimo District
Qingdao, Shandong
PRC

STOCK CODE

2121

COMPANY'S WEBSITE

https://www.ainnovation.com

INVESTOR RELATIONSHIP

Telephone: (86)1082169566
Email: ir@ainnovation.com

Definition

"Articles of Association"	the articles of association of the Company, as amended, modified or supplemented from time to time
"Audit Committee"	audit committee of the Board
"Board" or "Board of Directors"	the board of directors of our Company
"China" or "PRC"	the People's Republic of China, but for the purpose of this report only, do not apply to Hong Kong, the Special Administrative Region of Macau and Taiwan
"Company" or "our Company" or "AInnovation"	Qingdao AInnovation Technology Group Co., Ltd (青島創新奇智科技集團股份有限公司), which was established with limited liabilities under the laws of the PRC on 6 February 2018 and converted into a joint stock limited company on 19 May 2021, whose H shares are listed on the Main Board of Stock Exchange on 27 January 2022 (stock code: 2121)
"Director(s)"	the director(s) of our Company
"Group" or "our Group" or "we" or "us"	our Company together with our subsidiaries
"H Share(s)"	overseas-listed shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are to be traded in Hong Kong Dollars and are listed and traded on the Stock Exchange
"HK$" or "HKD" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Latest Practicable Date"	13 April 2023, being the latest practicable date for ascertaining certain information in this annual report before its publication
"Listing Date"	the date, on which the H Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange, i.e. 27 January 2022

"Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented, or otherwise modified from time to time
"Nomination Committee"	nomination committee of the Board
"Prospectus"	the prospectus of the Company dated 17 January 2022
"Remuneration Committee"	remuneration committee of the Board
"Reporting Period"	the year ended 31 December 2022
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Share(s)"	H share(s)
"Shareholder(s)"	holder(s) of the Shares
"Single Largest Shareholders Group"	a group of entities and individuals collectively holding approximately 27.61% of the equity interest in our Company, namely Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying
"Sinovation Ventures"	Sinovation Ventures (Beijing) Enterprise Management Limited (創新工場(北京)企業管理股份有限公司), a company incorporated under the laws of the PRC on 2 November 2010, and a member of our Single Largest Shareholders Group
"Sinovation Ventures Yucheng"	Beijing Sinovation Ventures Yucheng Management Consulting Co., Ltd. (北京創新工場育成管理諮詢有限公司), a company incorporated under the laws of the PRC on 13 July 2015, and a member of our Single Largest Shareholders Group
"Supervisor(s)"	the supervisor(s) of our Company
"Supervisory Committee"	supervisory committee of the Company
"%"	per cent

Financial Summary

	Period from 6 February to 31 December	Year ended 31 December			
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	37,208	229,141	462,324	861,168	**1,557,643**
Gross profit	23,385	71,613	134,621	267,241	**507,078**
Operating loss	(69,537)	(221,956)	(286,801)	(622,841)	**(392,291)**
Loss for the period/year	(71,174)	(248,359)	(360,635)	(635,124)	**(361,160)**
Add:					
Share-based payment expenses	23,339	53,230	133,750	406,967	**173,294**
Finance costs of financial liabilities of redeemable shares	2,457	35,158	82,406	34,877	**—**
Listing expenses	—	—	—	51,500	**26,457**
Amortization of intangible assets arising from acquisition	—	—	—	—	**14,292**
Changes in fair value of financial assets/liabilities at fair value through profit or loss	—	—	—	—	**8,716**
Adjusted net loss (Unaudited)	(45,378)	(159,971)	(144,479)	(141,780)	**(138,401)**

	As at 31 December				
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	158,204	854,514	1,395,806	2,264,907	**3,268,447**
Cash and cash equivalent	74,396	605,631	1,042,502	1,553,150	**1,642,665**
Total liabilities	135,185	1,017,680	1,909,833	469,599	**909,472**

KA base revenue value

	Period from 6 February to 31 December 2018	2019	2020	2021	2022
		Year ended 31 December			
Number of premium customers	—	13	23	42	**71**
Premium customer revenue (RMB in thousands)	—	114,163	381,255	798,661	**1,350,995**
Premium customer dollar based repeating rate	n.a.	n.a.	112.7%	102.5%	**82.1%**
Total number of customers	50	150	157	159	**292**
Total revenue (RMB in thousands)	37,208	229,141	462,324	861,168	**1,557,643**

Revenue-By Type of Products/Services

	Period from 6 February to 31 December 2018		Year ended 31 December 2019		2020		2021		2022	
	Amount RMB'000	%	Amount RMB'000	%	Amount RMB'000	%	Amount RMB'000	%	Amount RMB'000	%
Sales of products and solutions	36,545	98.2	224,408	97.9	451,726	97.7	846,411	98.3	**1,522,229**	**97.7**
Services of data solutions	663	1.8	4,733	2.1	10,598	2.3	14,757	1.7	**35,414**	**2.3**
Total	37,208	100.0	229,141	100.0	462,324	100.0	861,168	100.0	**1,557,643**	**100.0**

Revenue-By Customer Type

	Period from 6 February to 31 December 2018		Year ended 31 December 2019		2020		2021		2022	
	Amount RMB'000	%	Amount RMB'000	%	Amount RMB'000	%	Amount RMB'000	%	Amount RMB'000	%
System integrators	5,705	15.3	136,407	59.5	351,428	76.0	643,831	74.8	**931,729**	**59.8**
End-users	31,503	84.7	92,734	40.5	110,896	24.0	217,337	25.2	**625,914**	**40.2**
Total	37,208	100.0	229,141	100.0	462,324	100.0	861,168	100.0	**1,557,643**	**100.0**

Financial Summary

Revenue-By Industry Verticals

	Period from 6 February to 31 December		Year ended 31 December							
	2018		2019		2020		2021		2022	
	Amount RMB'000	%	Amount RMB'000	%	Amount RMB'000	%	Amount RMB'000	%	Amount RMB'000	%
Manufacturing	13,636	36.6	78,429	34.2	193,098	41.8	449,000	52.2	**948,213**	**60.9**
Automotive equipment	238	0.6	1,956	0.9	2,382	0.5	142,656	16.6	**285,047**	**18.3**
3C high-tech	4,140	11.1	17,491	7.6	36,504	7.9	88,343	10.3	**106,561**	**6.8**
OLED panel semiconductors manufacturing	–	–	–	–	36,527	7.9	60,096	7.0	**133,609**	**8.6**
Iron and steel metallurgy	–	–	5,165	2.3	31,418	6.8	44,765	5.2	**129,078**	**8.3**
Energy and Power	–	–	–	–	19,240	4.2	35,780	4.2	**99,010**	**6.4**
Engineering and Construction	–	–	1,887	0.8	4,044	0.9	5,650	0.7	**83,632**	**5.4**
Others	9,258	24.9	51,930	22.7	62,983	13.6	71,710	8.2	**111,276**	**7.1**
Financial services	5,356	14.4	53,539	23.4	183,520	39.7	274,117	31.8	**382,335**	**24.5**
Banking	–	–	17,365	7.6	40,120	8.7	122,868	14.3	**209,312**	**13.4**
Insurance	3,632	9.8	28,736	12.5	117,145	25.3	28,204	3.3	**31,510**	**2.0**
Others	1,724	4.6	7,438	3.2	26,255	5.7	123,045	14.2	**141,513**	**9.1**
Other industries	18,216	49.0	97,173	42.4	85,706	18.5	138,051	16.0	**227,095**	**14.6**
Total	37,208	100.0	229,141	100.0	462,324	100.0	861,168	100.0	**1,557,643**	**100.0**

Business Overview

Part I: Business Review

Since its establishment in 2018, AInnovation has continued to promote the implementation of cutting-edge artificial intelligence technology in the real industry represented by the manufacturing sector to help industrial transformation and high-quality development. In the past year, we successfully completed the listing on the Hong Kong Stock Exchange and achieved solid business development despite the challenging environment. In 2022, our revenue reached RMB1,558 million, up 80.9% year-on-year; and gross profit amounted to RMB507 million, up 89.7% year-on-year. Our gross profit margin was 32.6%, improved 1.6 percentage points as compared to 2021. Adjusted net loss was RMB138 million, down by 2.4% year-on-year and adjusted net loss margin was 8.9%, narrowing by 46.1% year-on-year.

The report of 20th People's Congress stated, "to build a modern industrial system, adhere to the focus of economic development on the real economy, promote a new type of industrialization, and accelerate the construction of a strong manufacturing country, a strong quality country, a strong aerospace country, a strong transportation country, a strong network country, and a digital China." The upgrading and development of the manufacturing industry is the most important part of the upgrading and development of the real economy. Digitalization and intelligent technology can help to continuously stimulate application scenarios and business model innovation, and promote the high-quality development of the manufacturing industry. As the market leader of "AI + Manufacturing" solutions in China, AInnovation is actively developing intelligent manufacturing and industrial digital transformation and implements the strategy of "specialized and new". We focus on key sub-sectors, and follow the business expansion path of "point-line-surface" to achieve 1*N replication and 1+N expansion for long term sustainable growth. In 2022, the revenue of "AI + Manufacturing" amounted to RMB948 million, up 111.2% year-on-year, accounting for 60.9% of the revenue.

During the year, we continued to expand our "AI + Manufacturing" layout by focusing on six sub-sectors: iron and steel metallurgy, panel semiconductor, 3C high-tech, engineering and construction, automotive equipment, energy and power. We have started to develop our business in the Food & Beverage and New Material and intelligent manufacturing practical training sectors since the second half of 2022. On the one hand, we consolidated endogenous business and promoted organic growth, on the other hand, we invested in and acquired enterprises that have outstanding performance in the sub-sectors of manufacturing industry, and they were included in the Group's controlling interests to achieve complementary business and extensive expansion. In May 2022, we acquired 51% equity interests in each of Qingdao Aolipu Automation Control System Co., Ltd., a well-known industrial Internet solution provider in the field of Food & Beverage and New Material (now renamed as Qingdao Aolipu Qizhi Intelligent Industrial Technology Co., Ltd.), and Shanghai Higher Mechanical & Electrical Co., Ltd., an integrated solution provider of industrial automation systems which has been deeply involved in the field of automotive equipment for many years. In November 2022, AInnovation and Anhui Anlian Cloud Service Co., Ltd. (安徽安聯雲服務有限公司), a member enterprise of Anhui Anlian Holding Group (安徽安聯控股集團), established a joint venture named Anlian Qizhi (Anhui) Technology Co., Ltd. (安聯奇智 (安徽) 科技有限公司), an innovative technology enterprise with artificial intelligence industry solutions as the core, to promote the deep integration of AI and cloud computing and seize the climax of industrial Internet value. By the end of 2022, we have formed a comprehensive layout in Qingdao, Shandong Province, as our headquarters, and with subsidiaries located in 12 cities across China, including Chongqing CISAI Technology Co., Ltd., Qingdao Aolipu Qizhi Intelligent Industrial Technology Co., Ltd., RewinCloud (Chongqing) Technology Co., Ltd., Shanghai Higher Mechanical & Electrical Co., Ltd., and Anlian Qizhi (Anhui) Technology Co., Ltd.

AInnovation always focuses on the digital transformation of the sub-sectors market of manufacturing industry and empowers the high-quality development of the industry with AI. In 2022, we continued to focus on the manufacturing industry and became a small giant enterprise with strong innovation capability, high market share, key core technologies and excellent quality and efficiency. AInnovation was recognized by the Ministry of Industry and Information Technology as a "National Specialized and New Small Giant Enterprise", and five of its subsidiaries were recognized as Specialized and New Enterprise at the provincial/municipal level. Thanks to our empowerment and contribution to real industries such as manufacturing, we were ranked as one of the Top 100 New Real Enterprises in China in 2022. In addition, our market share continues to expand. According to IDC's "China Artificial Intelligence Software and Application Market Research Report for the First Half of 2022", AInnovation was promoted to No. 4 in the market share of computer vision applications and continued to rank No. 4 in the market share of machine learning platforms, being the only company ranked among the top four in both AI technology branches. In the manufacturing sector, according to IDC's reports of "IDC MarketScape: China Industrial Data Intelligence Vendor Assessment 2022" and "Market Share of AI-Enabled Industrial Quality Inspection Solutions in China", AInnovation has been ranked in China's Industrial Data Intelligence market leader quadrant and the 2nd largest AI industrial quality inspection vendor in China for three consecutive years. In Gartner's report of "China AI Software Market Guide", AInnovation was included in the report as a recommended Chinese AI software vendor, and MMOC AI technology platform was included as a representative product.

As an AI company that stands on technological innovation, AInnovation has made breakthroughs in patent filing, AI platform construction, AIGC technology exploration, AI products and solutions, etc. in 2022.

Record high patent filing and excellent domestic level of intellectual property management

AInnovation always insists that technological innovation is the first productive force and continuously promotes the implementation of intellectual property strategy and high-value output. We strive to improve the technological innovation system and enhance the competitive advantage in the market, and have made a number of innovative achievements with independent intellectual property rights. As of 31 December 2022, a total of 1,064 AI-related patents have been applied for, of which 80% are invention patents amounting to 850, and 361 have been successfully registered. 430 new patents were applied for in 2022.

Thanks to our excellent performance in patents, we were awarded the "National IPR Advantage Enterprise" by the State Intellectual Property Office in 2022. The "National IPR Advantage Enterprise" is a key project of the State Intellectual Property Office to cultivate Chinese leading intellectual property enterprises with independent intellectual property rights and famous brands and international competitive advantages in the key industrial fields of national development. The selection not only marks AInnovation's advancement to a new level in IP construction and management, but also means that it has reached the domestic excellent level in many aspects, such as the transformation of IP achievements, application of achievements and cultivation of talents.

Continuous development of MMOC artificial intelligence technology platform

MMOC AI technology platform is an end-to-end platform that supports AI solution innovation, development and delivery, which is made up of four platforms: ManuVision Intelligent Machine Vision Platform, MatrixVision Intelligent Edge Video Platform, Orion Distributed Machine Learning Platform and Cloud platform. In 2022, along with the MMOC Platform "3 Phase" Strategy, the Company continued to invest in R&D resources, upgrade the technology, improve the maturity of MMOC platform, and devote itself to making MMOC platform an open platform that can be easily "integrated".

In 2022, MatrixVision further improved the edge video full-link tool set to enhance the efficiency of being integrated by internal/external customers, while enriching the core algorithms for manufacturing and continuing to lower the threshold of video intelligence analysis; ManuVision newly developed the Designer core module to continue to lower the threshold of use and continue to improve the efficiency and user friendliness of machine vision engineering design; Orion specifically launched AML-Vision vision training platform for manufacturing vision application scenarios, focusing on improving vision model training capabilities and forming a functional closed loop from vision model training to vision model deployment with MatrixVision and ManuVision, which is more conducive to vision-related solution development and delivery; and Cloud improved the basic technical components, consolidated the level of distributed infrastructure, and as a basic base, continued to promote the construction of AInnovation on the cloud and open to the public.

MMOC Platform "3 Phase" Strategy

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	Phase 1 Internally integrated	Phase 2 Externally integrated	Phase 3 Open Ecology
ManuVision	Become the basic support platform for the development and delivery of industrial vision scenarios within a company.	External integration companies pay to use ManuVision for the delivery and integration of industrial vision scenarios.	Partially open source and form an ecology based on ManuVision (customers and suppliers grow in the ecology).
MatrixVision	Become the basic support platform for the development and delivery of edge vision scenarios within a company.	External integration companies pay to use MatrixVision for the delivery and integration of edge vision scenarios.	Partially open source and form an ecology based on MatrixVision (customers and suppliers grow in the ecology).
Orion & Cloud	Enrich Orion platform and Cloud infrastructure functions to become the base for internal AI development and application implementation.	Orion becomes the machine learning platform used by external integration companies and Cloud becomes the base for internal/external industry solutions.	Part of the OC module technology is open source and has formed an industry ecosystem with a certain influence in the open source community, creating an integration of AI developers, customers, and suppliers.

Figure 1: MMOC Platform "3 Phase" Strategy

Strengthen perception algorithm R&D and reserve AIGC capability

In 2022, AInnovation continued to build core algorithms for manufacturing industry application needs, establish intelligent algorithm engines, significantly reduce model production costs, and provide key algorithm capabilities for model applications in the field of intelligent manufacturing.

The Company continues to delve into the research of small sample learning algorithms. To address the problem of insufficient training data in the manufacturing industry, we propose a semi-supervised image classification algorithm based on inverse label learning, and design an inverse label learning module. High-quality learning with label-free images can be achieved by labeling the label-free image data with a counter label and conducting learning. This helps to reduce the reliance on labeled data for AI algorithm applications in the industrial field, shorten the algorithm development cycle, and save the algorithm development cost. Pre-training large models can be pre-trained based on massive data, reducing the difficulty of training application scenarios and improving the performance of models. For industries such as automotive parts manufacturing and consumer electronic equipment, product batches are changed frequently, and there are often problems with larger domain differences between the test data and the training data of the model. To address this problem, the Company proposes a prototype-based classifier learning approach that bridges the domain gap between training data and test data by obtaining prototype representations of each item set category from single-item examples. The algorithm can be applied in scenarios where there is a demand for batch product inspection, speeding up the adaptation of the inspection algorithm and improving the accuracy of the inspection. Compared with general vision tasks, industrial vision tasks are more concerned with local texture changes and finer recognition granularity. To address this feature, the Company proposes a dual-attention mechanism-based few-sample learning algorithm, which improves the accuracy of fine-grained recognition by designing a fine-grained recognition framework with dual-attention streams to obtain both local key information and global aggregated information of images. The algorithm can be used to distinguish images belonging to different subclasses in the case of very few labeled samples in fields such as manufacturing. The Company's research innovation for small sample learning algorithm not only brings tangible business value to customers, but also has authored several academic papers published in the world's top artificial intelligence conferences and journals.

At the end of 2022, OpenAI launched ChatGPT to prove the great potential of content generation (AIGC) technology. Based on small-sample learning, AInnovation further aggregated previous R&D achievements in the content generation field, reserved AIGC technology capabilities, and developed industry-oriented AIGC solution - AInnoGC. AInnoGC uses modular design to serve multiple scenarios in the manufacturing field to achieve cost reduction and efficiency. In response to the problem of insufficient training samples in industrial vision, we propose a dual-stage guided defect sample generation, which automatically generates defect sample images and combines with less sample learning technology for industrial model training. It can further improve the model accuracy under the situation of insufficient sample information. In response to the high requirements for algorithm stability and accuracy in the manufacturing field, the Company uses AIGC for image quality improvement and proposes Imaging-Diffusion model. It gradually separates environmental interference factors such as light and rain fog from images, enhances image semantic information, and realizes image quality improvement as well as imaging normalization, whereby reducing the influence of environmental factors and improving the accuracy and stability of subsequent visual analysis. For the light weight and real-time requirements of AI applications in manufacturing, the Company adopts the knowledge distillation method to lightly compress the high-precision generative models and reduce the computation volume and computation time of model inference, so as to meet the requirements of production line deployment.

Meanwhile, the Company also actively established layout of the technical development of AIGC in the field of data intelligence, using AIGC for interactive report generation. By using Transformer to deeply analyze and correlate the meaning and text behind the report data, it can realize user-guided report generation based on the algorithm, while the algorithm can further analyze and identify potential problems in the report based on semantic analysis, establishing risk warning mechanism and auditing mechanism.

Continuous enrichment of AI products and solutions

In 2022, we continued to invest in R&D in AIGC areas such as pre-trained models and data generation. Relying on our self-developed MMOC AI technology platform, we began to develop AIGC capabilities to meet our own needs, which significantly enhanced the technical competitiveness of our manufacturing-oriented products and solutions. We focus on the continuous value enhancing in sub-sectors such as iron and steel metallurgy, panel semiconductor, automotive equipment, energy and power, Food & Beverage and New Material, intelligent manufacturing practical training, and finance, etc., to realize the integration and expansion of advanced AI infrastructure and diversified business scenarios, so that AI can empower more scenarios and industries.

In the direction of AIGC technology, different from the pan-scene big model represented by ChatGPT and LLM, AInnovation has developed AInnoGC solution (industry-oriented AIGC) based on years of industry and technology accumulation. Relying on self-developed MMOC AI technology platform and implementation experience, we apply industrial pre-training big model to pendant scenarios. While collecting human feedback and through reinforcement learning, we continuously iterate the industrial pre-trained big model to form a positive cycle.

Business Overview

In the field of iron and steel metallurgy, we continue to improve the standardization and enrich the functions of the intelligent molten iron transportation solution. We promote the in-depth integration of "platform + product" and focus on the platformization and generalization of our main product - intelligent molten iron transportation scenarios, so as to realize the application of the same technology in different scenarios. We have formed the overall solution of "hardware + software" and independently develop core intelligent hardware products through product iteration to continuously improve the product technology access threshold. We have enhanced the "1*N" strategy and established cooperation with a large steel company in Northwest China to complete the unmanned transformation of the first domestic GK1C internal combustion locomotive in the industry, which realized unmanned molten iron transportation in low-temperature, sandy, long-distance and cross-regional environments, and ensured that our solutions can deliver stable value to our customers in different production environments. We implement the "1+N" strategy of deeper serving for large customers, and cooperate further with entities that have built molten iron transportation system. Our team makes researches on the automatic lid-adding and unloading software control system, conduct full research and multiple discussions for lid selection, material and lid-adding and unloading pipeline, to realize the full automation of lid-adding and unloading work. We have made breakthrough from "zero" in TPC automatic capping in the industry, helping customers to achieve targeted 10℃ temperature lowering for molten iron.

In the field of panel semiconductor, we provide glass panel edge quality inspection solutions and silicon wafer intelligent quality inspection all-in-one products. Among them, using the pre-training model provided by MMOC platform and cutting-edge small sample learning training algorithm, our glass panel inspection solution continues to optimize the inspection algorithm and the overall solution, increasing the types of defect detection and configuration solutions to adapt to multiple scenarios, forming a more standardized and rapidly deliverable product solution. It has completed hundreds of sets of delivery tasks within a number of large domestic panel companies this year. In the silicon wafer semiconductor industry, based on the combination of the Company's MMOC platform and automated equipment, the detection accuracy and efficiency of deep learning technology are applied to create the first domestic silicon wafer intelligent quality inspection integrated machine products. It contributes to the domestic silicon wafer production of the whole process yield optimization, and the product has been validated in a leading domestic silicon wafer production enterprises through and officially put into production use.

In the field of automotive equipment, we have created advanced full lifecycle intelligent automation solutions covering automotive intelligent factories, new energy intelligent bases, semiconductor digital assembly workshops, discrete automated industrial production lines and high-end equipment packages to meet customer requirements for quality, production time, cost, transparency and responsiveness. The incoming material quality inspection, production quality control and product factory inspection are realized at the whole process level and incorporated into the whole process cycle management to obtain real-time quality status on site and identify quality problems in order to quickly locate and rectify these problems. At the same time, through the sharing of data from various departments, product quality is fully traceable and product quality is improved in all aspects. At present, the full lifecycle intelligent automation solution has been put into production use on a large scale by the leading domestic automotive equipment manufacturing enterprises.

In the field of energy power, we continue to improve the level of standardization and the richness of functions of power plant intelligent solutions. Against the background of the double carbon target, renewable energy is developing rapidly, however, the clean energy with the characteristics of intermittent power generation has a negative impact on the safety of grid operation. Based on the MMOC platform, we independently developed the thermal power plant flexible peaking and heat return system quality improvement and safety monitoring system, which ensures the flexible peaking and low-pollution operation of on-site equipment under safe working conditions through real-time dynamic safety control of on-site equipment and production systems by means of Orion automated machine learning and MatrixVision intelligent edge analysis. It has improved the level of deep peaking operation of thermal power units and ensured the key technical issues of continuous production of thermal power units under the spot trading system of power market.

In the field of Food & Beverage and New Material, we provide customers with production digital MOM system solutions, which are used to promote digital intelligent factory management through MES platform construction and equipment management to implement marketing, energy management upgrade construction and other services. With its help, customers can realize the integration from factory to headquarters, and aggregate operation data. It also assists customers in standard setting and operation analysis. In addition, we use MMOC platform to automatically analyze operation data and make intelligent decisions, thus greatly improving the comprehensive management efficiency of our customers. Besides, through process reengineering, technology interface and system integration, we can realize the precise control of the whole process from the source of production to the end of consumption, the prevention of defects and errors, and the comprehensive application of green manufacturing technology, whereby the integrated solution of "horizontal integration and vertical penetration" is realized.

In the field of intelligent manufacturing practical training, we rely on our rich practical experience in intelligent manufacturing business and regional advantages to build a trinity of "platform, base and service" to help universities cultivate practical and professional talents. Based on MMOC platform, we have realized the infrastructure of AI safety production and AI machine vision as the direction of practical training, and through MTStudio (Manufacture Training Studio) platform, we realize the carrying of practical training content and complete the learning and management of theoretical and practical courses. Through the teaching and training in the practice base, we have completed the experience and demonstration of real drill scenarios. Through collaborative cooperation with local colleges and universities, incubators and government employment authorities, we have completed the output of professional practical talents to the society.

In the financial industry, we focus on intelligent computing center solutions to provide customers with operational and management tools to help them achieve the goal of cost reduction and efficiency. Based on Orion platform, we have realized flexible scheduling of heterogeneous computing resources and optimized the efficiency of large-scale parallel computing to meet customers' multi-scenario and multi-process needs. We have developed data center energy-efficiency management solutions that are driven by artificial intelligence, accurately control equipment usage based on machine learning features, improve management efficiency, and save energy and create green and low-carbon data centers. We continue to solidify our proprietary AIOps intelligent operation and maintenance solution, which detects abnormalities in advance, locates problems efficiently, gives solution suggestions, reduces manual intervention, and improves data center operation and maintenance efficiency. We continue to explore financial scenarios and use AI technology for product development in scenarios such as intelligent underwriting and financial automation to empower customers in the process of digital transformation.

Part II: Future Outlook

Our strong operating results in 2022 demonstrate that the commercialization of AI applications has entered into a period of scale development and that our business model is extremely resilient and proven. Going forward, we will continue to strengthen our long-term fundamental capabilities, focus on specialization, pursue high-quality growth, enhance customer experience, consolidate our competitive advantages, and continuously improve operational efficiency through refined management to achieve profitability early.

In the AI 2.0 era, we will continue to use the technology and implementation experience accumulated in the AI 1.0 era, actively explore the combination of AIGC technology and industry scenarios for implementation, continue to work to promote the digital transformation of the manufacturing industry, use technological innovation to create more value for all participants, and contribute to the high-quality development of the digital economy and fulfill social responsibility.

Continue to promote MMOC platform R&D and technological innovation

MMOC platform is the core technology platform of the Company. In the coming year, the Company will continue to increase investments in R&D and continue to move forward based on the MMOC Platform "3 Phase" Strategy. Meanwhile, we will closely follow the theme of generative AI development in AI2.0 era and strengthen the technological innovation and application breakthrough in the direction of AIGC.

Guided by implementation of applications, we will promote platform application by developing more scenario-based applications such as intelligent manufacturing practical training, wafer defect detection, glass defect detection, and vision alignment.

With technical assets as the core, we will continue to precipitate and manage the Company's core data, algorithms, models and other technical assets to promote asset reuse, so as to reduce costs and increase efficiency.

Supported by AI platform, we will strengthen the platform engineering capability to meet the technical challenges of high reliability and high performance brought by scale implementation and focus on creating manufacturing industry features.

With the cloud platform as the base, we will consolidate the infrastructure capability, promote more systems, products and solutions to adopt cloud-native solutions, build AInnovation on the cloud and gradually open it to the public.

We will increase investment in AIGC-related technologies to further enhance AInnoGC capabilities, including industrial pre-training large models, large model development platform, MAAS platform, etc., to help innovation, R&D and delivery of the Company's AIGC-related solutions.

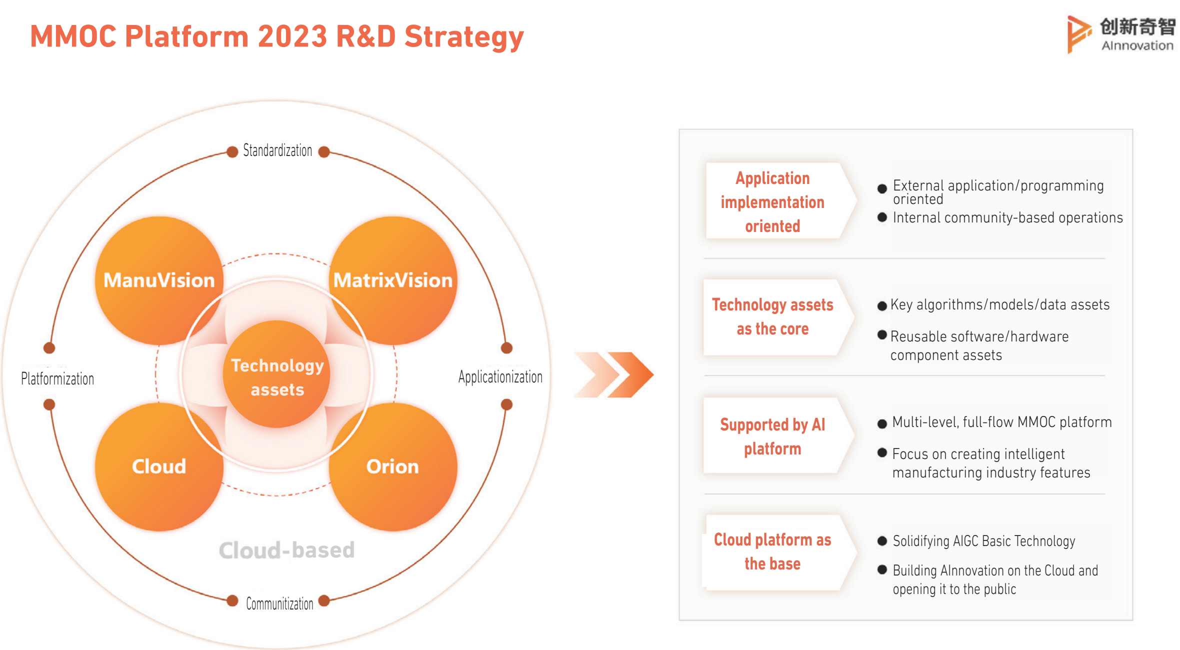

Figure 2: MMOC Platform 2023 R&D Strategy

Strengthen the combination of AIGC and industry, and apply industrial pre-training large models in vertical scenarios

With the advent of AI 2.0 era, the Company will further combine algorithms with scenarios based on the algorithm research in 2022 to solve the deficiency and difficulties of industry applications and enhance AI applications with application implementation as the guide.

The Company will further combine the algorithm with scenarios to enhance the application of AIGC in various scenarios in the manufacturing industry. (1) The Company will further deepen the combination of AIGC algorithm and industry. We will integrate industry domain knowledge and use AInnoGC to simulate production line generation process to create AIGC algorithms with industry characteristics, generate higher quality, physically realistic samples, improve the performance of large industrial models, and promote efficient and low-cost application of algorithms. (2) The Company will further expand the application scope of AIGC algorithm. In addition to data generation and image quality improvement, we will further study the application of AIGC in the field of label generation to achieve end-to-end data quality improvement and result output of visual analysis, and improve the accuracy and precision of visual analysis. (3) The Company will further broaden the application scenarios of AIGC, and make research on algorithms related to intelligent production line layout and automatic scheduling for its needs in industries such as production line automation and training centers, and combine AIGC with knowledge mapping to research intelligent solution algorithms for specific fields.

The Company will conduct research on the deficiencies of industry applications, in order to improve the usability of algorithms in manufacturing scenarios. In order to meet the real-time requirements of manufacturing scenarios, the Company will also further strengthen the research on model light-weighting and acceleration, draw on the characteristics of many different models, perform model blending, and improve the expressiveness and processing speed of models.

The Company will combine the construction of MMOC platform to improve the user friendliness of algorithms. The Company will integrate algorithm research results and provide model services for AI developers based on MMOC platform to further reduce R&D costs and promote the standardization of AI solution performance.

Continue to enrich AI products and solutions

In 2023, we will continue to invest in R&D in the direction of AIGC. Relying on the MMOC artificial intelligence technology platform, we will explore more business application scenarios, enhance the technical competitiveness of products and solutions, and help manufacturing enterprises to upgrade digitally and intelligently.

In the field of iron and steel metallurgy, we will continue to refine and precipitate the standardized modules in the intelligent molten iron transportation solution, improve the delivery speed and reduce the delivery cost, and take the molten iron transportation-related products as the core to realize the diversified operation of molten iron transportation through vertical scenario expansion. We will explore deeper into the demand of iron and steel scenarios. In terms of horizontal application expansion, we will explore new applications of the iron and steel scenarios, expand the application scenarios of the infield rail transportation industry, and increase the productization layout, so as to support the expanding business needs of the program and business to achieve 1*N replication from the current seed customers to other steel manufacturing enterprises.

In the field of panel semiconductor, we will continue to enrich and improve the panel glass quality inspection product solutions and the functions of the silicon wafer intelligent quality inspection all-in-one machine based on the existing customers' production flow, production process, quality improvement and other requirements for intelligent manufacturing upgrade. In the panel glass quality inspection industry, we will expand the functions of comprehensive glass inspection based on the existing product functions, and use deep learning technology to solve the defects in complex scenarios. In the semiconductor industry, we will continue to optimize the functions of existing products, promote and replicate existing successful products in the industry, and simultaneously expand our product series to meet the demand for different sizes of silicon wafer inspection.

In the field of automotive equipment, we will further optimize our full lifecycle intelligent automation solutions by providing digital and visualization means to physically enable digital assets such as new product development, factory planning and production line upgrades. By combining physical simulation and data analysis with digital twin technology and creating detailed simulations in a fully virtual environment, we provide companies with easy access, standardization, efficiency and security, and systematic innovation. In using of a dual-engine intelligent decision-making algorithm that incorporates operations optimization and machine learning, global dynamic resource allocation optimization has been achieved and users can make fast and accurate business decisions in a complex and dynamically changing environment. This contributes not only to promote refined global management of factories, but also significantly improves their production performance and efficiency.

Business Overview

In the field of energy and power, we will continue to accumulate and improve product standardization in solutions for intelligent thermal power, intelligent wind power and intelligent new energy power plants, improve delivery speed, ensure delivery quality and reduce delivery costs. With our refined products and quality services, we will enhance our brand value and gradually become an excellent industrial leader in intelligent power plant solutions.

In the field of Food & Beverage and New Material, based on the existing production digital MOM system solution, we fully respond to the national requirements for manufacturing enterprises on "localization, intelligence, informationization, digital construction", and further extend to the whole chain of Food & Beverage and New Material production digitalization and intelligent MOM solutions such as source, grid, load and energy storage. For solution extension in the Food & Beverage and New Material production scenario amidst of rapid recovery after the pandemic, AIGC may be used to generate storage drawings and optimize production line productivity based on supply chain and storage rules. Meanwhile, we will support more operational data collection and analysis in the future to provide digital intelligent operation and maintenance support for more factories including production lines and equipment, while combining our MOM platform and AIGC capabilities to generate reports by interactively guiding users. Through intelligent analysis capabilities, potential problems in reports are automatically analyzed and identified, risk warning mechanisms and auditing mechanisms are established, and a highly efficient intelligent closed-loop MOM platform for the Food & Beverage and New Material sector is realized.

In the field of intelligent manufacturing practical training, we will continue to refine the combination of business practice and practical training content, deepen the practical implementation of AI + intelligent manufacturing field, continue to iterate the platform construction, expand the base practice scenarios and applications, and continuously improve and enrich the talent training program. We will conduct application teaching for more people and continue to help colleges and universities cultivate professional talents of AI + intelligent manufacturing for the society. For students' own knowledge level differences, we have embed the AIGC technology into the post-class quiz module, customizing questions according to students' previous answer level to ensure that students fully master the key points of relevant knowledge.

In the financial industry, we will continue to take the advantage of AInnovation AI, through the intelligent calculation center solution, data governance solutions to provide high-quality digital infrastructure and data resources tools for the industry. We will adhere to the strategy of scenario-based solutions for the financial industry, continuous investment in intelligent marketing, intelligent underwriting, wealth management and other scenarios, to create standardized products to meet the business needs of financial customers, and to help customers in quick digital transformation.

Management Discussion and Analysis

OVERVIEW

In the past five years since the establishment of AInnovation, we are continuously committed to promoting the implementation of cutting-edge artificial intelligence technology in the real industry represented by the manufacturing industry, assisting in new industrialization and high-quality development, and promoting the integration and development of the digital economy and the real economy. As the market leader of "AI + Manufacturing" solutions in China, we adhered to the "specialized and new" strategy and are pursuing long-term sustainable organic growth by strengthening our business in eight sub-sectors of manufacturing industry (iron and steel metallurgy, panel and semiconductors, 3C high-tech, engineering and construction, automotive equipment, energy and power, Food & Beverage and New Material, and intelligent manufacturing training) and financial services industry. Thanks to the right corporate development strategy, deep technical product accumulation and profound insight into the industry scenario, we have achieved excellent results in terms of quantity and quality in the fiscal year 2022.

REVENUE

Our revenue increased by 80.9% from RMB861.2 million in the fiscal year ended 31 December 2021 to RMB1,557.6 million in the fiscal year ended 31 December 2022. The increase was primarily attributable to (i) the increase in revenue realized from manufacturing industry and financial services industry; (ii) the increase in total number of customers and number of premium customers; and (iii) the acquisition of two new subsidiaries during the period resulted in revenue growth by broadening the business areas.

Manufacturing industry. Revenue from manufacturing industry increased by 111.2% from RMB449.0 million in the fiscal year ended 31 December 2021 to RMB948.2 million in the fiscal year ended 31 December 2022.

Financial services industry. Revenue from financial services industry increased by 39.5% from RMB274.1 million in the fiscal year ended 31 December 2021 to RMB382.3 million in the fiscal year ended 31 December 2022.

Our total number of customers increased from 159 in the fiscal year ended 31 December 2021 to 292 in the fiscal year ended 31 December 2022.

We define the customer with revenue contribution of RMB4.5 million or more in a fiscal year as a premium customer. The number of premium customers increased from 42 in the fiscal year ended 31 December 2021 to 71 in the fiscal year ended 31 December 2022. The total revenue contributed by the premium customers was RMB798.7 million and RMB1,351.0 million in 2021 and 2022 respectively.

COST OF SALES

Our cost of sales increased by 76.9% from RMB593.9 million in the fiscal year ended 31 December 2021 to RMB1,050.5 million in the fiscal year ended 31 December 2022. The increase was caused by business expansion in manufacturing industry and financial services industry, and the acquisition of two new subsidiaries during the Reporting Period, which broadened the business areas and resulted in cost increases.

Manufacturing industry. Cost of sales from manufacturing industry increased by 107.2% from RMB287.0 million in the fiscal year ended 31 December 2021 to RMB594.8 million in the fiscal year ended 31 December 2022, primarily due to the expansion of manufacturing business, which increased 111.2% from RMB449.0 million in the fiscal year ended 31 December 2021 to RMB948.2 million in the fiscal year ended 31 December 2022.

Financial services industry. Cost of sales from financial services industry increased by 40.7% from RMB199.8 million in the fiscal year ended 31 December 2021 to RMB281.2 million in the fiscal year ended 31 December 2022, primarily due to the expansion of financial services business, which increased 39.5% from RMB274.1 million in the fiscal year ended 31 December 2021 to RMB382.3 million in the fiscal year ended 31 December 2022.

GROSS PROFIT AND GROSS MARGIN

As a result of foregoing, our overall gross profit increased by 89.7% from RMB267.2 million in the fiscal year ended 31 December 2021 to RMB507.1 million in the fiscal year ended 31 December 2022. In 2021 and 2022, our overall gross margin was 31.0% and 32.6% respectively. This was primarily attributable to (i) economies of scales; (ii) increased pricing power; and (iii) more standardized products and solutions with more technology assets accumulated upon our platforms.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses increased by 40.3% from RMB116.0 million in the fiscal year ended 31 December 2021 to RMB162.7 million in the fiscal year ended 31 December 2022, primarily due to (i) the expansion of our sales team to support the expansion of our business and the increase in sales employee compensation and benefit expenses; (ii) the increase in AInnovation brand promotion efforts; and (iii) amortization of intangible assets arising from acquisition.

Selling and distribution expenses as a percentage of revenue decreased from 13.5% in the fiscal year ended 31 December 2021 to 10.4% in the fiscal year ended 31 December 2022. Selling and distribution expenses (excluding share-based payments and amortization of intangible assets arising from acquisition) as a percentage of revenue was 7.1% in the fiscal year ended 31 December 2022, a decrease of 1.1% compared to 8.2% in the fiscal year ended 31 December 2021, as our revenue grew at a faster rate.

GENERAL AND ADMINISTRATIVE EXPENSES

Our general and administrative expenses decreased by 26.7% from RMB449.4 million in the fiscal year ended 31 December 2021 to RMB329.5 million in the fiscal year ended 31 December 2022, primarily due to (i) the decrease in share-based payment expenses, from RMB290.5 million in the fiscal year ended 31 December 2021 to RMB112.5 million in the fiscal year ended 31 December 2022; and (ii) the decrease in listing expenses from RMB51.5 million in the fiscal year ended 31 December 2021 to RMB26.5 million in the fiscal year ended 31 December 2022.

General and administrative expenses as a percentage of revenue decreased from 52.2% in the fiscal year ended 31 December 2021 to 21.2% in the fiscal year ended 31 December 2022. General and administrative expenses as a percentage of revenue (excluding share-based payments and listing expenses) was 12.2% in the fiscal year ended 31 December 2022, a decrease of 0.3% from 12.5% in the fiscal year ended 31 December 2021, as our revenue grew at a faster rate.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses increased by 27.0% from RMB327.7 million in the fiscal year ended 31 December 2021 to RMB416.3 million in the fiscal year ended 31 December 2022, primarily due to (i) the increase in overall research and development investment due to business expansion; and (ii) amortization of intangible assets arising from acquisition.

Research and development expenses as a percentage of revenue decreased from 38.1% in the fiscal year ended 31 December 2021 to 26.7% in the fiscal year ended 31 December 2022. Research and development expenses as a percentage of revenue (excluding share-based payments and amortization of intangible assets arising from acquisition) was 25.3% in the fiscal year ended 31 December 2022, a decrease of 4.5% from 29.8% in the fiscal year ended 31 December 2021, as our revenue grew at a faster rate.

NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Our net impairment loss on financial assets in the fiscal year ended 31 December 2022 was RMB37.0 million, compared to a net impairment loss of RMB24.1 million in the fiscal year ended 31 December 2021, mainly due to an increase in the provision for impairment of trade and other receivables during the Reporting Period.

OTHER INCOME

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

Our other income increased from RMB28.1 million in the fiscal year ended 31 December 2021 to RMB56.0 million in the fiscal year ended 31 December 2022, primarily due to the increased government grants we obtained.

OTHER LOSSES, NET

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

In the fiscal year ended 31 December 2022, we had a net other loss of RMB9.2 million compared to RMB1.0 million in the fiscal year ended 31 December 2021, mainly due to the increase in losses on financial assets and liabilities at fair value through profit or loss.

OPERATING LOSS

As a result of the foregoing, our operating loss decreased by 37.0% from RMB622.8 million in the fiscal year ended 31 December 2021 to RMB392.3 million in the fiscal year ended 31 December 2022, mainly due to the increase in our overall revenue and gross profit.

FINANCE INCOME

Our financial income increased from RMB24.0 million in the fiscal year ended 31 December 2021 to RMB38.7 million in the fiscal year ended 31 December 2022, mainly due to an increase in interest income from bank deposits.

FINANCE COSTS

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

Our finance costs decreased from RMB36.1 million in the fiscal year ended 31 December 2021 to RMB8.1 million in the fiscal year ended 31 December 2022, mainly due to the finance costs of financial liabilities of redeemable shares reduced to nil during the Reporting Period.

LOSS FOR THE YEAR

As a result of the foregoing, our loss for the year decreased by 43.1% from a loss of RMB635.1 million in the fiscal year ended 31 December 2021 to RMB361.2 million in the fiscal year ended 31 December 2022.

NON-IFRS MEASURES

Adjusted Net Loss

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

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

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
Reconciliation of net loss to adjusted net loss:		
Loss for the year	(635,124)	**(361,160)**
Add:		
Share-based payment expenses	406,967	**173,294**
Finance costs of financial liabilities of redeemable shares	34,877	**—**
Listing expenses	51,500	**26,457**
Amortization of intangible assets arising from acquisition	—	**14,292**
Changes in fair value of financial assets/liabilities at fair value through profit or loss	—	**8,716**
Adjusted net loss (Unaudited)	(141,780)	**(138,401)**

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

As at 31 December 2022, cash and cash equivalents of the Group was approximately RMB1,642.7 million, compared to approximately RMB1,553.2 million as at 31 December 2021. The change was mainly from the proceeds we received from our IPO and cash outflow from investing and operating activities. Most of the cash and cash equivalents of the Group were denominated in RMB.

Gearing Ratio

The Group monitors capital on basis of the gearing ratio, which is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including related party borrowing), convertible bonds and lease liabilities less cash and cash equivalents. As of 31 December 2022, the Group had a net cash position and the gearing ratio was not applicable.

MATERIAL ACQUISITIONS AND DISPOSALS

The Acquisition of 51% Equity Interest in Two Target Companies

Share Transfer Agreement I

Date:

20 May 2022

Contracting Parties:

The Company, as the Purchaser;

Chen Hong, as the Vendor;

Liao Lu, as the Vendor;

He Li, as the Vendor;

Shanghai Higher Mechanical & Electrical Co., Ltd. ("**Target Company I**");

Shanghai Haochen Business Development Partnership Enterprise (Limited Partnership) ("**Shanghai Haochen**"); and

Shanghai Xiyao Business Management Consulting Partnership Enterprise (Limited Partnership) ("**Shanghai Xiyao**").

To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, Chen Hong, Liao Lu, He Li, Target Company I, Shanghai Haochen and Shanghai Xiyao are third parties independent of the Company and its associates.

Subject Matters and Contract Consideration:

The Company has agreed to conditionally purchase, and Chen Hong, Liao Lu and He Li (collectively as "**Vendors I**") as the Vendors, have agreed to conditionally sell, an aggregate of 51% equity interest in Target Company I at the total consideration of RMB153.0 million. The total consideration of Share Transfer Agreement I is RMB153.0 million. The total consideration is determined after arm's length negotiation between the Company and Vendors I based on the projected revenue of Target Company I in 2022 and price-to-sales ratio of five comparable companies in 2022, with reference to the marketability discount and transaction discount for cash-only transaction of Target Company I as a non-listed company. The five comparable companies are listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange.

Share Transfer Agreement II

Date:

20 May 2022

Contracting Parties:

The Company, as the Purchaser;

Li Weiguo, as the Vendor;

Li Junhong, as the Vendor;

Zhou Changbin, as the Vendor;

Qingdao Aolipu Qizhi Intelligent Industrial Technology Co., Ltd. ("**Target Company II**");

Qingdao Aolizhiyuan Business Management Service Partnership Enterprise (Limited Partnership) ("**Qingdao Aolizhiyuan**"); and

Qingdao Aoliruiyuan Business Management Service Partnership Enterprise (Limited Partnership) ("**Qingdao Aoliruiyuan**").

To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, Li Weiguo, Li Junhong, Zhou Changbin, Target Company II, Qingdao Aolizhiyuan and Qingdao Aoliruiyuan are third parties independent of the Company and its associates.

Subject Matters and Contract Consideration:

The Company has agreed to conditionally purchase, and Li Weiguo, Li Junhong and Zhou Changbin (collectively as "**Vendors II"**) as the Vendors, have agreed to conditionally sell, an aggregate of 51% equity interest in Target Company II at the total consideration of RMB122.4 million. The total consideration of Share Transfer Agreement II is RMB122.4 million. The total consideration is determined after arm's length negotiation between the Company and Vendors II based on the projected revenue of Target Company II in 2022 and price-to-sales ratio of six comparable companies in 2022, with reference to the marketability discount and transaction discount for cash-only transaction of Target Company II as a non-listed company. The six comparable companies are listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange.

Despite that the unaudited net assets and profit of Target Company II in 2021 recorded a loss, the Board is of the view that the consideration of the acquisition of 51% equity interest in Target Company II is fair and reasonable based on the following reasons:

(1) the consideration is determined mainly based on the projected revenue of Target Company II in 2022 amounting to RMB105 million. The financial data of Target Company II as of 31 December 2021 as set out in the announcement by the Company is unable to reflect the latest financial position of Target Company II. In consideration of the booming potential business opportunities arising from the adequate existing orders of Target Company II and high customer repurchase rate, it is likely to achieve breakthroughs in results performance with a total revenue amounting to RMB105 million in 2022;

(2) immediately prior to the entering into of Share Transfer Agreement II, the former shareholders of Target Company II have fully paid their respective subscribed registered capital of Target Company II and a capital injection of RMB27.64 million was made by the largest shareholder to Target Company II with an intention to reduce the debt level of Target Company II, and the financial position of Target Company II saw significant improvement immediately following the closing;

(3) after years of technology improvement and accumulation, Target Company II enhanced its project implementation efficiency and reduced costs, hence it is foreseeable that the profit of Target Company II will increase in 2022;

(4) Target Company II is engaged in the industrial software industry which has immense potential and is strongly supported by national policies. Therefore, the Board is optimistic on the future business prospect of Target Company II and considers the acquisition as a good investment opportunity to increase the Group's investment return;

(5) the revenue of Target Company II is expected to increase in the next few years, with its amount being basically at the same level of the amount of consideration. Even if Target Company II fails to deliver the expected growth rate of revenue in the future, the consideration to be actually paid by the Company will be adjusted accordingly based on the performance of Target Company II as the acquisition introduced a performance commitment mechanism. As such, the Board believes that the performance commitment mechanism in the acquisition can effectively ensure the consideration to be paid by the Company will match the actual value of Target Company II, and mitigate the risks arising from improper operation of Target Company II which may cause damages to the Company.

Please refer to the announcement of the Company dated 20 May 2022 for details of the acquisition of 51% equity interest in two target companies.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the year ended 31 December 2022.

Disclosure made pursuant to Rule 14.36B of the Listing Rules

1. Discloseable transaction in relation to the acquisition of 51% equity interest in Target Company I

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

Item	Performance Commitment Indicator		
Fiscal Year	**2022[1]**	**2023**	**2024**
Revenue (RMB'000)	21,818	33,000	44,000
Sales gross margin[2]	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company
Financial gross margin[3]	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company
Net profit (excluding extraordinary gains and losses)[4](RMB'000)	660	1,320	1,760

Notes:

1. The performance indicators for 2022 refer to the performance indicators consolidated after the Company acquired Target Company I only.

2. Sales gross margin = (turnover – external procurement costs)/revenue.

3. Financial gross margin = (turnover – costs of revenue)/revenue.

4. Net profit (excluding extraordinary gains and losses) refers to the net profit after deducting the extraordinary gains and losses.

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

From the date of consolidation after the acquisition of Target Company I to 31 December 2022, the revenue of Target Company I was RMB219,468,000 and the net profit (excluding extraordinary gains and losses) (unaudited) was RMB7,335,000.

According to the Company's announcement dated 20 May 2022, 30 June of each year or the date on which the Vendors I make payment application (whichever is earlier) shall be the closing date for collection of payments for the previous year (the "**Collection Date**"). The Company shall calculate the performance achievement rate after taking into account the collection of payments based on the actual collection status before the Collection Date. As at the Latest Practicable Date, the Company has not yet been able to calculate the performance achievement rate after taking into account the collection of payments as the agreed Collection Date is yet pending. Accordingly, the performance commitment of Target Company I for the year ended 31 December 2022 is still in progress and the Company will closely monitor the completion of the said performance commitment.

2. Discloseable transaction in relation to the acquisition of 51% equity interest in Target Company II

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

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

Notes:

1. The performance indicators for 2022 refer to the performance indicators consolidated after the Company acquired Target Company II only.

2. Sales gross margin = (turnover – external procurement costs)/revenue.

3. Financial gross margin = (turnover – costs of revenue)/revenue.

4. Net profit (excluding extraordinary gains and losses) refers to the net profit after deducting the extraordinary gains and losses.

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

From the date of consolidation after the acquisition of Target Company II to 31 December 2022, the revenue of Target Company II was RMB81,608,000 and the net profit (excluding extraordinary gains and losses) (unaudited) was RMB7,040,000.

According to the Company's announcement dated 20 May 2022, 30 June of each year or the date on which the Vendors II make payment application (whichever is earlier) shall be the closing date for collection of payments for the previous year (the "**Collection Date**"). The Company shall calculate the performance achievement rate after taking into account the collection of payments based on the actual collection status before the Collection Date. As at the Latest Practicable Date, the Company has not yet been able to calculate the performance achievement rate after taking into account the collection of payments as the agreed Collection Date is yet pending. Accordingly, the performance commitment of Target Company II for the year ended 31 December 2022 is still in progress and the Company will closely monitor the completion of the said performance commitment.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSET

As at 31 December 2022, save as disclosed in this annual report, we did not have other future plans for material investments or capital assets.

FOREIGN EXCHANGE EXPOSURE

During the fiscal year ended 31 December 2022, the Group mainly operated in PRC with most of the transactions settled in RMB. The functional currency of our Company and the subsidiaries is RMB. As of 31 December 2022, our balance of the cash and cash equivalents was mainly denominated in RMB and Hong Kong Dollars. The Group manages its foreign exchange risk by closely monitoring the movement of the exchange rates and will consider hedging significant foreign currency exposure if necessary. As at 31 December 2022, our business is not exposed to any significant foreign exchange risk.

PLEDGE OF ASSETS

As at 31 December 2022, the Group had no material pledge of assets.

BORROWINGS

As at 31 December 2022, borrowings of the Group were RMB57.6 million (31 December 2021: Nil), mainly include short-term borrowings of subsidiaries acquired during the year.

CONTINGENT LIABILITIES

As at 31 December 2022, we did not have any material contingent liabilities.

SUBSEQUENT EVENT

There was no significant event subsequent to the end of the Reporting Period and up to the Latest Practicable Date.

Report of the Directors

The Board of Directors hereby present to the Shareholders the annual report of the Group for the year ended 31 December 2022, together with the audited consolidated financial statements of the Group for 2022, which were prepared in accordance with the International Financial Reporting Standards.

GENERAL INFORMATION

The Company is a joint stock limited company incorporated in the PRC on 6 February 2018. The H shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 27 January 2022.

The general information of the Company was set out on pages 4 to 5 in the section headed "Corporate Information" of this report.

DIRECTORS AND SUPERVISORS

For the year ended 31 December 2022 and up to the Latest Practicable Date, the Directors and Supervisors in office were as follows:

Executive Director

Mr. Xu Hui (Chief Executive Officer)

Non-executive Directors

Dr. Kai-Fu Lee (Chairman)
Mr. Wang Hua
Mr. Wang Jinqiao (appointed on 27 September 2022)
Mr. Zhou Wei (resigned on 26 July 2022)

Independent non-executive Directors

Mr. Xie Deren
Ms. Ko Wing Yan Samantha
Ms. Jin Keyu

Supervisors

Ms. Lin Ying
Mr. Nie Mingming
Ms. Duan Chengjin (appointed on 27 September 2022)
Mr. Gu Xuan Richard (resigned on 27 September 2022)

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 83 to 99 in the section headed "Directors, Supervisors, Senior Management and Employees" of this annual report.

BUSINESS REVIEW

The business review of the Company for the year and an indication of likely future development in the business of the Group are set out in the "Business Overview" and "Management Discussion and Analysis" of this annual report.

Major Risks and Uncertainties

We are subject to the following major risks and uncertainties:

- The AI industries in which we operate are characterized by constant changes, especially in AIGC field. If we fail to continuously improve our technology and provide innovative solutions that meet the expectations of our customers, our business, financial condition and results of operations may be materially and adversely affected.

- The AI solutions industries in which we operate are highly competitive and fragmented, and we face competition in several major aspects of our business. If we fail to compete successfully against our current or future competitors, our business, financial condition and results of operations may be materially and adversely affected.

- AI technologies are constantly evolving. Any flaws or misuse of the AI technologies, whether actual or perceived, whether intended or inadvertent, whether committed by us or by other third parties, could have negative impact on our business, reputation and the general acceptance of AI solutions by the society.

- We have a limited operating history, which makes it difficult to evaluate our business and future prospects.

- We are investing heavily in our R&D efforts, which may negatively impact our profitability and operating cash flow in the future and may not generate the results we expect to achieve.

- If we fail to retain existing customers, attract new customers or increase the spending by our customers, our business and results of operations may be materially and adversely affected.

- If our expansion into new industry verticals is not successful, our business, prospects and growth momentum may be materially and adversely affected.

- We may be subject to complex and evolving laws and regulations regarding privacy and data protection. Actual or alleged failure to comply with privacy and data protection laws and regulations could damage our reputation, deter current and potential customers from using our solutions and could subject us to significant legal, financial and operational consequences.

As the major risks and uncertainties mentioned above are not exhaustive, please refer to the section headed "Risk Factors" in the Prospectus of the Company for detailed information.

ENVIRONMENTAL POLICIES AND PERFORMANCE

On the way of exploring AI products and business solutions, AInnovation has always been committed to the original idea of "Technology for Good, Empowering Value" and continues to practice the concept of Environmental, Social and Governance (ESG). Internally, we are committed to providing higher value AI products and solutions to our customers by strengthening our research and development and innovation capabilities through innovation-driven services and relying on a continuously growing talent pipeline. Externally, as an explorer on the path of AI products and business solutions, we promote technological innovation as one of the important ways to fulfill our corporate social responsibility. With customized products and services, we continue to empower digital transformation in various fields, help enterprises reduce costs and increase efficiency, and promote the realization of energy saving and emission reduction and the safe guarding of personnel.

IMPROVING CORPORATE GOVERNANCE

AInnovation attaches great importance to corporate governance and regards good corporate governance as one of the necessary conditions for the Company to achieve sustainable development. We have established a sound decision-making and management system, with the Board of Directors as the highest responsible body for ESG management, responsible for formulating the Company's ESG management policy and strategy, and a three-level ESG governance structure consisting of the Board of Directors, senior management and ESG working group. We have clearly defined ESG functions at each level and invite external organizations to conduct relevant training for members of the structure every year to help us manage our ESG issues more efficiently and accurately.

FULFILLING SOCIAL RESPONSIBILITY

AInnovation actively practices the concept of responsible operation. For our employees, we have established a comprehensive talent training system and continue to optimize employee development and promotion channels. For our partners, we build a clean, honest, fair and just business relationship, conduct multi-dimensional supplier performance evaluation, help suppliers improve their capabilities, and strive to work with all partners to promote a sustainable supply chain ecological construction.

At the same time, AInnovation insists on helping domestic enterprise customers to innovate in science and technology in order to promote better and faster development of social economy. We bring AI technology down to factories, workshops and production lines to improve the working environment for frontline workers and reduce the impact of potential occupational health and work safety risks on workers. For example, our automotive intelligent quality inspection solution can effectively reduce the working time of employees in the gluing production line in car manufacturing plants, reduce their exposure to harmful gases, and protect the occupational health and safety of workers.

With the advanced AI technology, we also fully empowered community development. During the Reporting Period, we launched a new COVID-19 pandemic smart prevention and control solution that can complete "temperature measurement and registration + mobile collection + laser disinfection" in one stop, and gave it to the pandemic prevention authorities to help local medical personnel to conduct nucleic acid testing more efficiently and safely. We also opened the Company's exhibition center to employees of small and medium-sized enterprises and young students to disseminate professional knowledge of artificial intelligence, convey cutting-edge technology trends, and lead industry education into practice.

GUARDING THE GREEN ENVIRONMENT

AInnovation actively fulfills its responsibility for environmental protection. We actively take measures to save energy and water in our daily operations, such as using energy-saving lighting fixtures and setting low-power modes for our central air conditioners. We also make efforts to raise the awareness of environmental protection among our employees by putting up environmental protection posters and setting up waste separation bins to contribute to the cause of environmental protection.

Besides, we are actively responding to the "carbon peak, carbon neutral" goal pledged by our country at the 75th session of the United Nations General Assembly, and using AI technology to help our corporate customers move towards green development. For example, in the energy and power sector, we use IoT data to build models and provide technical support for new energy scenarios such as photovoltaic and wind power to improve the efficiency of energy use in operation and maintenance. We also help traditional thermal power plants to carry out flexibility transformation through our self-developed peaking heat return and safety monitoring system to facilitate thermal power plants to participate in grid dispatching and achieve deep peaking of units, and strive to ensure their safe and low-pollution operation.

For details, please refer to the 2022 Environmental, Social and Governance Report of Qingdao AInnovation Technology Group Co., Ltd. to be disclosed by the Company in due course.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach or non-compliance of applicable laws and regulations by the Group and there was no non-compliance which, in the opinion of the Board and the management, individually or collectively, would have a material adverse effect on the business of the Group as a whole.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company recognizes that employees are one of the significant assets of the Group. The Company provides good working environment and effective incentive mechanism for employees, continuously optimizes employee training system, provides different career development paths for employees, guides employees to grow together with the enterprise, and protects the rights and interests of employees.

The Company maintains a good relationship with its customers and suppliers. The Company deeply understands the changing market demand and maintains a close relationship with customers by strengthening communication with customers. The Group actively and effectively strengthens the business cooperation with suppliers to ensure the timely delivery and the stability of the Company's business through continuous communication.

CONNECTED TRANSACTIONS

ONE-OFF CONNECTED TRANSACTION

Contract for custom-made undertaking and procurement of technical services

Date

20 April 2022

Contracting Parties

CISDI Engineering Co., Ltd. ("**CISDI Engineering**"), as the Customizer;
Chongqing CISAI Technology Co., Ltd. ("**CISAI Tech**"), as the Contractor.

Subject Matter

On 20 April 2022, CISAI Tech, a subsidiary of the Company, entered into a contract for Custom-made Undertaking and Procurement of Technical Services (the "**Contract for Custom-made Undertaking and Procurement of Technical Services**" or the "**Contract**") with CISDI Engineering, pursuant to which CISAI Tech will provide the contracted products and technical services to CISDI Engineering at a consideration of RMB69,934,100 ("**Transaction I**").

According to the Contract for Custom-made Undertaking and Procurement of Technical Services, CISAI Tech shall complete the design, manufacturing of the products specified by CISDI Engineering and the owner in the general contracting contract in accordance with the requirements of the Contract, and provide technical services, training and etc. to CISDI Engineering, including but not limited to dispatching experienced technical personnel to guide the installation during the products installation period, carrying out guidance on the commissioning of the products, as well as technical guidance during the trial production period, dispatching technical personnel on site to deal with and solve all kinds of product-related problems until the products are put into normal operation; ensuring that the products pass all tests, commissioning and functional assessments; solving quality problems during the warranty period, and etc.

Please refer to the announcement of the Company dated 20 April 2022 for details of the Contract for Custom-made Undertaking and Procurement of Technical Services.

Contract consideration

The total consideration of the Contract for Custom-made Undertaking and Procurement of Technical Services is RMB69,934,100. The price is a tax-fixed price and is not subject to changes in market conditions.

The above consideration was determined after arm's length negotiations between both parties to the Contract for Custom-made Undertaking and Procurement of Technical Services in respect of the reasonable costs and expenses to be incurred for the products and services to be provided by the Contractor.

Reasons for the transaction

Transaction I fully combines the AI algorithm software capability of CISAI Tech with the engineering and industry understanding ability of CISDI Engineering, enabling the Company to successfully supply AI solutions to one of the largest steel mills in China, further increasing the market share of the Company's intelligent molten iron solutions and realizing the reuse and expansion of intelligent molten iron solutions once again.

Implications of the Listing Rules

As of the date of the Contract for Custom-made Undertaking and Procurement of Technical Services, CISAI Tech is owned as to 51% by the Company and as to 49% by CISDI Chongqing Information Technology Co., Ltd. (now renamed to CISDI Information Technology (Chongqing) Co., Ltd 中冶賽迪信息技術 (重慶) 有限公司, "**CISDI Information**") and is a subsidiary of the Company. CISDI Information is a substantial shareholder of CISAI Tech, a subsidiary of the Company. In light of the fact that CISAI Tech does not constitute an insignificant subsidiary under Rule 14A.09 of the Listing Rules, CISDI Information and its associates constitute connected persons at the subsidiary level of the Company. As CISDI Engineering is a subsidiary of CISDI Group, the holding company of CISDI Information, CISDI Engineering is an associate of CISDI Information and constitutes a connected person of the Company. Accordingly, the Contract and the transaction hereunder constitute connected transaction of the Company.

CONTINUING CONNECTED TRANSACTIONS

Image Detection Technology Service Framework Agreement

Contracting Parties

The Company; and

Sinovation Ventures

Principal terms

The Group entered into a framework agreement with Sinovation Ventures (the "**Image Detection Technology Service Framework Agreement**") on 12 January 2022, pursuant to which the Group will provide customized image detection technology services including development, operation and maintenance of automatic machine learning image detection platforms, to Inner Mongolia Yili Industrial Group Co., Ltd. (內蒙古伊利實業集團股份有限公司), a customer designated by Sinovation Ventures (the "**Designated Customer**") ("**Transaction II**"). To improve its operational efficiency and promote its digitalized business process, the Designated Customer began to establish business relationship with us in 2020. The Designated Customer requires a large number of sales management personnel covering regions where its products are sold to inspect the retail points of sale, and review the sales performance on a regular basis, which results in a large amount of labor costs.

The image detection technology could assist the Designated Customer to efficiently screen the displayed products and analyze the percentage of displayed products of the Designated Customer and its competitors and respective prices in retail points of sales, so that the Designated Customer could conveniently track the sales performance on a real-time basis, and thus improve the inspection efficiency, strengthen supervision, and reduce the inspection costs. The initial term of the Image Detection Technology Service Framework Agreement will commence on the Listing Date (i.e. 27 January 2022) and end on 31 December 2024, and can be renewed upon its expiry as agreed by the parties to the agreement.

Subject to the general principles as set out in the Image Detection Technology Service Framework Agreement, separate underlying agreements will be entered into which will set out the details of the services provided, price, payment method and other details of the service arrangements. The definitive terms of each of such agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties.

Reasons for the transaction

The Designated Customer is a leading dairy enterprise listed on the Shanghai Stock Exchange (stock code: 600887). As a listed company, it has in place an internal policy for selection of suppliers, considering such factors including length of operational period, amount of registered capital, independence, its current business relationship with the Designated Customer's competitor, profitability and industry knowledge. Although the Group fulfill the requirements of amount of registered capital, independence of the Designated Customer and its competitors, and industry knowledge based on our technical capabilities, due to relatively short operation history of the Group, the Group has not met the requirements of the length of operational period and profitability, but Sinovation Ventures has met all the requirements set out by the Designated Customer. Established in November 2011, Sinovation Ventures is a platform for supporting business startups and technology innovation, primarily engaged in providing entrepreneurial services including consultation and financing for startups, and fund management outsourcing services. Sinovation Ventures recognized profit of approximately RMB28.9 million for the six months ended 30 June 2019. In particular, the Designated Customer also considers Sinovation Ventures has met the requirements of industry knowledge considering its long-term investment in our Company, as well as our business capability and experience. Accordingly, the Designated Customer chose to enter into agreements with Sinovation Ventures, considering it would in turn engage the Group to provide image detection technology services to the Designated Customer directly. Sinovation Ventures was not engaged in any businesses which compete or were likely to compete with the Group as of the Latest Practicable Date.

Sinovation Ventures began to enter into agreements with the Designated Customer in December 2019, and generated image detection service fees in 2020 with an amount of approximately RMB0.80 million. It was expected that the service fees payable to Sinovation Ventures by the Designated Customer would be approximately RMB3.67 million, RMB4.72 million and RMB6.3 million for the three years ending 31 December 2024, respectively.

The provision of image detection technology services to Sinovation Ventures will be conducted in our ordinary course of business and on a continuing basis, which will provide the Group with a stream of recurrent income and enhance our financial performance.

For details of Transaction II please refer to the section of "Connected Transactions" of the Company's Prospectus.

Pricing policies

Fees to be received by the Group consist of (i) a fixed fee charged for the development of the image detection platforms; and (ii) fees for the subsequent use of the platforms with different ranges categorized by number of images detected. Such fees shall be determined by relevant parties at arm's length negotiation on a cost-plus basis and shall be no more favorable than similar services the Group provided to other independent third parties. Fee structure charged by Sinovation Ventures on the Designated Customer is identical to the fee structure charged by us on Sinovation Ventures under the Image Detection Technology Service Framework Agreement. Fees paid by Designated Customer to Sinovation Ventures and fees paid by Sinovation Ventures to the Group were negotiated and agreed among the Designated Customer, Sinovation Ventures and the Group. After the Designated Customer pays the service fees to Sinovation Ventures, Sinovation Ventures would charge no more than 5% of such fees as rewards for facilitating the business cooperation of the Group and the Designated Customer which is determined at the arm's length negotiation between Sinovation Ventures and our Company, and pay the rest of the amounts to the Group. Fees paid to the Group after such deduction shall be still no less favorable than similar services the Group provides to other independent third parties.

Historical amounts

The Group has started to provide image detection technology services to Sinovation Ventures from 2020. The historical amounts of transaction relating to the provision of image detection technology services by the Group to Sinovation Ventures for the years ended 31 December 2020, 31 December 2021 and 31 December 2022 were approximately RMB734,000, RMB2,388,000 and RMB5,758,000, respectively.

Annual caps

The Company has issued an announcement in relation to Transaction II proposing to revise the annual caps from RMB3.5 million, RMB4.5 million and RMB6 million to RMB7 million, RMB9 million and RMB12 million for the years ending 31 December 2022, 31 December 2023 and 31 December 2024, respectively.

When determining the annual caps, the Company has taken into consideration the following factors:

(i) The Group began to provide image detection technology services to Sinovation Ventures since 2020. Based on historical transaction amounts, such services were continued to expand to new business departments of Designated Customer while development was carried out in the first half of 2022 on the basis of the existing business cooperation. It is expected to record a significant increase in the service fees after the services being put into use successively in the second half of 2022. While the cooperation further evolved, the scale of cooperation continued to expand, and the image detection platforms were more widely applied since 2022. For the six months ended 30 June 2022, the actual transaction amount incurred was over RMB1.72 million. Taking into account the current operations and the growth trend, the Group expects the transaction amount to grow further in the second half of 2022 and reach approximately RMB6 million throughout 2022. In addition, in determining the revised annual cap for 2022, the Group has applied an additional buffer of 15% on the expected transaction amounts of approximately RMB6 million to cater to the potential needs for business growth and ensure the flexibility in the cooperation between the Group and the Designated Customer.

(ii) Given the high efficiency of the Group in the provision of image detection technology services, the applications of these services provided by the Group were further expanded in business units and scenarios of the Designated Customer. On the basis of service applications in two of the business units of the Designated Customer, the Group recently expanded the scope of service applications again to cover two new business units of the Designated Customer and executed the service order agreement accordingly. Hence, it is reasonable to expect the annual transaction amount to exceed the original annual cap for 2022 to a larger extent.

In light of the existing business relationship between us and the Designated Customer, and the fact that the Designated Customer still has a high expectation for us in terms of business development and a demand for cooperation, the Group and the Designated Customer are looking forward to developing a more in-depth and extensive business relationship in 2023 and 2024, which will drive the continuous growth in the total cooperation amount. As a result, a reasonable estimation is made in relation to the annual caps for 2023 and 2024, based on the revised annual cap for 2022 and an annual incremental rate of approximately 30% for the transaction amounts.

(iii) In view of the effectiveness of the image detection technology services provided by the Group, the demand for image detection technology of our Group from the existing business units of the Designated Customer continued to grow and our platforms received more images of business scenarios for recognition. The increase in the usage frequency of the existing image detection platforms, the development of new scenarios and the number of image requests led to the rising number of images detected by the Group and boosted the fee charged by it for the image detection services accordingly. As such, it is reasonable to expect the growth in transaction amount to exceed the previous expectation for the three years ending 31 December 2024 to a larger extent.

For details of the proposed revision to the annual caps in respect of Transaction II, please refer to the Company's announcement dated 31 August 2022.

Listing Rules implications

As of 31 December 2022, as Sinovation Ventures held approximately 27.61% equity interest in the Company, it is a connected person of the Company. The Transaction II under the Image Detection Technology Service Framework Agreement constitutes continuing connected transactions of the Company under the Listing Rules. In respect of the Image Detection Technology Service Framework Agreement, as the highest applicable percentage ratio (as defined in the Listing Rules) under it for each of the three years ending 31 December 2022, 2023 and 2024 is expected to exceed 0.1% but be less than 5%, it is subject to the annual reporting requirement and the announcement requirement but will be exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Confirmation from the Independent Non-executive Directors

The independent non-executive Directors of the Company have reviewed the above-mentioned continuing connected transactions and confirmed that:

(1) the above-mentioned continuing connected transactions are conducted in the ordinary and usual course of business of the Group;

(2) the above-mentioned continuing connected transactions are entered into on normal commercial terms or better terms; and

(3) the above-mentioned continuing connected transactions are conducted according to the Image Detection Technology Service Framework Agreement on terms which are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Confirmation from the Independent Auditor

The independent auditor has performed the relevant procedures regarding the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The independent auditor has issued an unqualified letter stating that:

(1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(4) with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

Save as disclosed above, no related party transactions set out in note 44 to the consolidated financial statements constitute disclosable connected transactions or continuing connected transactions under the Listing Rules. During the Reporting Period, the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

RESULTS AND APPROPRIATIONS

The Group's results and financial position for the year ended 31 December 2022 are set out on pages 23 to 36 in the section headed "Management Discussion and Analysis" of this report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022.

TAX RELIEF AND EXEMPTION

The Board is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

ISSUED SHARE CAPITAL

As at 31 December 2022, the total share capital of the Company was RMB559,304,838, divided into 559,304,838 shares of RMB1.00 per each. Details of the movement of the share capital of the Company during the Reporting Period are set out in Note 28 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period and up to 31 March 2023, the Company repurchased a total of 13,343,800 H Shares (the "**Repurchased Shares**") on the Stock Exchange for a total consideration of approximately HK$296,765,429. Details of the repurchased Shares are as follows:

Month of Repurchase	Repurchased Number of shares	Price per share paid Highest Price (HKD)	Price per share paid Lowest Price (HKD)	Total Consideration (HKD)
2022				
May	1,394,300	23.30	22.50	32,241,430.00
June	6,415,600	23.95	19.76	143,580,922.00
July	824,200	20.70	16.84	16,292,468.00
September	37,700	18.68	17.58	694,842.00
November	3,219,400	22.60	19.64	70,363,052.00
December	1,429,200	23.75	21.60	33,000,800.00
2023				
January	23,400	25.30	25.25	591,915.00
Total	**13,343,800**			**296,765,429.00**

As at 31 March 2023, the Repurchased Shares have not been cancelled and the balance of the issued shares of the Company was 559,304,838. The repurchase of the Shares as referred to in the circular of the Company dated 14 April 2022 was for the purpose of stabilizing the share price of the Company and safeguarding the value of the Company and the interests of the shareholders.

Except as disclosed in this report, neither the Company nor the Group has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period and up to 31 March 2023.

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment of the Group for 2022 are set out in Note 15 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, total sales to the five largest customers of the Company accounted for approximately 23.5% of the total revenue for the year, while the total sales to the largest customer accounted for 5.5% of the total revenue for the year.

For the year ended 31 December 2022, the total purchase from the five largest suppliers of the Company accounted for approximately 36.4% of the cost of sales for the year, while the total purchase from the largest supplier accounted for 13.4% of the cost of sales for the year.

For the year ended 31 December 2022, to the knowledge of the Directors, none of the Directors, their associates, or Shareholders of the Company (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had interests in the five largest customers or suppliers of the Group.

EMPLOYEES

Employees are the key to the Group's sustainable development. For details of the Group's employees, please refer to "Directors, Supervisors, Senior Management and Employees — Employees and Remuneration Policies" on page 92.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2022, borrowings of the Group were RMB57.6 million (31 December 2021: Nil). Details of bank loans and other borrowings of the Group for 2022 are set out in Note 36 to the financial statements.

EXTERNAL DONATION

In 2022, in order to help the prevention and control of COVID-19 pandemic, the Group donated a number of pandemic prevention materials to COVID-19 pandemic Prevention and Control Command in Jimo District, Qingdao in 2022, mainly including 2 sets of intelligent prevention and control solutions for COVID-19 pandemic to help achieve rapid, safe and contact-free nucleic acid testing and optimize the working environment for medical personnel. In addition, we donated 3,000 pieces of protective clothing, 10,200 N95 masks, 3,000 protective masks and 24,000 sterile masks to create safer working conditions for medical staff and protect the workers on the front line. The total value of the above donated materials is about RMB164,800.

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISOR

Each of the Directors and Supervisors has entered into a service contract with the Company. The principal particulars of these service contracts: (1) include the term of appointment, which commences from the date of appointment and ends on the date of expiry of the current session of the Board/Board of Supervisors; and (2) are subject to termination in accordance with the respective terms.

None of Directors or Supervisors has entered into a service contract with the Company which is terminable by the Company within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors and Supervisors receive compensation in the form of fees, salaries, allowance, discretionary bonus, pension scheme contributions and other benefits in kind (if applicable), or in the form of cash and/or incentive shares. The remuneration of the Directors is determined in accordance with reference to the recommendation from the Remuneration Committee, the market levels and the competency, contributions and the responsibilities towards the Company.

Details of the Directors and the five highest paid individuals of the Company are set out in note 10 and note 46 to the financial statements.

No Directors waived or agreed to waive any emoluments, and no emoluments were paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

During the Reporting Period, the Group did not participate in, directly or indirectly, concluding transactions, arrangements and contracts of significance in which the Director or the Supervisor or any entity which he or she was related to was materially interested, and related to the businesses of the Company and were subsisting during or by the end of the year.

INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN COMPETING BUSINESSES

During the Reporting Period, none of the Directors, Supervisors, the senior management or their respective associates had any interests in any business which competes or is likely to compete directly or indirectly with the business of the Group or had any other conflicts of interest with the Group.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed under the section headed "Connected Transactions" and paragraphs under note 44 of the Notes to the Financial Statements of this report, there is no contract of significance, whether for the provision of services or otherwise, to the business of the Group between the Company, or any of its subsidiaries, or a controlling Shareholder or any of its subsidiaries during the Reporting Period.

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

For information on the interests and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, please refer to "Changes in Share Capital and Information of Shareholders - Directors', Supervisors' And Chief Executives' Interests And Short Positions In Shares, Underlying Shares And Debentures Of The Company Or Any Associated Corporation" at on pages 58 to 59.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

For the year ended 31 December 2022, the Company, its holding company, or any of its subsidiaries or fellow subsidiaries did not have or has participated at any time during the Year in any arrangement through which the Directors and Supervisors of the Company may benefit by purchasing shares or debentures of the Company or any other entities.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2022.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2022.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

For details of shareholding of substantial Shareholders in the Company, please refer to "Changes in Share Capital and Information of Shareholders — Interests or Short Positions of Substantial Shareholders in the Shares or Underlying Shares" on pages 60 to 62.

PRE-EMPTIVE RIGHT AND SHARE OPTION ARRANGEMENTS

During the year ended 31 December 2022, the Company had no pre-emptive right and share option arrangements. There are no specific provisions under the PRC laws or the Articles of Association of the Company in relation to pre-emptive rights.

PERMITTED INDEMNITY PROVISIONS

The Company has maintained appropriate liability insurance for its Directors, Supervisors and senior management. Such liability insurance is set out in the permitted indemnity provisions. Save as the above, none of the Directors of the Company were benefited from any effective permitted indemnity provisions as of 31 December 2022.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company had no reserves available for distribution to shareholders.

Details of movements in reserves of the Group and the Company are set out in Note 32 and Note 45 to the financial statements, respectively.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

None of the controlling shareholders of the Company (the "**Controlling Shareholders**") is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, each of the Controlling Shareholders has entered into the Deed of Non-Competition (as stated below) in favor of the Company.

Each of Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying has signed a non-competition undertaking on 12 January 2022 in favor of our Group (the "**Non-competition Undertaking**"). Pursuant to the Non-competition Undertaking, the Single Largest Shareholders Group has irrevocably undertaken that, it would not and will procure that its close associates (except any members of our Group) would not, directly or indirectly, whether as principal or agent, either on its own account or in conjunction with or on behalf of any person, firm or company, whether inside or outside the PRC, among other things, carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is or may be in competition with the principal business of any member of our Group from time to time (the "**Restricted Business**").

PUBLIC FLOAT

The H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 27 January 2022. As at the Latest Practicable Date, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on 27 January 2022 and 44,744,400 shares of RMB1.00 each were issued to Hong Kong and overseas investors at an offer price of HK$26.3 per share. The net proceeds received by the Company from the Global Offering, after deduction of the underwriting commission and other estimated expenses payable by the Company, are estimated to be approximately HK$1,070.1 million. In accordance with the Prospectus and the actual operating needs of the Company, the Company has adjusted the proposed timeline for utilizing the amount of unutilized proceeds as disclosed in the 2021 Annual Report and currently intends to use such net proceeds for the following purposes:

Uses	Amount	Percentage of	The actual use of net proceeds during the Reporting Period	Unused net proceeds as of 31 December 2022	Expected timeline for utilization of unused net proceeds
Enhancing our R&D capabilities	Approximately HK$481.6 million	About 45.0%	HK$209.88 million	Approximately HK$271.72 million	On or before 31 December 2024
Enhancing our commercialization capabilities	Approximately HK$267.5 million	About 25.0%	–	Approximately HK$267.5 million	On or before 31 December 2024
Potential Strategic Investments and Acquisitions	Approximately HK$107.0 million	About 10.0%	–	Approximately HK$107.0 million	On or before 31 December 2024
Strengthening internal systems and upgrading information infrastructure	Approximately HK$107.0 million	About 10.0%	–	Approximately HK$107.0 million	On or before 31 December 2024
Working capital and general corporate use	Approximately HK$107.0 million	About 10.0%	HK$48.86 million	Approximately HK$58.14 million	On or before 31 December 2024

To increase the efficiency in use of capital, with the approval of the Board, the Company has extended the use of proceeds as set out in the Prospectus by changing "short-term deposits with banks or qualified financial institutions" to "short-term deposits with banks or qualified financial institutions, or to purchase wealth management products, including but without limitation to structured deposits, treasury bonds, central bank bills, bond repurchase, money funds and bond funds". The net proceeds from the Global Offering will be used by the Company for the intended purposes set forth in the Prospectus and as modified above.

AUDIT COMMITTEE

The Audit Committee under the Board has reviewed the annual results and the annual report of the Company for 2022 and the audited consolidated financial statements for the year ended 31 December 2022 which was prepared in accordance with the International Financial Reporting Standards.

AUDITOR

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers, who shall retire from the forthcoming annual general meeting and, being eligible, offer itself for reappointment.

The Company did not change its auditor since the Listing Date.

By Order of the Board
QINGDAO AINNOVATION TECHNOLOGY GROUP CO., LTD
青島創新奇智科技集團股份有限公司
Xu Hui
Executive Director and Chief Executive Officer

Hong Kong, 31 March 2023

Report of the Supervisory Committee

COMPOSITION OF THE SUPERVISORY COMMITTEE

As at 31 December 2022, the Supervisory Committee consists of three Supervisors, including two Supervisors appointed by shareholders' general meeting and one employee representative Supervisor. The Supervisors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. Among them, the term of office of Ms. Duan Chengjin shall commence from the date of approval at the extraordinary general meeting of shareholders until the expiration of the first term of the Supervisory Committee.

Composition of the Supervisory Committee of the Company is set out as follows:

Name	Position	Date of appointment	Duties
Ms. Lin Ying	Supervisor	6 February 2018	Overseeing our operations and financial activities
Ms. Duan Chengjin	Supervisor	27 September 2022	Overseeing our operations and financial activities
Mr. Nie Mingming	Employee Representative Supervisor	14 May 2021	Overseeing our operations and financial activities

MAJOR ACTIVITIES UNDERTAKEN BY THE SUPERVISORY COMMITTEE IN 2022

In 2022, all members of the Supervisory Committee abided by the principle of good faith, strengthened the coordination and cooperation with the Board and the senior management, diligently performed their supervisory duties and effectively safeguarded the legitimate rights and interests of the Company, the Shareholders and employees based on the principle of accountability to all Shareholders of the Company.

(1) Convening the Supervisory Committee meetings according to law and duly performing the duties of the Supervisory Committee

In 2022, the Supervisory Committee convened a total of 3 Supervisory Committee meetings.

The Supervisors carefully reviewed the meeting materials before attending the Supervisory Committee meetings, and fully studied and discussed the proposals. The Supervisors attended all Supervisory Committee meetings in person and earnestly performed supervisory duties. The details of Supervisors' attendance at the Supervisory Committee meetings held are as follows:

Name	Number of Attendance/ Supervisory Committee Meetings
Ms. Lin Ying	3/3
Ms. Duan Chengjin[1]	0/0
Mr. Nie Mingming	3/3
Mr. Gu Xuan Richard[2]	3/3

(1) Ms. Duan Chengjin was appointed as a Supervisor on 27 September 2022.

(2) Mr. Gu Xuan Richard resigned as a Supervisor due to personal work reasons, effective from 27 September 2022.

(2) Supervising the Directors and senior management of the Company in their performance of duties

In 2022, the Supervisory Committee earnestly performed its supervision duties, had a better knowledge of corporate governance workflow, major operational decision making and the implementation thereof by attending meetings of the Board and its special committees, implementation of the general meetings' resolutions by the Board and that of the Board's resolutions by the management, and supervised the performance of duties by the Directors and the senior management of the Company. The Supervisory Committee considered that the operation of the Board and the management of the Company were normal and the decision procedures were legal. The Board and senior management of the Company conscientiously and dutifully performed their work and fully performed the duty of diligence. When performing their duties, none of the Directors or senior management of the Company acted illegally nor in violation of regulations or in such manner the rights and interests of the Company and shareholders were damaged.

MAJOR INITIATIVES BY THE SUPERVISORY COMMITTEE IN 2023

The Supervisory Committee will strictly comply with the laws and regulations, Articles of Association and the terms of reference of the Supervisory Committee of the Company and diligently and responsibly perform their duties to safeguard the interests of the Company and all Shareholders, including:

(1) to convene meetings of the Supervisory Committee according to the actual situation of the Company, and review and approve various proposals;

(2) to attend Board meetings and general meetings in accordance with the law, understand the major decision of the Company in a timely manner, supervise the legitimate operation of the decision-making procedures of the Board and general meetings, and earnestly safeguard the legitimate rights and interests of the Company and all Shareholders;

(3) to promote standardized operation of the Company and prevent operational risks, through the supervision and inspection of the Company's financial management, internal control, risk management, major decisions and other matters.

Changes in Share Capital and Information of Shareholders

SHARE CAPITAL

Upon the establishment of our Company on 6 February 2018, the registered capital of our Company was RMB10,000,000. Since establishment, our Company has undertaken a series of capital increases to, among others, raise funds for the development of our business and bring in new shareholders to our Company. In May 2021, our Company was converted into a joint stock company with limited liabilities. On 3 June 2021, the registered capital of our Company was increased to RMB514,560,438 by way of conversion of reserved capital into share capital according to the then existing shareholding structure. The Company's shares were listed on the Main Board of the Stock Exchange on 27 January 2022 with 44,744,400 shares of RMB1.00 each in issue. As at 31 December 2022, the total share capital of the Company was RMB559,304,838 divided into 559,304,838 shares of RMB1.00 each.

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

As at 31 December 2022, the interests and short positions of the Directors, Supervisors or the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code are set out below:

(i) Interest in the Shares of the Company

Name of Directors, Supervisors and the Company's Chief Executive Officer	Nature of interest	Number of ordinary shares held	Long position/ short position	Approximate percentage of the issued shares
Mr. Xu Hui	Beneficial interests	47,581,290	long positions	8.51%
	Interests in controlled corporations	9,503,712	long positions	1.70%
Mr. Wang Hua[(1)]	Beneficial interests	8,640,000	long positions	1.54%
	Jointly held interests with another person	145,800,000	long positions	26.07%

Note:

(1) Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua and Ms. Tao Ning directly held 135,000,000, 8,640,000, 8,640,000 and 2,160,000 Shares in our Company, respectively. Pursuant to concert party arrangement, Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying formed our Single Largest Shareholders Group. As such, each of Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying is deemed to be interested in the Shares held by other member of our Single Largest Shareholders Group.

(ii) Interest in associated corporations of the Company

Name of Director, Supervisor and chief executive of the Company	Name of associated corporation	Nature of interest	Number of ordinary shares held	Approximate percentage of the issued share of the associated corporation
Mr. Wang Hua [1]	Sinovation Ventures	Beneficial Interest	34,168,500	25.31%
	Sinovation Ventures	Interest held jointly with other persons	69,795,000	51.70%
	Sinovation Ventures Yucheng	Beneficial Interest	3,780,000	43.75%
	Sinovation Ventures Yucheng	Interest held jointly with other persons	4,860,000	56.25%

Note:

(1) Pursuant to a concert party agreement, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying jointly control Sinovation Ventures and Sinovation Ventures Yucheng. As such, each of Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying is deemed to be interested in the shares held by each other in Sinovation Ventures and Sinovation Ventures Yucheng.

Save as disclosed above, as at 31 December 2022, none of the Directors, Supervisors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

So far as known to any Director or chief executives of the Company, as at 31 December 2022, the persons (other than Director or chief executives of the Company) or corporations who had interest or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Nature of interest	Number of ordinary shares held	Long position/ short position	Approximate percentage of the issued shares
Sinovation Ventures[1]	Beneficial interest	135,000,000	Long position	24.14%
	Interest held jointly with other persons	19,440,000	Long position	3.47%
Sinovation Ventures Yucheng[1]	Beneficial interest	8,640,000	Long position	1.54%
	Interest held jointly with other persons	145,800,000	Long position	26.07%
Mr. Wang Hua[1]	Beneficial interest	8,640,000	Long position	1.54%
	Interest held jointly with other persons	145,800,000	Long position	26.07%
Ms. Tao Ning[1]	Beneficial interest	2,160,000	Long position	0.39%
	Interest held jointly with other persons	152,280,000	Long position	27.22%
Ms. Lang Chunhui[1]	Interest held jointly with other persons	154,440,000	Long position	27.61%
Mr. Zhang Ying[1]	Interest held jointly with other persons	154,440,000	Long position	27.61%
Beijing Financial Street Xicheng Equity Investment Fund (Limited Partnership) ("**Xicheng Fund**")[2]	Interest in controlled corporation	59,327,262	Long position	10.61%
Mr. Lu Yin[2]	Interest in controlled corporation	59,327,262	Long position	10.61%
Mr. Yin Xiaobin[2]	Interest in controlled corporation	59,327,262	Long position	10.61%
Zhongjin Xicheng (Beijing) Investment Co., Ltd. (仲金熙誠(北京)投資有限公司) ("**Zhongjin Xicheng**")[2]	Investment manager	59,327,262	Long position	10.61%

Name of shareholder	Nature of interest	Number of ordinary shares held	Long position/ short position	Approximate percentage of the issued shares
Mr. Xu Hui[3]	Beneficial interest	47,581,290	Long position	8.51%
	Interest in controlled corporation	9,503,712	Long position	1.70%
SB Global Advisers Capital Markets Limited	Interest in controlled corporation	39,826,630	Long position	7.12%
SB Global Advisers Limited	Interest in controlled corporation	39,826,630	Long position	7.12%
SoftBank Group Corp.	Interest in controlled corporation	39,826,630	Long position	7.12%
SoftBank Vision Fund II-2 L.P.	Interest in controlled corporation	39,826,630	Long position	7.12%
SVF II Aggregator (Jersey) L.P.	Interest in controlled corporation	39,826,630	Long position	7.12%
SVF II GP (Jersey) Limited	Interest in controlled corporation	39,826,630	Long position	7.12%
SVF II Holdings (DE) LLC	Interest in controlled corporation	39,826,630	Long position	7.12%
SVF II Holdings (Singapore) Pte Ltd.	Interest in controlled corporation	39,826,630	Long position	7.12%
SVF II Investment Holdings (Subco) LLC	Interest in controlled corporation	39,826,630	Long position	7.12%
SVF II Investment Holdings LLC	Interest in controlled corporation	39,826,630	Long position	7.12%
SVF II Zeal Subco (Singapore) Pte. Ltd.	Beneficial interest	36,640,530	Long position	6.55%
	Others	3,186,100	Long position	0.57%
Xinhui Zhiqi Technology Co, Ltd. (青島新輝智奇科技有限公司) ("**Xinhui Zhiqi**")[4]	Interest in controlled corporation	47,097,864	Long position	8.42%
Mr. Lu Yiming[4]	Interest in controlled corporation	47,097,864	Long position	8.42%
Xinnuo Zhiqi[5]	Beneficial interest	38,291,634	Long position	6.85%
Qingdao Xinnuo Zhihe Technology Co., Ltd. (青島新諾智合科技有限公司) ("**Xinnuo Zhihe**")[5]	Interest in controlled corporation	38,291,634	Long position	6.85%
Mr. He Tao[5]	Interest in controlled corporation	38,291,634	Long position	6.85%
China International Capital Corporation Limited	Interest in controlled corporation	88,824,470	Long position	15.88%
CICC ALPHA (Beijing) Private Equity Investment Fund Management Co., Ltd.	Executor or administrator	85,968,684	Long position	15.37%
CICC Capital Management Co., Ltd.	Interest in controlled corporation	85,968,684	Long position	15.37%

Changes in Share Capital and Information of Shareholders

Notes:

(1) Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua and Ms. Tao Ning directly held 135,000,000, 8,640,000, 8,640,000 and 2,160,000 Shares in our Company, respectively. Sinovation Ventures and Sinovation Ventures Yucheng are collectively controlled by Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying pursuant to a concert party agreement among themselves. Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua and Ms. Tao Ning, have been acting in concert and will continue to act in concert in the Company's Shareholders meetings and Board meetings pursuant to a concert party agreement among themselves. As a result, Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying form our Single Largest Shareholders Group. As such, each of Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying is deemed to be interested in the Shares held by other member of our Single Largest Shareholders Group.

(2) Hongxi Investment, Hongyue Investment and Honger Investment held 23,824,026, 17,751,924 and 17,751,312 Shares in our Company, respectively. Zhongjin Xicheng is the general partner for each of Hongxi Investment, Hongyue Investment and Honger Investment, meanwhile Xicheng Fund is their sole limited partner with almost 100% of partnership interest whose administrator is CICC ALPHA (Beijing) Private Equity Investment Fund Management Co., Ltd. (中金甲子(北京)私募投資基金管理有限公司) ("**CICC ALPHA**"). CICC ALPHA is held as to 51% by CICC Capital Management Co., Ltd. (中金資本運營公司) ("**CICC Capital**"), which is wholly owned by CICC. Therefore, each of Xicheng Fund, CICC ALPHA, CICC Capital and CICC is deemed to be interested in 23,824,026, 17,751,924 and 17,751,312 Shares held by Hongxi Investment, Hongyue Investment and Honger Investment, respectively. Chuangzhi Fund held 26,641,422 Shares in our Company whose administrator and general partner is CICC ALPHA. CICC ALPHA is held as to 51% by CICC Capital, which is wholly owned by CICC. Therefore, each of CICC ALPHA, CICC Capital and CICC is deemed to be interested in 26,641,422 Shares held by Chuangzhi Fund.

(3) Innovation Zhicheng held 6,621,912 Shares in our Company and is beneficially owned by Mr. Xu Hui. Therefore, Mr. Xu Hui is deemed to be interested in the 6,621,912 Shares held by Innovation Zhicheng for purpose of Part XV of the SFO. Qingdao Xinda held 2,881,800 Shares in our Company, whose general partner is Qingdao Xinnuo Zhicheng Technology Co., Ltd. (青島新諾智成科技有限公司) ("**Qingdao Xinnuo**"), which is wholly owned by Mr. Xu Hui. Therefore, each of Qingdao Xinnuo and Mr. Xu Hui is deemed to be interested in the 2,881,800 Shares held by Qingdao Xinda for the purpose of Part XV of the SFO.

(4) Qingdao Xinhui, Qingdao Xinqi and Qingdao Xinyun, our Employee Incentive Platforms, collectively directly held 47,097,864 Shares in our Company whose general partner is Xinhui Zhiqi, which is wholly owned by Mr. Lu Yiming. Therefore, each of Xinhui Zhiqi and Mr. Lu Yiming is deemed to be interested in the 47,097,864 Shares held by Qingdao Xinhui, Qingdao Xinqi and Qingdao Xinyun for purpose of Part XV of the SFO.

(5) Xinnuo Zhiqi directly held 38,291,634 Shares in our Company whose general partner is Xinnuo Zhihe, which is wholly owned by Mr. He Tao. Therefore, each of Xinnuo Zhihe and Mr. He Tao is deemed to be interested in the 38,291,634 Shares held by Xinnuo Zhiqi for purpose of Part XV of the SFO.

Save as disclosed above, as at 31 December 2022, the Directors, the Supervisors and the chief executives of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders of the Company, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practice. The Company is committed to the view that the Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

The Company has complied with all applicable code provisions set out in the CG Code throughout the period from the Listing Date up to the date of this report.

The Company has also put in place certain recommended best practices as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND EMPLOYEES

The Company has adopted the Model Code to regulate all dealings by Directors, Supervisors and relevant employees of securities in the Company and other matters covered by the Model Code since the Listing Date.

All Directors, Supervisors and relevant employees, having made specific enquiries, confirmed that they have been in compliance with the Model Code during the period from the Listing Date and up to the date of this report.

The Company has also adopted the Model Code for securities transactions by employees who may hold price-sensitive information of the Company that is not publicly available. The Company was not aware of any incompliance with the Model Code by any employee during the period from the Listing Date and up to the date of this report.

THE BOARD

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

BOARD COMPOSITION

The Board consists of seven Directors, including one executive Director, three non-executive Directors and three independent non-executive Directors. The current members of the Board of the Company are listed as follows:

Executive Director

Mr. Xu Hui (Chief Executive Officer)

Non-executive Directors

Dr. Kai-Fu Lee (Chairman)
Mr. Wang Hua
Mr. Wang Jinqiao

Independent non-executive Directors

Mr. Xie Deren
Ms. Ko Wing Yan Samantha
Ms. Jin Keyu

Biographical details of the Directors are set out on pages 83 to 99 in the section headed "Directors, Supervisors, Senior Management and Employees" of this annual report.

Save as disclosed above, there are no financial, business, family, or other material or relevant relationships among members of the Board.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

Pursuant to code provision C.5.1 of the CG Code, regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of the Directors.

All Directors are given not less than fourteen days' notice for regular Board meetings. For other Board and Board committee meetings, reasonable notice will be given.

Other than regular meetings, the chairman should at least annually hold one meeting with the independent non-executive directors without the presence of other directors.

As of the year ended 31 December 2022, the Company held 8 Board meetings and 2 general meetings. A summary of the attendance records of the Directors at the Board meetings and general meetings held is as follows:

Name of Director	Number of meetings attended/ Number of Boarding meetings	Attendance rate of Board meetings	Number of meetings attended/ Number of general meetings	Attendance rate of general meetings
Executive Director				
Mr. Xu Hui	8/8	100%	2/2	100%
Non-executive Directors				
Dr. Kai-Fu Lee	8/8	100%	0/2	0%
Mr. Wang Hua	8/8	100%	1/2	50%
Mr. Zhou Wei (1)	4/4	100%	1/1	100%
Mr. Wang Jinqiao (2)	3/3	100%	N/A	N/A
Independent non-executive Directors				
Mr. Xie Deren	8/8	100%	2/2	100%
Ms. Ko Wing Yan Samantha	8/8	100%	1/2	50%
Ms. Jin Keyu	8/8	100%	1/2	50%

(1) Mr. Zhou Wei resigned on 26 July 2022 due to his personal work arrangement. During the period from 1 January 2022 to 26 July 2022, the Company held one general meeting.

(2) Mr. Wang Jinqiao was appointed as a Director on 27 September 2022.

CHAIRMAN AND CHIEF EXECUTIVE OFFICE

Dr. Kai-Fu Lee is the Chairman of the Board and Mr. Xu Hui is the Chief Executive Office of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors play a significant role in the Board by virtue of their independent judgments and their views carry significant weight in the Board's decisions. They are experienced professionals in areas such as financial accounting and financial management. Their extensive experiences significantly contribute to enhancing the decision-making of the Board and achieving a sustainable and balanced development of the Group. In particular, they bring impartial and independent views and opinions on issues of the Company's strategy, performance and control, and take the lead in solution where potential conflicts of interests arise. The Board believes that its culture of openness and debate facilitates the effective contribution of executive Directors, non-executive Directors and independent non-executive Directors, in particular, to the Board and ensures constructive relationship among executive Directors, non-executive Directors and independent non-executive Directors, so as to better provide the Board with independent perspectives and opinions.

During the period from the Listing Date and up to the date of this report, the Board has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board members, with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into a service agreement with the Company for a fixed term of three years commencing from the appointment date.

Directors shall be elected at a general meeting and shall serve a term of three years. A Director may serve consecutive terms if re-elected upon the expiration of his/her term. Any person appointed by the Board to fill up a casual vacancy in the Board or as an addition to the Board shall hold office only until the next shareholders' general meeting of the Company and shall then be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association and the nomination policy of the Company. The Nomination Committee is responsible for reviewing the Board structure, size and composition, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the affairs of the Company.

The Board leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgments on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors have disclosed to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve any conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operations and management of the Company are delegated to the management.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Regular seminars will be arranged to update the Directors on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the performance, position and prospects of the Company to enable the Board as a whole and each of the Directors to discharge their duties.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

All Directors have participated in appropriate continuous professional development to develop and refresh their knowledge and skills. For the year ended 31 December 2022, all Directors (executive Director: Mr.Xu Hui, non-executive Directors: Dr. Kai-Fu Lee, Mr. Wang Hua, Mr. Wang Jinqiao, independent non-executive Directors: Mr. Xie Deren, Ms. Ko Wing Yan Samantha, Ms. Jin Keyu) have attended training courses arranged by the Company's legal advisers on the Listing Rules and other relevant legal and regulatory requirements, directors' responsibilities under the SFO and listing compliance, information disclosure, etc. All Directors listed above do not include the Directors resigned during the Reporting Period in 2022.

BOARD COMMITTEES

The Board has established three committees namely, the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively, the "**Board Committees**"). All Board Committees are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of each of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 4.

AUDIT COMMITTEE

The Audit Committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. Xie Deren, Mr. Wang Hua and Ms. Ko Wing Yan Samantha. Mr. Xie Deren is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting than those set out in the CG Code.

The primary duties of the Audit Committee are as follows: (i) to make recommendations to the Board on the appointment, re-appointment and dismissal of the external auditor; (ii) to review the financial information of the Company; (iii) to review the financial controls, risk management and internal control system of the Company; (iv) to review the operation, financial and accounting policies and practices of the Company and its subsidiaries as well as its consolidated affiliated entities; and (v) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

As of the year ended 31 December 2022, four meetings of the Audit Committee were held. A summary of work of the Audit Committee during the year is set out below:

- Considered the annual results announcement and annual report of 2021;
- Considered the environmental, social and governance Report of 2021;
- Considered the internal control audit report of 2021;
- Considered the financial accounts of 2021;
- Considered the financial budgets of 2022;
- Considered the interim results announcement and interim report of 2022; and
- Considered the audit plan of 2022.

For the year ended 31 December 2022, the Audit Committee also met the external auditor three times without the presence of the executive Directors to discuss matters relating to its audit fees, any issue arising from the audit and any other matters the auditor may wish to raise. The Board has not taken any different view from that of the Audit Committee regarding the re-appointment of the external auditor.

The attendance records of the members of the Audit Committee are as follows:

Name of members of the Audit Committee	Number of meetings attended/ Number of meetings
Non-executive Director	
Mr. Wang Hua	4/4
Independent non-executive Directors	
Mr. Xie Deren	4/4
Ms. Ko Wing Yan Samantha	4/4

REMUNERATION COMMITTEE

The Remuneration Committee consists of two independent non-executive Directors and one non-executive Director, namely Ms. Ko Wing Yan Samantha, Mr. Wang Jinqiao and Mr. Xie Deren. Ms. Ko Wing Yan Samantha is the chairwoman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting than those set out in the CG Code.

The primary duties of the Remuneration Committee are as follows: (i) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) to make recommendations to the Board on the remuneration packages of executive Directors and senior management; (iii) to consider the level of remuneration required to attract and retain Directors to run the Company successfully; (iv) to ensure that no Director or any of their associates is involved in deciding their own remuneration; and (v) to review and/or approve the matters referred to Chapter 17 of the Listing Rules in relation to the share plan.

As of the year ended 31 December 2022, four meetings of the Remuneration Committee were held. A summary of work of the Remuneration Committee during the year is set out below:

- Considered the remuneration of the non-executive Directors;
- Considered the remuneration of the executive Directors;
- Considered the 2023 Directors and Senior Management H Share Incentive Scheme; and
- Considered the remuneration of the independent non-executive Directors.

The Group's remuneration policy is structured to attract and retain high quality staff and to enable smooth operation. The Group offered competitive remuneration packages which considered factors such as corporate result, individual capability and performance, salaries paid by comparable companies, time commitment, responsibilities and employment conditions. The remuneration packages are subject to review on a regular basis.

The attendance records of the members of the Remuneration Committee are as follows:

Name of members of the Remuneration Committee	Number of meetings attended/ Number of meetings
Non-executive Directors	
Mr. Zhou Wei [(1)]	3/3
Mr. Wang Jinqiao [(2)]	1/1
Independent non-executive Directors	
Mr. Xie Deren	4/4
Ms. Ko Wing Yan Samantha	4/4

(1) Mr. Zhou Wei resigned as a member of the committee on 26 July 2022.

(2) Mr. Wang Jinqiao was appointed as a member of the committee on 27 September 2022.

In accordance with code provision E.1.5 of the CG Code, the band of emoluments (excluding share-based payments) paid to senior management for the year ended 31 December 2022 is as follows:

Emolument band (RMB)	Number of individuals
0 to 2,000,000	0
2,000,000 to 4,000,000	4
4,000,000 to 6,000,000	1

Details of Directors' emoluments and five highest paid individuals, which are disclosable under Appendix 16 to the Listing Rules, are set out in note 10 and note 46 to the audited financial statements of this report.

NOMINATION COMMITTEE

The Nomination Committee consists of two independent non-executive Directors and one non-executive Director, namely Dr. Kai-Fu Lee, Ms. Ko Wing Yan Samantha and Ms. Jin Keyu. Dr. Kai-Fu Lee is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The primary duties of the Nomination Committee are as follows: (i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; (ii) to identify individuals suitably qualified as potential Directors (including advising whether such individuals will bring knowledge, skills and experience to the Board, and how they will promote the diversity of the Board), and select or make recommendations to the Board on the selection of individuals nominated for directorships pursuant to the nomination policies of the Company; (iii) assess the independence of independent non-executive Directors; and (iv) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy as stated below. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy as stated below that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee conducts extensive searches for candidates after considering the Company's requirements for Directors. With the consent of the nominees for his/her nomination, a meeting of the Nomination Committee will be convened to examine the qualifications of the shortlisted nominees based on the terms for appointment of Directors in accordance with the requirements of the Company Laws and the Listing Rules of the Hong Kong Stock Exchange, and to recommend the candidates and furnish the relevant information to the Board.

For the year ended 31 December 2022, the Nomination Committee held two meeting. A summary of work of the Nomination Committee during the year is set out below:

- Considered the qualification of Mr. Wang Jinqiao for the appointment of the position of non-executive Director; and

- Considered the qualification of Mr. Xiao Lei for the appointment of the position of Chief Financial Officer of the Company.

The attendance records of the members of the Nomination Committee are as follows:

Name of members of the Nomination Committee	Number of meetings attended/ Number of meetings
Non-executive Director	
Dr. Kai-Fu Lee	2/2
Independent non-executive Directors	
Ms. Ko Wing Yan Samantha	2/2
Ms. Jin Keyu	2/2

BOARD OF DIRECTORS' INDEPENDENCE EVALUATION

The Company has established a Board Independence Evaluation Mechanism ("**Mechanism**") which sets out the processes and procedures to ensure a strong independent element on the Board and the Mechanism has been updated and approved by the Board in the meeting held on 31 March 2023 which aims to allow the Board to effectively exercise independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximize strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement.

All Directors has completed the Board independence evaluation in 2022 using individual questionnaires supplemented by individual interviews. The Board has reviewed the implementation and effectiveness of the Mechanism and the results were satisfactory.

BOARD AND EMPLOYEE DIVERSITY POLICY

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee of the Board is committed to diversity at all levels and will consider a number of aspects, including but not limited to knowledge, skills, professional experience, gender, age, cultural and educational background, ethnicity, length of service and any other factors that the Board may consider appropriate from time to time taking into account the Company's business model and specific needs.

The Board of Directors consists of seven Directors with a balanced mix of knowledge and skills and a balanced age distribution, with knowledge and experience in the fields of computing, business administration, software engineering, finance and economics. Since the 1st session of the Board on 14 May 2021, the proportion of female Directors to the total number of Directors has been maintained at 28.6%, meeting the target figure of gender diversity on the Board of Directors. The Company values the importance and benefits of gender diversity on the Board. The Company's nomination and diversity policies can ensure that the Board will have potential successors to continue the existed gender diversity on the Board. At the same time, the Company has taken and will continue to take steps to promote gender diversity at all levels of the Company.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

At present, the composition of the Board is in compliance with the gender diversity requirements of the Board under the Listing Rules and is in line with the Company's nomination policy and diversity policy. The Nomination Committee will review the Board diversity policy (if appropriate) to ensure its effectiveness.

Details of the Group's employees are set out in the section headed "Directors, Supervisors, Senior Management and Employees – Employees and Remuneration Policies" on page 92 in this annual report. As of 31 December 2022, among total employees of the Group (including senior management), approximately 73.5% were male and 26.5% were female. The Company recognizes and embraces the benefits of having a diverse team and promotes diversification whenever practicable. The Company targets to have both genders at all levels of its employees and strives to increase the proportion of female members in all employees (including senior management) to 28% within the next 5 years. The Group's recruitment process will mainly consider the aspects of educational background, professional qualifications, skills, knowledge and industry experiences of candidates, and apply the principle of appointments based on merits with reference to the diversity policy to mitigate factors or circumstances which make achieving gender diversity across workforce (including senior management) more challenging or less relevant.

DIRECTOR NOMINATION POLICY

The ultimate responsibility for the selection and appointment of Directors rests with the Board.

The Company has adopted the Director Nomination Policy, which sets out the selection criteria and process for the nomination and appointment of Directors and the succession planning considerations, so as to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to business operations of the Company.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Achievements and experience in related industries and other professional qualifications related to the businesses of the Company;
- Commitment for responsibilities of the Board in respect of available time and relevant interest;
- Diversity in the aspects, amongst others, of gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;
- Potential contributions that proposed candidate, can bring to the Board; and
- A succession plan for the Board.

The Nomination Committee of the Board will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code.

The Board will review the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness.

Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales, financial reporting, human resources and information technology.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

The Board will cautiously review any material risk related to significant business decisions before making or approving such decisions.

Each department head and senior management of the Group monitor daily operations and any associated operational risks of the Group. They are also responsible for identifying and assessing potential market risks related to changes in macroeconomic environment and movements in market variables and report irregularities in connection with operational and market risks to the executive Directors for formulating policies to mitigate these risks.

The Internal Audit and Internal Control Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit and Internal Control Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, through the Audit Committee, has continuously monitored and annually reviewed the adequacy and effectiveness of the Group's risk management and internal control systems (including financial, operational and compliance controls).

The Group has appointed Somerley Capital Limited as compliance adviser of the Company in compliance with the Listing Rules and appointed a PRC legal adviser to advise us on PRC laws and regulations related to the Group's business operations.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2022.

The Company has conducted an annual review on the risk management and internal control systems during the Reporting Period. The scope of annual review covered each and every key aspect of the control systems, including financial controls, operational controls and compliance controls, so as to ensure the sufficiency of resources, staff qualifications and experiences, their training programs and relevant resources for accounting, internal audit and financial reporting functions. Based on the above review, we considered that such systems for the year ended 31 December 2022 were effective and adequate.

Whistle-blowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. As of 31 December 2022, we have not received such reports in any forms.

The Internal Audit Department of the Company conducts independent and objective confirmation and provides consulting services in respect of the appropriateness, compliance and effectiveness of the Company's business activities, internal controls and risk management by applying systematic and standardized auditing procedures and methods. The Internal Audit Department also assists the Company in improving the effectiveness of corporate governance, risk management and internal controls, with an aim to increasing its corporate value, improving its operations, and promoting its sustainable and healthy development as well as contributing to the achievement of its strategic objectives.

During the Reporting Period, the Internal Audit Department of the Company focused on the audits on three segments, namely inventory management, fees and expenses, and fixed assets management, and provided specific guidance on problems identified to ensure the effectiveness of the internal audit function. The Internal Audit Department made improvement recommendations in respect of its findings in the course of the audits and requested the management of the Company to undertake and to confirm the improvement plans, methods and timeline. In 2023, the Internal Audit Department will complete the planned audit works, and regularly monitor the status of the implementation of the audit recommendations to ensure the execution of the relevant improvement plans.

The Company carried out comprehensive risk management to achieve the following objectives: (i) to ensure that risks are kept within tolerable limits that are appropriate to the overall objective; (ii) to ensure real and reliable information communication internally and externally, especially that between the Company and the Shareholders, in respect of, among other things, the reparation and representation of truthful and reliable financial reports; (iii) to ensure compliance with relevant laws and regulations; (iv) to ensure the implementation of the Company's relevant rules and regulations and major measures taken to achieve business objectives and ensure the effectiveness of management, to improve the efficiency and effectiveness of business activities, and reduce uncertainty in achieving business objectives; (v) to ensure that a crisis management plan is in place for subsequent management upon occurrence of various significant risks and to ensure that the Company is free of significant loss arising from catastrophic risks or human error.

All relevant departments and business units of the Company shall conduct regular self-examinations and inspection of risk management work, discover defects and improve them in a timely manner, and proactively report to the Internal Audit and Internal Control Department of the Company. The Internal Audit and Internal Control Department of the Company regularly checks and verifies the implementation and effectiveness of risk management work of all departments and business units, evaluates risk management strategies according to relevant management requirements, evaluates risk management solutions of cross-departments and business units, and puts forward suggestions for adjustment or improvement.

The Company has formulated its information disclosure policy and acknowledged its responsibilities under the Listing Rules and the SFO and the major principle that any inside information must be announced on a timely basis. The Company has formed comprehensive and proper procedures and internal control measures for internal processing and announcement of information to ensure the disclosure of relevant information to its shareholders and the regulatory authorities in a timely, accurate and appropriate manner. In addition, the Internal Audit and Internal Control Department assists in continuously monitoring the implementation of the above policy by the Company, and reports to the Board and the Audit Committee in a timely manner in case that any serious deficiencies in internal control has been identified, ensuring that immediate remedial actions are taken.

DIVIDEND POLICY

The Company did not declare or distribute any dividend to our Shareholders during the Reporting Period. However, we may distribute dividends in the future by way of cash or by other means that we consider appropriate. Pursuant to the Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. The Company may distribute dividends in the form of cash, shares or a combination of cash and shares. As long as it is in profit for the year and has positive accumulative undistributed profits, the Company distributes cash dividends. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends should be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2022.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 100 to 110.

AUDITOR'S REMUNERATION

The remuneration paid or payable to the external auditor of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended 31 December 2022 is set out below:

Service Category	Amount (RMB'000)
Audit Services	4,500
Non-audit Services	1,577
Total	**6,077**

During the Reporting Period, non-audit services mainly comprised tax advisory, financial due diligence and services related to environmental, social and governance report. Details of remuneration paid or payable are set out in note 7 of the financial statements.

JOINT COMPANY SECRETARIES

Mr. Xiao Lei ("**Mr. Xiao**") and Ms. Kwan Sau In ("**Ms. Kwan**") are the current Joint Company Secretaries of the Company. On 30 September 2022, Ms. Lam Nim Chi resigned as the Joint Company Secretary of the Company due to her personal work arrangement and Ms. Kwan was appointed as the Joint Company Secretary on the same day. Ms. Kwan is a manager of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. The biographical details of the Mr. Xiao and Ms. Kwan are set out in the section headed "Directors, Supervisors, Senior Management and Employees" on pages 83 to 99 in this annual report.

All Directors have access to the advice and services of the Joint Company Secretaries on corporate governance and board practices and matters. Mr. Xiao has been designated as the primary contact person at the Company which would work and communicate with Ms. Kwan on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 December 2022, Mr. Xiao and Ms. Kwan have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Hong Kong Stock Exchange after each general meeting.

Convening an extraordinary general meeting and putting forward proposals at general meetings

Pursuant to Article 64 of the Articles of Association, two or more Shareholders who individually or together hold 10% or more of the voting shares at the proposed meeting may make a proposal to the Board of Directors on holding an extraordinary general meeting or class meeting and add resolutions to the meeting agenda by signing one or several written requests with same content in same format and define the meeting agenda. The Board shall convene such meeting as soon as possible upon receipt of the aforesaid written request. The aforesaid number of shares held shall be calculated as of the date when the written request was put forward by the Shareholders. If the Board fails to issue a notice of meeting within 30 days after receipt of the aforesaid written request, the Shareholders tendering the said request may request the Supervisory Committee to convene an extraordinary general meeting or class meeting. If the Supervisory Committee fails to issue a notice of meeting within 30 days after receipt of the aforesaid written request, the Shareholders individually or jointly holding more than 10% of shares with voting rights at the meeting to be convened for more than 90 consecutive days may by themselves convene a meeting within 4 months after the Board receives the said request, and the convening procedure shall to the extent possible be the same as the procedure by which the Board convenes the general meeting.

Pursuant to Article 65 of the Articles of Association, the expenses necessary for holding the shareholders' general meeting convened by the Supervisory Committee or Shareholders shall be borne by the Company.

Pursuant to Article 67 of the Articles of Association, Shareholders individually or jointly holding more than 3% of the shares of the Company may propose and submit new provisional resolutions in writing to the convener ten days prior to the general meeting. The convener of the general meeting shall issue a supplemental notice of general meeting to other Shareholders within two days after the receipt of such resolutions and incorporate the matters falling within the scope of duties of the general meeting into the agenda of such meeting for the consideration.

Putting forward enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may also make enquiries to the Board at the general meeting of the Company. In addition, Shareholders can contact Computershare Hong Kong Investor Services Limited, the Company's H Share registrar in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 501, Block A, Haier International Plaza, No. 939 Zhenwu Road, Economic Development Zone, Jimo District, Qingdao, Shandong, PRC

Tel: (86) 1082169566

Email: ir@ainnovation.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meetings, Directors or their proxies (as appropriate) are available to meet Shareholders and answer their enquiries.

CHANGE IN CONSTITUTIONAL DOCUMENTS

On 27 January 2022, the Company adopted the Articles of Association which became effective on the Listing Date.

Shareholders approved the amendments to the Articles of Association at the 2021 annual general meeting held on 10 May 2022. The relevant amendments mainly reflect the changes in the total number of issued shares and registered capital of the Company after the completion of IPO and listing.

For the full text of the Amended and Restated Articles of Association, please refer to the website of Hong Kong Stock Exchange (https://www.hkexnews.hk) and the website of the Company (https://www.ainnovation.com).

COMMUNICATION POLICY RELATING TO SHAREHOLDERS

The Company has established the shareholder communication policy, which is reviewed annually to ensure its effectiveness and has been reviewed and confirmed to be effective during 2022. The Company attaches great importance to the opinions and suggestions of shareholders, actively engaging in investor relations activities to maintain communication with shareholders, regularly having a fair communication with them in time, on major issues through interim reports, annual reports, announcements and circulars to meet the reasonable needs of shareholders in a timely manner.

Directors, Supervisors, Senior Management and Employees

MEMBERS OF THE BOARD

Name	Position in the Company	Date of appointment as Director
Executive Director		
Mr. Xu Hui	Executive Director and Chief Executive Officer	23 April 2018
Non-executive Directors		
Dr. Kai-Fu Lee	Chairman and non-executive Director	6 February 2018
Mr. Wang Hua	Non-executive Director	6 February 2018
Mr. Wang Jinqiao	Non-executive Director	27 September 2022
Independent non-executive Directors		
Mr. Xie Deren	Independent non-executive Director	14 May 2021
Ms. Ko Wing Yan Samantha	Independent non-executive Director	14 May 2021
Ms. Jin Keyu	Independent non-executive Director	16 November 2021

Mr. Xu Hui (徐輝), aged 50, is the co-founder of our Group and has served as an executive Director since April 2018 and the Chief Executive Officer since our Company's incorporation in February 2018. Mr. Xu has more than 20 years of experience in AI-related industry. Mr. Xu held various senior leadership capacities including serving as the General Manager of the Insurance and Securities Division, the Deputy General Manager of Banking Division in China Region of Financial Services Sector; the General Manager of Services and Products Line Group and Alliances in Greater China Region and the General Manager of Geography Expansion in China Region of Global Technology Services Sector in IBM from November 1996 to November 2009, responsible for sales management of AI software and solutions covering IT infrastructure, cloud computing, data storage, IT operation and maintenance for manufacturing and financial industry; the Vice President in Greater China Region and General Manager in East and Central Region in SAP from October 2009 to February 2013, responsible for sales management of AI software and solutions covering intelligent integrated information management platform and IT consulting services for manufacturing industry; the Vice President and General Manager of Microsoft Enterprise & Partner Group (EPG) in Greater China Region, the General Manager of Customer Service and Support (CSS) in Greater China Region and Cloud Executive Sponsor in Asia Pacific Region from March 2013 to November 2016, responsible for sales and technical management of AI software and solutions covering enterprise O2O intelligent transfer, cloud computing and big data analytics; and the Vice President of Wanda Internet Technology Group from November 2016 to January 2018, primarily engaged in providing full-chain business management services of digitalized and intelligent transformation solutions covering cloud computing, big data analytics, intelligent marketing and operations, intelligent supply chains and IOT. He has been an independent non-executive director of Honma Golf Limited, a company listed on the Hong Kong Stock Exchange (stock code: 6858) since September 2016. As of the Latest Practicable Date, Mr. Xu has also been a director of the following companies: AInnovation (Guangzhou) Technology Co., Ltd., AInnovation (Chengdu) Technology Co., Ltd., AInnovation (Qingdao) Technology Co., Ltd., AInnovation (Shanghai) Technology Co., Ltd., AInnovation (Shenzhen) Technology Co., Ltd., Shanghai Zhicheng Zhiqi Technology Co., Ltd., China Railway Qizhi (Hefei) Technology Co., Ltd., Qingdao Aolipu Qizhi Intelligent Industrial Technology Co. Ltd., Shanghai Higher Mechanical & Electrical Co. Ltd., Anlian Qizhi (Anhui) Technology Co., Ltd. and AInnovation Technology HK Limited (創新奇智科技香港有限公司).

Mr. Xu obtained his bachelor's degree in electronic engineering from Shanghai Jiaotong University (上海交通大學) in Shanghai, the PRC in July 1995, and his EMBA degree from Peking University (北京大學) in Beijing, the PRC in January 2007.

Dr. Kai-Fu Lee (李開復), aged 62, has served as the Chairman and a non-executive Director since February 2018. He is the Chairman of the Nomination Committee. Dr. Kai-Fu Lee has more than 30 years of experience in AI-related industry. He served as a researcher and an assistant professor at school of computer science of Carnegie Mellon University from 1988 to 1991; successively holding several positions including a Vice President of Apple Inc., a company listed on NASDAQ (stock code: AAPL), from 1990 to 1996; the Managing Director of Microsoft Research China and the Corporate Vice President of Natural Interactive Services Division of Microsoft Corporation, a company listed on NASDAQ (stock code: MSFT), from 1998 to 2005, where he acted as the Dean of Microsoft Research Asia, which was established in 1998 and one of the world's top research labs which nurtured a large number of top AI talents; the President in Greater China Region of Google Inc., a company listed on NASDAQ (stock code: GOOG), from 2005 to 2009; and the Chairman and Chief Executive Officer of Sinovation Ventures Group, a leading venture capital firm, since 2009. Dr. Kai-Fu Lee is the Co-Chair of Artificial Intelligence Council for World Economic Forum Center for the Fourth Industrial Revolution and recognized as Times 100 in 2013.

Dr. Kai-Fu Lee served as an independent non-executive director of Shangri-La Asia Limited (香格里拉(亞洲)有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 069) from November 2015 to June 2019; an independent director of LightInTheBox Holding Co., Ltd., a company listed on the New York Stock Exchange (stock code: LITB) from June 2013 to July 2019; an independent non-executive director of Hon Hai Precision Industry Co., Ltd., a company listed on the Taiwan Stock Exchange (stock code: 2317) from July 2016 to June 2019; a non-executive director of Meitu, Inc. (美圖公司), a company listed on the Hong Kong Stock Exchange (stock code: 1357) since August 2016; and an independent non-executive director of Fosun International Limited (復星國際有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 656) since March 2017.

Dr. Kai-Fu Lee obtained his bachelor's degree in computer science from Columbia University in New York, the United States in June 1983, and his doctor's degree in computer science from Carnegie Mellon University in Pennsylvania, the United States in April 1988.

Mr. Wang Hua (汪華), aged 46, has served as a non-executive Director since February 2018. He is a member of the Audit Committee. Mr. Wang served as the General Manager of Shanghai Yinda Technology Industry Co., Ltd. (上海音達科技事業有限公司) from December 2001 to August 2004; the Strategic Partner and Development Manager in Google Information Technology (China) Co., Ltd. (谷歌信息技術 (中國) 有限公司) from September 2006 to October 2009; and a partner of Sinovation Ventures Group since October 2009. He has served as an independent non-executive director of Maoyan Entertainment (貓眼娛樂), a company listed on the Hong Kong Stock Exchange (stock code: 1896) since January 2019.

Mr. Wang obtained his master's degree in business administration from Stanford University in California, the United States in June 2006.

Mr. Wang Jinqiao (王金橋), aged 45, has served as a non-executive Director since September 2022. He is currently a member of the Remuneration Committee. Mr. Wang has served as the deputy chief engineer, researcher and doctoral advisor of the Institute of Automation of the Chinese Academy of Sciences at the National Laboratory of Pattern Recognition of the Institute of Automation of the Chinese Academy of Sciences since June 2008. He is also the deputy executive director of the Zidong Taichu Large Model Center, a professor at the School of Artificial Intelligence at the University of Chinese Academy of Sciences, the secretary general of the Multimodal Artificial Intelligence Industry Alliance and the vice chairman of the Technology Innovation Working Committee of the China Association of Technology Entrepreneurship. Mr. Wang has been engaged in applied basic research on video analysis and retrieval, multimodal large model, object detection and identification, behavioral analysis and understanding, and industrial visual inspection. At the same time, he participates in relevant theoretical research on pattern recognition and machine learning. Mr. Wang has published over 300 articles through world-class and top-tier journals and conferences such as the IEEE TPAMI, TIP, TNNLS, ICCV, CVPR, NeurIPS, AAAI, IJCAI and ECCV, which include more than 70 articles in international journals and 220 articles at conferences worldwide. His works have been cited 5787 times on Google Scholar, with an H-index of 34. Mr. Wang has developed five national standards and obtained patents for 36 inventions. He has won the championship in 20 international visual computing competitions, and various honorary titles including "Beijing Leading High-caliber Talent", "Guangzhou Leading Innovation Team" and "Shandong Province Taishan Leading Talent". Besides, he has been awarded the Second Prize of the Wu Wenjun AI Science and Technology Progress Award, the China Invention and Innovation Silver Award and the Second Prize of the Chinese Academy of Sciences Technology Achievement Transformation Award. Mr. Wang is a member of the procedure committee and the area chair of international conferences such as the ICME, ACM Multimedia and NeurIPS. In addition, he is the reviewer of international journals and conferences including the IEEE TPAMI, TIP, TNNLS, ICCV, CVPR, NeurIPS, AAAI, IJCAI and ECCV.

Mr. Wang obtained a doctoral degree in pattern recognition and intelligent system from the Institute of Automation of the Chinese Academy of Sciences in 2008.

Mr. Xie Deren (謝德仁), aged 51, has served as an independent non-executive Director since May 2021. He is the Chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Xie successively served as a lecturer and an associate professor, and served as a professor since December 2005, in the School of Economics and Management, Tsinghua University (清華大學經濟管理學院). Mr. Xie is a council member of Accounting Society of China (中國會計學會) and a reviewer of several academic journals in the field of economics and management. He was a member of the 17th Issuance Review Committee of the China Securities Regulatory Commission (中國證券監督管理委員會發行審核委員會) from September 2017 to February 2019. He is also a member of the Advisory Committee for Enterprises Accounting Standards of the Ministry of Finance (財政部) since August 2016.

Mr. Xie has been serving as an independent non-executive director, and the Chairman of the audit committee and remuneration committee of HengTai Securities Co., Ltd. (恒泰證券股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1476) since February 2020; and an independent non-executive director, the chairman of audit committee and a member of remuneration committee of Xiamen Bank Co., Ltd. (廈門銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601187) since January 2021. He also served as an independent non-executive director of Liaoning Chengda Co., Ltd. (遼寧成大股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600739) from August 2021 to November 2021; an independent non-executive director of Beyondsoft Corporation (博彥科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002649) from December 2013 to December 2019; and an independent non-executive director of Longshine Technology Co., Ltd. (朗新科技集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300682) from December 2013 to December 2019. Since October 2020, he has been an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee of Beijing Jingwei Hirain Technologies Co., Ltd. (北京經緯恒潤科技股份有限公司), which was listed on the Shanghai Stock Exchange (stock code: 688326) in April 2022.

Mr. Xie obtained his bachelor's degree and doctor's degree in accounting from Xiamen University (廈門大學) in Xiamen, the PRC in July 1993 and July 1998, respectively.

Ms. Ko Wing Yan Samantha (高穎欣), aged 44, has served as an independent non-executive Director since May 2021. She is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Ms. Ko served as an associate in London office of J.P. Morgan from January 2003 to June 2005; an associate in Hong Kong office of Morgan Stanley from August 2005 to August 2006; a director in global market — structured credit and fund solutions department of HSBC from September 2006 to July 2009; an executive director of Yunfeng Financial Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 376) from August 2011 to November 2015; an executive director of BOE Varitronix Limited, a company listed on the Hong Kong Stock Exchange (stock code: 710) since October 2014; an executive director of Cityneon Holdings Limited, a company previously listed on the Singapore Exchange Limited (stock code: 5HJ) since April 2019; and a consultant of BC Technology Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 863) since 2020.

Ms. Ko obtained her bachelor's degree in economics and mathematics from Mount Holyoke College in Massachusetts, the United States in May 2001, and her master's degree in finance from Imperial College London in London, England in November 2002.

Ms. Jin Keyu (金刻羽), aged 41, has served as an independent non-executive Director since November 2021. She is a member of the Nomination Committee. Ms. Jin served as an assistant professor from September 2009 to October 2013, and an associate professor since October 2013 in London School of Economics. She has served as a tenured professor since 2011 in London School of Economics. Ms. Jin has served as a non-executive director of Compagnie Financie`re Richemont SA, a company listed on the Johannesburg Stock Exchange (stock code: CFR) since September 2017.

Ms. Jin obtained her bachelor's degree in economics and doctorate's degree in economics from Harvard University in Massachusetts, the United States in July 2004 and July 2009, respectively.

MEMBERS OF THE SUPERVISORY COMMITTEE

Name	Position in the Company	Date of appointment as Supervisor
Ms. Lin Ying	Supervisor	6 February 2018
Ms. Duan Chengjin	Supervisor	27 September 2022
Mr. Nie Mingming	Employee representative Supervisor	14 May 2021

Ms. Lin Ying (林鶯), aged 44, has served as a Supervisor since February 2018. Ms. Lin served as a director and the Legal Head of Sinovation Ventures Group since 2011.

Ms. Lin obtained her bachelor's degree in economics, master's degree in law and doctor's degree in law from University of International Business and Economics (對外經濟貿易大學) in Beijing, the PRC in July 2002, June 2005 and October 2015, respectively.

Ms. Duan Chengjin (段成錦), aged 53, has served as the managing director of Shanghai Lingyue Investment Management Co., Ltd. since 2017. She was a director of Beijing Meilin Lianhu Investment Management Co., Ltd. from 2015 to 2017, an executive director of UBS Group from 2010 to 2015, a director of Bank of America Merrill Lynch from 2004 to 2010, and a manager of Lone Star Funds from 2002 to 2004.

Ms. Duan obtained a bachelor's degree in English from Tsinghua University in 1993 and a master's degree in business administration from Pepperdine University in the United States in 2001.

Mr. Nie Mingming (聶明銘), aged 27, has served as an employee representative supervisor since May 2021. Mr. Nie served as a data engineer in Sinovation Ventures (Nanjing) Technology Co., Ltd. (南京創新工場科技有限公司) from July 2018 to January 2020. He served as a sales manager of AInnovation (Nanjing) Technology Co., Ltd. (創新奇智(南京)科技有限公司) from January 2020 to April 2021, and a delivery engineer of our Company since May 2021.

Mr. Nie obtained his bachelor's degree of international economy and trading from Hubei University of Education (湖北第二師範學院) in Hubei, the PRC in June 2018.

SENIOR MANAGEMENT

Name	Position in the Company	Date of appointment as senior management
Mr. Xu Hui	Executive Director and Chief Executive Officer	26 February 2018
Mr. He Tao	Chief Revenue Officer	2 April 2018
Mr. Zhang Fa'en	Chief Technology Officer	18 May 2018
Mr. Xiao Lei	Chief Financial Officer	20 November 2022
	Secretary to the Board and Joint Company Secretary	14 May 2021

Mr. Xu Hui is our Chief Executive Officer. For the biographical details of Mr. Xu Hui, see "Members of the Board".

Mr. He Tao (何濤), aged 53, has served as the general manager for Western China since April 2018 and our Chief Revenue Officer since May 2021. Mr. He has more than 20 years of experience in management, including eight years of AI-related management experience. He successively held several positions of Wanda Group (萬達集團) including the General Manager of Fuzhou branch of Wanda Department Stores (萬達百貨) from July 2007 to May 2013; General Manager for Sichuan and Chongqing branches of Shanghai Red Star Macalline Business Management (Group) Co., Ltd. (上海紅星美凱龍商業管理(集團) 有限公司) from June 2013 to July 2015 where he introduced the O2O business model and digitalized marketing tools; the General Manager of Chongqing Zhida Tianya Business Management Co., Ltd. (重慶智達天雅商業管理有限公司) from August 2015 to January 2017; the General Manager of Southern China of Wanda Information Technology Co., Ltd. (萬達網絡科技有限公司) from March 2017 to March 2018 where he led the digitalized upgrading of offline retail stores. As of the Latest Practicable Date, Mr. He Tao also serves as the general manager of AInnovation (Guangzhou) Technology Co., Ltd., AInnovation (Chengdu) Technology Co., Ltd., AInnovation (Qingdao) Technology Co., Ltd., and is a director of AInnovation (Guangzhou) Technology Co., Ltd., Shenzhen AInnovation Eye Technology Co., Ltd. and Chongqing CISAI Technology Co., Ltd.

Mr. He obtained his bachelor's degree in Russian from Sichuan International Studies University (四川外國語大學) in Sichuan, the PRC in July 1994, and completed the master courses in industrial information and enterprise management from Sichuan Academy of Social Sciences (四川省社會科學院) in Sichuan, the PRC in August 1997.

Mr. Zhang Fa'en (張發恩), aged 42, has served as our Chief Technology Officer since May 2018. Mr. Zhang has approximately 15 years of experience in software, big-data, machine-learning, deep-learning and artificial intelligence technology research, development and management, including serving as a software development engineer in Microsoft China (微軟中國有限公司) from July 2008; a TechLead responsible for main projects of Google Maps, Google Search and Google Knowledge Graph in Google Information Technology (China) Co., Ltd. (谷歌信息技術(中國)有限公司) from December 2010 to December 2015; and the Technical-Committee-Chairman and the Chief-Architect of Baidu AI Cloud in Baidu China (百度在線網絡技術(北京)有限公司) from December 2015 to May 2018, where he led the development of a series of AI services and platforms, including Baidu Recommender System, Baidu ABC Appliance, Baidu BDL (Deep Learning Platform), Baidu Message System and Baidu MapReduce. He is currently an Honorary Professor of University of Nottingham Ningbo China (寧波諾丁漢大學). Mr. Zhang Fa'en currently also serves as the director of AInnovation (Guangzhou) Technology Co.,Ltd., RewinCloud (Chongqing) Technology Co., Ltd., Shenzhen AInnovation Eye Technology Co., Ltd., Chongqing CISAI Technology Co., Ltd. and Qingdao Aolipu Qizhi Intelligent Industrial Technology Co., Ltd.

Mr. Zhang obtained his bachelor' s degree in software engineering from Jilin University (吉林大學) in Jilin, the PRC in July 2005, and his master's degree in computer software and theory in Institute of Software Chinese Academy of Sciences (中國科學院軟件研究所, ISCAS) in Beijing, the PRC in July 2008. During his study and work, he was awarded 9 US patents, 2 Japanese patents, and more than 100 Chinese patents, and has published many world-class academic conferences and journal papers.

Mr. Xiao Lei (肖磊), aged 35, has served as the director of investment and finance since January 2020, the Secretary of the Board since May 2021, a Joint Company Secretary since June 2021 and our Chief Financial Officer since November 2022. Mr. Xiao served as a legal consultant of COFCO Land Management Co, Ltd. (中糧置地管理有限公司) from July 2012 to April 2014; and holding several positions including the Deputy General Manager and General Manager of the legal department, the Secretary to the board, the General Manager of the investment banking department, and the Deputy General Manager of Shoutai Jinxin (Beijing) Equity Investment Fund Management Co., Ltd. (首泰金信 (北京) 股權投資基金管理股份有限公司) from May 2014 to January 2020.

Mr. Xiao obtained his bachelor's degree in law from China University of Political Science and Law (中國政法大學) in Beijing, the PRC in June 2009, and his master's degree in civil and commercial law from China University of Political Science and Law in June 2012.

JOINT COMPANY SECRETARIES

Mr. Xiao Lei (肖磊) has served as our Joint Company Secretary since June 2021. For the biographical details of Mr. Xiao Lei, see "Senior Management".

Ms. Kwan Sau In (關秀妍) has served as our Joint Company Secretary since September 2022. Ms. Kwan is a manager of Corporate Services of Tricor Services Limited and has over 9 years experiences in Company Secretary and compliance services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Kwan is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute and holds a bachelor's degree of business administration in corporate administration.

CHANGES IN THE APPOINTMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhou Wei resigned as a non-executive Director and a member of the Remuneration Committee of the Company due to his personal work arrangement and ceased to perform the relevant duties with effect from 26 July 2022.

At the extraordinary general meeting of the Company held on 27 September 2022, Mr. Wang Jinqiao was elected as a non-executive Director of the Company. Mr. Wang Jinqiao was also appointed as a member of the Remuneration Committee.

Mr. Gu Xuan Richard resigned as a Supervisor of the Company due to his personal work arrangement, and ceased to perform the relevant duties with effect from 27 September 2022.

At the extraordinary general meeting of the Company held on 27 September 2022, Ms. Duan Chengjin was elected as a Supervisor of the Company.

Mr. Cao John resigned as the Chief Financial Officer of the Company due to personal career planning. Mr. Xiao Lei was appointed as the Chief Financial Officer of the Company on 20 November 2022.

CHANGES TO INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save as disclosed herein, the Directors, Supervisors and senior management confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CURRENT POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN THE SHAREHOLDERS' COMPANIES AS OF THE END OF THE CURRENT YEAR

Name	Company name	Current position	Term commencing from
Mr. Kai-Fu Lee	Sinovation Ventures Group	Chairman and chief executive officer	2009
Mr. Wang Hua	Sinovation Ventures Group	Partner	2009
Ms. Lin Ying	Sinovation Ventures Group	Director and legal head	2011

EMPLOYEES AND REMUNERATION POLICIES

The Group is committed to promoting gender diversity. As at 31 December 2022, the Group had 728 employees, of which 535 were male and 193 were female. The Group integrates its human resources strategy with remuneration plans based on different job sequences to provide competitive salaries and incentives based on performance contributions to all employees. The Group also contributes to social security and provident funds for all employees in accordance with the law, and provides a comprehensive benefit plan including retirement schemes, supplementary medical insurance, accident insurance, annual health check and various subsidies.

EMPLOYEE TRAINING

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

EMPLOYEE INCENTIVE

Employee Incentive Scheme

The Group has adopted the Employee Incentive Scheme pursuant to the resolution of the general meeting of shareholders on 31 March 2021 as an amendment, restatement and consolidation of the previous versions of employee share incentive schemes adopted by the Group since 2018.

(1) Purpose

The purpose of the Employee Incentive Scheme is to motivate the management team, retain talent and promote the long-term sustainable development of the Company.

(2) Participant

The participants of the Employee Incentive Scheme (the "**Participants**") were selected by the administrator, Mr. Xu Hui (the "**Administrator**"), from among the senior management, existing employees and advisors of the Company or any other member of the Group.

(3) Total number of shares available for issue and the percentage of shares in issue as at the date of the annual report

The awards under the Employee Incentive Scheme entitle the Participants of the Employee Incentive Scheme to a conditional right to obtain interests in the Employee Incentive Platforms at the time of grant of the awards at the sole discretion of the Administrator of the Employee Incentive Scheme. Accordingly, the Company is not required to issue new shares in respect of the Employee Incentive Scheme.

(4) Maximum number of awards that may be granted to each Participant

The Company has not set a limit on the awards that may be granted to each Participant under the Employee Incentive Scheme.

(5) The period during which the grantee may exercise the options under the Employee Incentive Scheme

The Employee Incentive Scheme does not involve the granting of options by the Company to subscribe for new Shares.

(6) Vesting period for awards granted under the Employee Incentive Scheme

Subject to and in accordance with the restrictions and conditions of the Employee Incentive Scheme, the Administrator may, in its sole discretion, determine the un-restricted conditions and the un-restricted period (i.e., vesting conditions and vesting period), which generally range from one to four years and may vary among Participants.

A Participant shall not have any interest or right (including the right to receive dividends) in the awards prior to the date on which an award is vested on the Participants (the "**Vesting Date**"). No instructions shall be given by a Participant (including, without limitation, voting rights) in respect of the awards that have not been vested.

(7) The amount to be paid for the application or acceptance of an award and the period for payment or notification of payment

Upon the Administrator's decision to offer an award to any Participant, the Participant shall pay the amount required to be paid on the date of execution of the relevant agreement.

(8) Basis for determining the purchase price of the granted shares

Under the Employee Incentive Scheme, the shareholdings in the Company held by Employee Incentive Platforms are divided into equal shares ("**Restricted Shares**") on the basis of ten for every 18 shares held by it, with each Restricted Share corresponding to a purchase price of RMB0.1.

(9) Remaining validity period of the Employee Incentive Scheme

The provisions of the Employee Incentive Scheme shall be in full force and effect in all respects and the Employee Incentive Scheme shall remain in effect unless terminated in accordance with the relevant provisions of the Employee Incentive Scheme.

(10) Information on the granting of awards

Name or type of Participant	Grant date	Vesting period	Grant price (RMB/ share)	Number granted but not yet vested as at 1 January 2022 (shares)	Number of grants made during the Reporting Period (shares)[3]	Number of grants vested during the Reporting Period (shares)	Number of grants cancelled during the Reporting Period (shares)	Number of grants lapsed during the Reporting Period (shares)	Number granted but not yet vested as at 31 December 2022 (shares)	Weighted average closing price of shares vested during the Reporting Period (HKD)
Directors										
Xu Hui [1]	12 March 2018	4 years	0.056	2,934,225	–	2,934,225	–	–	–	18.936
	20 September 2020	27 January 2022	0.056	6,480,000	–	6,480,000	–	–	–	
Supervisors	–	–	–	–	–	–	–	–	–	–
Five individuals whose total emoluments were the highest during the Reporting Period (in aggregate)[2]	Granted from time to time during the term of the incentive scheme	Vesting periods ranges from 1 to 4 years and may vary among different Participants.	0.056	25,420,054	3,949,168	13,730,346	–	–	14,198,875	18.843
Others (in aggregate)	Granted from time to time during the term of the incentive scheme	Vesting periods ranges from 1 to 4 years and may vary among different Participants.	0.056	34,363,175	10,325,700	10,522,339	–	–	20,827,381	19.500
Total	–	–	–	59,783,229	14,274,868	24,252,685	–	–	35,026,256	–

Notes:

(1) Under the Employee Incentive Scheme, Mr. Xu Hui was granted 26,435,050 Restricted Shares. As a part of the arrangement under the Employee Incentive Scheme, in April 2021, Mr. Xu Hui accepted the transfer of registered capital of RMB2,643,405 from Xinnuo Zhiqi and Qingdao Xinda representing 26,434,050 Restricted Shares under the Employee Incentive Scheme. The remaining 1,000 Restricted Shares continued to be held through Qingdao Xinda.

(2) The "Five individuals whose total emoluments were the highest during the Reporting Period (in aggregate)" include Mr. Xu Hui, a Director, and the "Total" only performs one sum calculation of the relevant number of Mr. Xu Hui.

(3) For awards granted during the Reporting Period,

1. Corresponding performance targets have been set for the vesting of awards granted during the Reporting Period, including annual performance appraisal targets and quarterly performance appraisal targets, and the vesting of the awards shall depend on the results of the appraisal. The performance targets may vary among different Participants.

2. During the Reporting Period, no shares were granted to Directors or Supervisors. The closing prices of the shares granted to other Participants on the trading day before the grant date were as follows:

Name or type of Participant	Grant date	Closing prices on trading day before the grant date (HKD)
Five individuals whose total emoluments were the highest during the Reporting Period (in aggregate)	31 December 2022	23.000
Others (in aggregate)	17 February 2022	17.080
	1 July 2022	20.400
	1 August 2022	18.000
	26 October 2022	17.840
	31 October 2022	18.680
	1 November 2022	19.980
	11 November 2022	23.000
	15 November 2022	20.000
	31 December 2022	23.000

3. Details of the fair values of the awards on the grant date and the accounting standards and policies adopted were set out in note 2.21 and note 33 to the financial statements.

4. "Number of grants made during the Reporting Period" was derived from the shares forfeited during the Reporting Period, and details of the shares forfeited during the Reporting Period are set out in Note 33 to the financial statements. As of Latest Practicable Date, the shares forfeited during the Reporting Period have all been granted.

2023 Directors and Senior Management H Share Incentive Scheme

The Group has adopted the 2023 Directors and Senior Management H Share Incentive Scheme in accordance with the resolution of the general meeting of shareholders on 13 January 2023.

(1) Purpose

The purposes of the 2023 Directors and Senior Management H Share Incentive Scheme are: (i) to encourage, motivate and retain directors and employees who contribute to the Group's ongoing operations, development and long-term growth, and to enhance the Company's ability to attract new talents; and (ii) to send positive signals to the market and boost market confidence.

(2) Participant

Eligible employees who may participate in the 2023 Directors and Senior Management H Share Incentive Scheme include management personnel, including Directors (if any) and senior management of the Group, who play an important role in the operating results and future development of the Group and who comply with the laws and regulations and the rules of the Group. The Board or its authorized person may select participants (the "**Participant**") from time to time in accordance with the relevant provisions of the Company Law of the PRC, the Securities Law of the PRC and other applicable laws, regulations and regulatory documents and the Articles of Association of the Company and taking into account the actual situation of the Company, and subject to the provisions of the scheme, provide the Participants with incentive awards on such terms and conditions as the Board or its authorized person may determine from time to time during the term of the scheme.

(3) Total number of shares available for issue and the percentage of shares in issue as at the date of the annual report

Subject to the decision of the Board or its authorized person, the Company will transfer the necessary funds to the Trustee and instruct the Trustee to purchase H Shares at the then prevailing market price or at a specified price/price range, subject to the restrictions imposed by laws and regulations. Accordingly, the Company is not required to issue new shares in connection with the 2023 Directors and Senior Management H Share Incentive Scheme.

(4) Maximum number of awards that may be granted to each Participant

The Company has not set a limit on the awards that may be granted to each Participant under the 2023 Directors and Senior Management H Share Incentive Scheme.

(5) The period during which the grantee may exercise the options under the 2023 Directors and Senior Management H Share Incentive Scheme

The 2023 Directors and Senior Management H Share Incentive Scheme does not involve the granting of options by the Company to subscribe for new shares.

(6) Vesting period of awards granted under the 2023 Directors and Senior Management H Share Incentive Scheme

The Board or its authorized person may determine the criteria and conditions for vesting and the vesting period from time to time during the term of the 2023 Directors and Senior Management H Share Incentive Scheme, subject to compliance with all applicable laws, regulations and ordinances.

Unless otherwise specified in the notice of grant approved by the Board or its authorized person, the vesting date of the incentive shares granted under the 2023 Directors and Senior Management H Share Incentive Scheme shall be the earlier of (i) the date of the announcement of the Company's annual results with a positive adjusted net profit or loss. For the avoidance of doubt, if the period from the date of grant to the date of the announcement of the Company's annual results with a positive adjusted net profit or loss is less than 12 months, the date on which 12 months have elapsed since the date of grant shall apply; or (ii) the date on which 36 months have elapsed since the date of grant. If the vesting date is a non-business day, the vesting date shall be the first business day after the suspension or termination of trading of the H Shares.

(7) The amount to be paid for the application or acceptance of an award and the period for payment or notification of payment

The Participant shall receive the incentive shares by way of capital contribution from its own funds within five business days after the date of grant in accordance with the corresponding capital contribution amount calculated based on the grant price and the number of incentive shares accepted for grant.

(8) Basis for determining the purchase price of the granted shares

Unless otherwise determined by the Board or its authorized person or as otherwise specified in the notice of grant approved by it, the grant price of the incentive shares under the 2023 Directors and Senior Management H Share Incentive Scheme is 20% of the closing price of the H Shares of the Company on the date of grant of the incentive shares.

(9) Remaining validity period of the 2023 Directors and Senior Management H Share Incentive Scheme

Unless the 2023 Directors and Senior Management H Share Incentive Scheme is terminated earlier in accordance with the rules of the scheme, its valid period is 10 years from the date of adoption (i.e. 10 years from 13 January 2023) and no further award will be granted after the expiry of the incentive period, provided that so long as there are any incentive shares granted prior to the expiry of the 2023 Directors and Senior Management H Share Incentive Scheme which have not yet vested, 2023 Directors and Senior Management H Share Incentive Scheme will continue to be extended until the vesting of such incentive shares becomes effective.

(10) Information on the granting of awards

As at the end of the Reporting Period, the Company has not granted any award under the 2023 Directors and Senior Management H Share Incentive Scheme to (i) the Directors of the Company; (ii) the five individuals whose total emoluments were the highest during the Reporting Period; and/or (iii) other grantees.

Pension Plan

The Group's employees in the PRC are entitled to participate in various housing provident fund, medical insurance and other social insurance schemes administered by the government. The Group makes monthly contributions to these funds at a certain percentage of the salaries of these employees (subject to certain caps). The Group's obligations in respect of these funds are limited to the annual contributions payable. Contributions to housing provident fund, health insurance and other social insurance are expensed as incurred. As at 31 December 2022, the Group does not have the matter referred to in paragraph 26(2) of Appendix 16 to the Listing Rules where an employer may use forfeited contributions under a defined contribution plan to reduce the level of existing contributions.

Independent Auditor's Report

To the Shareholders of Qingdao AInnovation Technology Group Co., Ltd.

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

Opinion

What we have audited

The consolidated financial statements of Qingdao AInnovation Technology Group Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 111 to 220, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Revenue recognition
- Impairment assessment of trade and notes receivables
- Impairment assessment of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to Notes 2.23 and 6 to the consolidated financial statements. During the year ended 31 December 2022, the Group's revenue represented income from the sales of integrated products and solutions of RMB1,522,229 thousand and provision of data solution services of RMB35,414 thousand. The revenue of sales of integrated products and solutions are recognized at a point of time when the customers accept the products and solutions after the installation is complete or when the customers obtain the control of the products and solutions if no installation is required. For certain sales contracts, the revenue is recognized over time since the performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.	Our audit procedures performed on revenue recognition for the sale of integrated products and solutions and provision of data solution services included: • We understood, evaluated and validated the key controls in respect of revenue recognition for the sales of integrated products and solutions and provision of data solution services and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We reviewed, on a sample basis, the sales contracts with customers and identified the terms and conditions relating to the timing of transfer of controls of promised goods or services, to assess the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
The revenue of provision of data solution services is recognized over time as the performance obligation is satisfied over time with reference to the customers' usage of services to the satisfaction of the performance obligation of the projects. We focused on this area due to the magnitude of revenue transactions and the variety of the relevant contract terms. Hence significant audit resources were allocated to audit this area.	• We tested, on a sample basis, revenue transactions recognized during the year by comparing the key terms of sales contracts, delivery documents, customers' acceptance report and underlying sales invoices for the sales of integrated products and solutions, and checking the key terms of sales contracts, service settlement report and underlying sales invoices for the sales of provision of data solution services to determine whether revenue had been recognized in accordance with the Group's revenue recognition policies; • We confirmed selected trade receivables balance and sales transaction. The items tested were selected on a sample basis by considering the amount, nature and characteristic of the customers; • We tested, on a sample basis, revenue transactions before and after the financial year-end to delivery documents, customers' acceptance report and underlying sales invoices to determine whether the sales of integrated products and solutions and the provision of data solution services had been recognized in the appropriate financial period; • We also considered whether the judgements made in revenue recognition would give rise to indicators of possible management bias; and Based upon the above procedures performed, we considered that the recognition of revenue from the sales of integrated products and solutions and provision of data solution services were supported by the available evidence that we have gathered.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade and notes receivables (including trade receivables due from related parties) Refer to Notes 2.12, 2.14, 3.1, 23 and 44(c) to the consolidated financial statements. As at 31 December 2022, the Group had gross trade and notes receivables of approximately RMB627,302 thousand, against which allowance for impairment of approximately RMB88,432 thousand was made. Management applied judgement and estimates to measure the expected credit losses allowance. The trade and notes receivables were grouped based on shared credit risk characteristics and the aging days, and assessed collectively or individually for likelihood of recovery. The expected credit loss rates were based on the payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates were adjusted to reflect current and forward-looking information on macro economic factors affecting the ability of the debtors to settle the receivables. We focused on auditing the impairment of trade and notes receivables because of the magnitude of the trade and notes receivables and the high degree of estimation uncertainty due to the subjectivity of assumptions and the complexity of the expected credit losses model.	Our audit procedures performed on impairment assessment of trade and notes receivables included: • We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We understood, evaluated and validated of the management's internal control in respect of its assessment of impairment of trade and notes receivables; • We performed retrospective review by comparing previous estimates to actual outcome. We evaluated the outcome of prior period assessment of impairment of trade and notes receivables to assess the effectiveness of management's estimation process; • We assessed the appropriateness of the expected credit loss model adopted by management; • We assessed the appropriateness of the assumptions used in the expected credit loss model with reference to historical payment records, ageing analysis and default rates;

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	• We evaluated the reasonableness of the forward-looking information including relevant macroeconomic variables by considering the industry and macro economic information obtained from our independent internet search; • We tested, on a sample basis, the accuracy of the aging of trade and notes receivables to respective supporting documents; • We considered whether the judgements made in the grouping of trade and notes receivables and the selection of significant assumptions and data in the determination of expected credit loss rates would give rise to indicators of possible management bias; and • We also assessed the adequacy of the disclosures related to impairment of trade and notes receivables in the context of the applicable financial reporting framework. Based upon the above procedures performed, we considered that the expected credit losses model, management's judgement and assumptions applied in respect of the impairment of trade and notes receivables were supportable by the available evidence that we have gathered.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill Refer to Notes 2.10, 2.11 and 18 to the consolidated financial statements. As at 31 December 2022, the Group had goodwill of RMB194,552 thousand in relation to the acquisitions of Shanghai Higher Mechanical & Electrical Co., Ltd. and its subsidiaries, Qingdao Aolipu Qizhi Intelligent Industrial Technology Co., Ltd. and its subsidiaries, and Huiyan Automation Technology (Shenzhen) Co.,Ltd.	Our audit procedures performed on impairment assessment of goodwill included: • We obtained an understanding of the management's internal control and assessment process of impairment assessment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias in determining the valuations; • We assessed the competence, capabilities and objectivity of the external valuation expert who assisted management in determining the value-in-use calculations of these CGUs; • We compared the current period actual results with previous forecast to consider, with hindsight, whether key assumptions included in that forecast had been subject to management bias and to assess the effectiveness of management's estimate process;

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Management is required to assess goodwill impairment on an annual basis. The Group engaged an independent external valuation expert to assist in the goodwill impairment testing. Management considered each of the acquired entity a separate group of cash generating units ("CGU"). Management assessed the impairment of goodwill by determining the recoverable amounts of the CGUs by the higher of the fair value less disposal cost and value-in-use calculated based on the discounted cash flow forecast. We focused our audit effort on this area because of the significance of the related balances, the uncertainty associated with estimating the future operating performance of these CGUs and subjectivity of management estimates involved in determining the valuations, including the appropriateness of the significant assumptions adopted.	• We assessed management's future cash flow forecast and calculation of value-in-use of each CGU. Our procedures included: i) assessing the appropriateness of the valuation methodology adopted by reference to market practices with the assistance from our internal valuation experts; ii) assessing the key assumptions, including the projected revenue and gross profit margins by comparing with the historical financial results and future business plans; iii) assessing the discount rate by reference to external data, including the risk factor of comparable companies and market risk premium with the assistance from our internal valuation experts; iv) testing the mathematical accuracy of the discounted cash flows calculations.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	• We assessed management's sensitivity analysis with the assistance from our internal valuation experts to evaluate the assumptions to which the outcomes of the discounted cash flows are more sensitive and the degree to which and likelihood that these assumptions may move to trigger an impairment; and • We also assessed the adequacy of the disclosures related to impairment assessment of goodwill in the context of IFRSs. Based upon the above procedures performed, we considered that the methodologies, significant management judgements and estimates adopted in the goodwill impairment assessment were supported by available evidence that we gathered.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and The Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dou Wang, Angel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	6	**1,557,643**	861,168
Cost of sales	7	**(1,050,565)**	(593,927)
Gross profit		**507,078**	267,241
Selling and distribution expenses	7	**(162,703)**	(115,975)
General and administrative expenses	7	**(329,531)**	(449,375)
Research and development expenses	7	**(416,309)**	(327,698)
Net impairment losses on financial assets	3.1	**(37,022)**	(24,057)
Share of net losses of investments accounted for using the equity method		**(575)**	—
Other income	8	**56,009**	28,067
Other losses, net	9	**(9,238)**	(1,044)
Operating loss		**(392,291)**	(622,841)
Finance costs	11	**(8,089)**	(36,097)
Finance income	11	**38,708**	24,022
Loss before income tax		**(361,672)**	(634,916)
Income tax credit/(expense)	12	**512**	(208)
Loss for the year		**(361,160)**	(635,124)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(363,042)**	(636,599)
Non-controlling interests		**1,882**	1,475
		(361,160)	(635,124)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Other comprehensive income, net of tax			
Items that will not be reclassified subsequently to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income	31	**—**	22
Items that will be reclassified subsequently to profit or loss			
Currency translation difference		**192**	—
Other comprehensive income for the year, net of tax		**192**	22
Total comprehensive loss for the year, net of tax		**(360,968)**	(635,102)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(362,944)**	(636,577)
Non-controlling interests		**1,976**	1,475
Total comprehensive loss for the year		**(360,968)**	(635,102)
Basic and diluted loss per share for loss attributable to the owners of the Company (in RMB)	14	**(0.66)**	(1.43)

The notes on pages 118 to 220 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2022

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**81,943**	79,212
Right-of-use assets	16	**75,089**	87,072
Intangible assets	17	**206,620**	5,672
Goodwill	18	**194,552**	—
Investments accounted for using the equity method	20	**342**	—
Other non-current assets	19	**24,767**	11,810
Total non-current assets		**583,313**	183,766
Current assets			
Inventories	22	**107,772**	71,723
Trade and notes receivables	23	**534,422**	362,000
Prepayments and other receivables	24	**190,939**	54,032
Financial assets at fair value through other comprehensive income	25	**5,310**	34,333
Financial assets at fair value through profit or loss	26	**156,020**	—
Amounts due from related parties	44(c)	**38,091**	3,206
Restricted cash	27	**9,915**	2,697
Cash and cash equivalents	27	**1,642,665**	1,553,150
Total current assets		**2,685,134**	2,081,141
Total assets		**3,268,447**	2,264,907
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	**559,305**	514,560
Share premium	30	**2,562,978**	1,674,871
Less: Treasury share	29	**(258,821)**	—
Other reserves	31	**671,882**	498,490
Accumulated losses	32	**(1,265,915)**	(902,873)
		2,269,429	1,785,048
Non-controlling interests		**89,546**	10,260
Total equity		**2,358,975**	1,795,308

The notes on pages 118 to 220 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2022

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	**70,153**	78,289
Deferred income tax liabilities	35	**27,322**	—
Other non-current liabilities	34	**15,523**	26,579
Financial liabilities at fair value through profit or loss	39	**73,166**	—
Total non-current liabilities		**186,164**	104,868
Current liabilities			
Borrowings	36	**57,590**	—
Lease liabilities	16	**19,958**	9,282
Trade and notes payables	37	**280,324**	227,719
Contract liabilities	40	**105,183**	43,649
Other payables and accruals	38	**162,375**	83,873
Amounts due to related parties	44(c)	**20,451**	—
Current income tax liabilities		**3,056**	208
Financial liabilities at fair value through profit or loss	39	**74,371**	—
Total current liabilities		**723,308**	364,731
Total liabilities		**909,472**	469,599
Total equity and liabilities		**3,268,447**	2,264,907

The notes on pages 118 to 220 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 111 to 220 were approved by the Board of Directors of the Company on 31 March 2023 and were signed on its behalf by:

Xu hui
Director

Wang hua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

		Attributable to owners of the Company							
	Note	Share capital RMB'000	Less: Treasury share RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022		514,560	—	1,674,871	498,490	(902,873)	1,785,048	10,260	1,795,308
(Loss)/profit for the year		—	—	—	—	(363,042)	(363,042)	1,882	(361,160)
Other comprehensive income									
– Currency translation differences	31	—	—	—	98	—	98	94	192
Total other comprehensive income for the year		—	—	—	98	—	98	94	192
Transactions with owners in their capacity as owners									
– Repurchase of shares	29	—	(258,821)	—	—	—	(258,821)	—	(258,821)
– Share-based payment expenses	33	—	—	—	173,294	—	173,294	—	173,294
– Dividends of a subsidiary distributed to non-controlling interests		—	—	—	—	—	—	(539)	(539)
– Issuance of shares by initial public offering, net of attributable transaction costs		44,745	—	888,107	—	—	932,852	—	932,852
– Non controlling interests arising on business combination	43	—	—	—	—	—	—	67,049	67,049
– Capital injection by non-controlling interests		—	—	—	—	—	—	10,800	10,800
Total transactions with owners in their capacity as owners		44,745	(258,821)	888,107	173,294	—	847,325	77,310	924,635
Balance at 31 December 2022		559,305	(258,821)	2,562,978	671,882	(1,265,915)	2,269,429	89,546	2,358,975

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

		Attributable to owners of the Company								
	Note	Share capital RMB'000	Paid-in capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021		—	24,105	—	44,741	89,129	(675,887)	(517,912)	3,885	(514,027)
Loss for the year		—	—	—	—	—	(636,599)	(636,599)	1,475	(635,124)
Other comprehensive income										
– Changes in the fair value of equity investments at fair value through other comprehensive income	31	—	—	—	—	22	—	22	—	22
Total other comprehensive income for the year		—	—	—	—	22	—	22	—	22
Transactions with owners in their capacity as owners										
– Capital injection	28	2,035	2,446	734,309	99,689	—	—	838,479	—	838,479
– Obligation related to redeemable rights of shares	30	—	—	—	(100,000)	—	—	(100,000)	—	(100,000)
– Transfer from financial liabilities at amortised cost due to cancellation of redeemable rights		—	—	—	1,794,091	—	—	1,794,091	—	1,794,091
– Conversion into a joint stock company	28	26,551	(26,551)	1,426,536	(1,838,521)	—	411,985	—	—	—
– Conversion of share premium into share capital	28	485,974	—	(485,974)	—	—	—	—	—	—
– Share-based payment expenses	33	—	—	—	—	406,967	—	406,967	—	406,967
– Capital injection by non-controlling interests		—	—	—	—	—	—	—	4,900	4,900
– Disposal of financial assets at fair value through other comprehensive income	31	—	—	—	—	2,372	(2,372)	—	—	—
Total transactions with owners in their capacity as owners		514,560	(24,105)	1,674,871	(44,741)	409,339	409,613	2,939,537	4,900	2,944,437
Balance at 31 December 2021		514,560	—	1,674,871	—	498,490	(902,873)	1,785,048	10,260	1,795,308

The notes on pages 118 to 220 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash used in operations	41	**(344,044)**	(258,791)
Interest received		**38,708**	24,022
Income taxes received/(paid)		**1,034**	(2,004)
Net cash used in operating activities		**(304,302)**	(236,773)
Cash flows from investing activities			
Payments of property, plant and equipment and intangible assets		**(21,597)**	(52,000)
Proceeds from disposal of financial assets at fair value through profit or loss		**141,399**	1,100,000
Payments of financial assets at fair value through profit or loss		**(292,379)**	(1,100,000)
Acquisition of subsidiaries		**(120,862)**	—
Proceeds from disposal of financial assets at fair value through other comprehensive income		**—**	128
Interest received on financial assets at fair value through profit or loss		**632**	4,883
Net cash used in investing activities		**(292,807)**	(46,989)
Cash flows from financing activities			
Capital injection from shareholders	28	**—**	838,479
Capital injection of subsidiaries from non-controlling interests	47	**10,800**	4,900
Proceeds from share issuance upon listing		**957,462**	—
Proceeds from bank borrowings		**40,640**	—
Repayments of bank borrowings		**(39,753)**	—
Proceeds from a related party borrowing		**19,370**	—
Acquisition of non-controlling interests	47	**—**	(22,400)
Payments of lease liabilities	16	**(10,095)**	(10,828)
Payment for listing expenses		**(14,619)**	(9,991)
Dividends paid to non-controlling interests		**(539)**	—
Share repurchase		**(275,117)**	—
Interest paid of bank borrowings		**(2,462)**	—
Net cash generated from financing activities		**685,687**	800,160
Net increase in cash and cash equivalents		**88,578**	516,398
Cash and cash equivalents at beginning of the year	27(b)	**1,553,150**	1,042,502
Exchange gains/(losses) on cash and cash equivalents		**937**	(5,750)
Cash and cash equivalents at the end of the year	27(b)	**1,642,665**	1,553,150

The notes on pages 118 to 220 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2022

1 General information of the Group

Qingdao AInnovation Technology Group Co., Ltd. was incorporated in the People's Republic of China (the "PRC") on 6 February 2018 as a limited liability company. On 19 May 2021, the Company changed the type of enterprise from a limited liability company to a joint stock company. The address of the Company's registered office is Room 501, Block A, Haier International Plaza, No. 939 Zhenwu Road, Economic Development Zone, Jimo District, Qingdao, Shandong, PRC.

The Company and its subsidiaries (collectively, the "Group") conduct research and development of Artificial Intelligence technologies and provide Artificial Intelligence based software and hardware technology solutions services in the PRC.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 27 January 2022.

These consolidated financial statements are presented in Renminbi ("RMB") unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities that are measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

New and amended standards adopted by the Group

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

		Effective for annual periods beginning on or after
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
AG 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Annual Improvements to IFRS Standards 2018 – 2020		1 January 2022

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

New and amended standards adopted by the Group (continued)

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective in the fiscal year beginning on 1 January 2022 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policy	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimate	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective. The Group does not expect to adopt these new standards and amendments until their effective dates.

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries

Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated and unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in reserves is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of profit or loss, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2 Summary of significant accounting policies (continued)

2.3 Associates (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit of an associate' in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognized in the comprehensive income.

2.4 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2 Summary of significant accounting policies (continued)

2.4 Business combination (continued)

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in the subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of significant accounting policies (continued)

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

During the reporting periods, the Group has been focusing on research and development of artificial intelligence solutions. Accordingly, the management considers that the Group is operated and managed as a single operating segment and hence no segment information is presented.

2.7 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Since most of the assets and operations of the Group are located in the PRC, the consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in the consolidated statement of comprehensive income on a net basis within "Other losses, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

2 Summary of significant accounting policies (continued)

2.7 Foreign currencies (continued)

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.8 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the year in which they are incurred.

2 Summary of significant accounting policies (continued)

2.8 Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	5 years, or over lease term, whichever is the shorter
Electronic equipment	3 years
Office equipment	5 years
Transportation equipment and vehicles	4 – 5 years
Production equipment	10 years
Buildings	20 years

Construction in progress represents leasehold improvements under construction or pending installation and is stated at cost. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to relevant category within property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other losses, net" in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.9 Intangible assets

Software

Acquired software is initially capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Software is stated at historical cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 1-5 years.

The amortisation period and amortisation method of intangible assets are reviewed at each reporting period. The effects of any revision are recognized as profit or loss when the changes arise.

Research and development

The Group incurs significant costs and efforts on research and development activities, which include expenditures on artificial intelligence technology. Research expenditures are charged to the profit or loss as an expense in the period the expenditures are incurred. Development costs are recognized as assets if they can be directly attributable to a newly developed artificial intelligence products and all the following can be demonstrated (if applicable):

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible assets;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. No development costs met these criteria and therefore, were capitalised as intangible assets during the reporting periods.

2 Summary of significant accounting policies (continued)

2.9 Intangible assets (continued)

Other intangible assets

Other intangible assets mainly include customer relationship and technology acquired through business combinations. They are initially recognized and measured at estimated fair value and are amortized using the straight-line method over the following useful lives:

- Technology: 5 years

- Customer relationship: 10 years

When determining the length of useful lives of these intangible assets, management take into account the (i) estimated period during which such asset can bring economic benefits to the Group; and (ii) the useful life estimated by comparable companies in the market.

2.10 Goodwill

Goodwill arising from the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use ("VIU") and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

2 Summary of significant accounting policies (continued)

2.11 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other Assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in profit or loss for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Financial assets

(i) Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2 Summary of significant accounting policies (continued)

2.12 Financial assets (continued)

(i) Classification (continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Summary of significant accounting policies (continued)

2.12 Financial assets (continued)

(iii) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other losses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- Financial assets at fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("OCI"). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the consolidated statement of comprehensive income and recognized in "Other losses, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other losses and impairment expenses are presented as separate line item in the statement of profit or loss.

- Financial assets at fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in "Other losses, net" in the period in which it arises.

2 Summary of significant accounting policies (continued)

2.12 Financial assets (continued)

(iii) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL are recognized in "Other losses, net" in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment of other receivables is measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventories are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2 Summary of significant accounting policies (continued)

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 23 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.15 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, demand deposits held at banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Trade and other payables

Trade and notes payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (continued)

2.17 Paid-in capital, share capital, capital reserve and share premium

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Group as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Where the Company issued shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums over share capital shall be classified as share premium.

2.18 Treasury shares

Own equity instruments which are reacquired and held by the Company are recognized directly in equity at cost. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2.19 Current and deferred income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies (continued)

2.19 Current and deferred income tax (continued)

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2 Summary of significant accounting policies (continued)

2.20 Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Pension obligations

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined contribution pension plans even if the employee leaves.

Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

2 Summary of significant accounting policies (continued)

2.21 Share-based payments

(a) The Group operates an equity-settled share-based compensation plan, under which the Group receives service from its employees in exchange for the equity instruments of the Group. As disclosed in Note 33, during the reporting periods, equity-settled share options and restricted stock unit ("RSUs") were granted to certain directors, senior management, employees and consultants. The fair value of the employee service received in exchange for the grant of share options and RSUs is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (e.g. the entity's share price)

- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the vesting period, in which all of the specified vesting conditions are to be satisfied.

At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is excess of the fair value of the modified equity instrument over that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period. Furthermore, if the entity modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based compensation plan, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

2 Summary of significant accounting policies (continued)

2.21 Share-based payments (continued)

(b) Share-based payment transaction among group entities

The grant by the Company of its equity instruments to the employees of its subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity.

2.22 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.23 Revenue recognition

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

In determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified goods or service before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstance.

The following is a description of the accounting policy for the principal revenue streams of the Group.

(a) Sales of products and solutions

The Group provides multiple deliverables to customers, including the design of artificial intelligence solution, delivery of products and software, and installation of products and software. It is accounted for as a single performance obligation since the Group provides an integrated products and solutions.

The revenue of such integrated products and solutions is recognized at a point of time when the customers accept the products and solutions after the installation is complete or when the customers obtain the control of the products and solutions if no installation is required. For certain sales contracts, the revenue is recognized over time since the performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

(b) Services of data solutions

The Group provides services of data solutions to customers during a certain period. Data solutions include cloud services, and data analysis, etc.

Revenue from data solutions is accounted for as a single performance obligation and recognized when the Group has provided the promised relevant services. As the customer simultaneously receives and consumes the services provided by the Group over the period, the performance obligation is satisfied over time with reference to the customers' usage of services to the satisfaction of the performance obligation of the projects.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.24 Interest income

Interest income from financial assets at FVPL is included in other losses, net (Note 9). Any other interest income is included in finance income.

Interest income from cash at bank is recognized on a time-proportion basis using the effective interest method.

2.25 Earnings per share

(i) Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

2 Summary of significant accounting policies (continued)

2.25 Earnings per share (continued)

(ii) Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.26 Leases

The Group mainly leases office and plant as lessee. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

2 Summary of significant accounting policies (continued)

2.26 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

To determine the incremental borrowing rate, the Group:

- uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise small items of IT equipments.

Lease income from operating leases where the Group is a lessor is recognized in revenue on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

2 Summary of significant accounting policies (continued)

2.27 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as "financial income" or "finance costs".

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.28 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

2 Summary of significant accounting policies (continued)

2.29 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to other non-current liabilities account and is released to the consolidated statement of comprehensive income on a straight-line basis over the expected useful life of the relevant assets.

The recognition period of government grants is reviewed, and adjusted if appropriate, at the end of each reporting period.

2.30 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's directors or shareholders, where applicable.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, cash flow and fair value interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge certain risk exposures during the years.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective group entities' functional currency. The Group mainly operates in the PRC with most of the transactions settled in RMB. The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Foreign exchange risk (continued)

The Group's major exposure to foreign currency risk at 31 December 2022, expressed in RMB, was as follows:

	31 December 2022	
	HKD	USD
	RMB'000	RMB'000
Cash and cash equivalents	**56,817**	**1**
Trade and notes receivables	**—**	**11,127**
Other receivables	**16,296**	**—**

As at 31 December 2022, if a foreign currency had strengthened/weakened by 10% against the RMB with all other variables held constant, the Group's loss before income tax for the year would have changed mainly as a result of foreign exchange gains/losses on translation of the foreign currency denominated cash and cash equivalents and receivables. Details of the changes are as follows:

	Loss for the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
HKD strengthened/weakened by 10%	**7,311 lower/higher**	—
USD strengthened/weakened by 10%	**1,113 lower/higher**	—

The Group's exposure to foreign currency risk at 31 December 2021 was insignificant as each of the group entities did not hold significant assets and liabilities denominated in a currency other than its functional currency.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets and liabilities, except for lease liabilities (Note 16), financial liabilities at FVPL (Note 39), borrowings (Note 36), cash and cash equivalents (Note 27) and restricted cash (Note 27). Lease liabilities, financial liabilities at FVPL, borrowings, cash and cash equivalents and restricted cash expose the Group to fair value interest rate risk.

The Group regularly monitors its interest rate risk to ensure there is no undue exposure to significant interest rate movements.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents and restricted cash, financial assets at FVOCI, amounts due from related parties and trade and notes receivables and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Credit risk of cash and cash equivalents and restricted cash

To manage this risk, cash deposits at banks are mainly placed with state-owned and reputable financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are immaterial.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Credit risk (continued)

(ii) Credit risk of trade receivables (including trade receivables due from related parties)

The Group has policies in place to ensure that trade receivables and trade receivables due from related parties with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the ageing days, and assessed collectively or individually for likelihood of recovery.

The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product (GDP), the Consumer Price Index (CPI) and Producer Price Index (PPI) to be the most relevant factor, and accordingly adjusted the historical loss rates based on expected changes in these factors.

Individually impaired trade receivables are related to customers who are experiencing unexpected economic difficulties. The Group expects that the amounts of the receivables will partially or entirely have difficulty to be recovered and has recognized impairment losses.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Credit risk (continued)

(ii) Credit risk of trade receivables (including trade receivables due from related parties) (continued)

	Less than 3 months RMB'000	3 months to 6 months RMB'000	6 months to 12 months RMB'000	1 year to 2 years RMB'000	2 years to 3 years RMB'000	Total RMB'000
31 December 2022						
Trade receivables (Note 23 and 44)						
Collectively assessed						
Gross carrying amount	**367,696**	**92,954**	**94,906**	**45,865**	**25,881**	**627,302**
Expected loss rate	**(4.14%)**	**(8.84%)**	**(20.01%)**	**(43.90%)**	**(100.00%)**	**(14.10%)**
Loss allowance	**(15,208)**	**(8,220)**	**(18,987)**	**(20,136)**	**(25,881)**	**(88,432)**

	Less than 3 months RMB'000	3 months to 6 months RMB'000	6 months to 12 months RMB'000	1 year to 2 years RMB'000	2 years to 3 years RMB'000	Total RMB'000
31 December 2021						
Trade receivables (Note 23 and 44)						
Collectively assessed						
Gross carrying amount	256,296	57,282	62,048	17,688	836	394,150
Expected loss rate	(4.28%)	(9.15%)	(15.62%)	(48.73%)	(96.53%)	(8.96%)
Loss allowance	(10,965)	(5,243)	(9,692)	(8,620)	(807)	(35,327)
Individually assessed						
Gross carrying amount	—	—	—	5,291	10,225	15,516
Expected loss rate	—	—	—	(82.9%)	(94.1%)	(90.3%)
Loss allowance	—	—	—	4,388	9,624	14,012
Total loss allowance	(10,965)	(5,243)	(9,692)	(13,008)	(10,431)	(49,339)

As at 31 December 2022, the individually impaired loss allowance was nil (2021: RMB14,012 thousand).

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Credit risk (continued)

(iii) Credit risk of notes receivables and other receivables (including other receivables due from related parties)

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

Other receivables mainly comprise deposits, other receivables (including other receivables due from related parties). The Group considers the probability of default on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party;
- significant changes in the expected performance and behavior of the third party, including changes in the payment status of the third party.

For notes receivables, the Group expects that the credit risk associated with notes receivables is considered to be low. The Group has assessed that the expected credit losses rate for notes receivables are immaterial under 12 months expected credit losses method, and thus the loss allowance is immaterial.

Trade and other receivables are written off when there is no reasonable expectation of recovery.

Impairment losses on trade and other receivables are presented as net impairment losses within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Credit risk (continued)

(iii) Credit risk of notes receivables and other receivables (including other receivables due from related parties) (continued)

The movement of loss allowance for trade receivables (including trade receivables due from related party) and other receivables during the year ended 31 December 2022 and 2021 are as below:

	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
As at 1 January 2022	**49,339**	**—**	**49,339**
Acquisition of subsidiaries	**28,807**	**3,235**	**32,042**
Provisions/(reversed)	**37,548**	**(526)**	**37,022**
Written off as uncollectible	**(26,216)**	**—**	**(26,216)**
Disposal of a subsidiary	**(1,046)**	**(404)**	**(1,450)**
As at 31 December 2022	**88,432**	**2,305**	**90,737**
As at 1 January 2021	25,282	—	25,282
Provisions	24,057	—	24,057
As at 31 December 2021	49,339	—	49,339

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at 31 December 2022				
Trade and notes payables	280,324	—	—	280,324
Other payables and accruals (excluding payroll and welfare payables, warranty and other tax payables)	58,897	—	—	58,897
Amounts due to related parties (excluding contract liabilities)	20,148	—	—	20,148
Borrowings	58,549	—	—	58,549
Financial liabilities at fair value through profit or loss	75,900	45,900	45,900	167,700
Lease liabilities	22,005	21,250	50,432	93,687
	515,823	67,150	96,332	679,305

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Liquidity risk (continued)

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at 31 December 2021				
Trade and notes payables	227,719	—	—	227,719
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	39,875	—	—	39,875
Lease liabilities	13,081	21,666	64,637	99,384
	280,675	21,666	64,637	366,978

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

3 Financial risk management (continued)

3.2 Capital management (continued)

Consistent with others in the industry, the Group monitors capital on the basis of the net debt equity ratio. This ratio is calculated as "net debt" divided by "total equity". Net debt is calculated as total borrowings, convertible bond and lease liabilities less cash and cash equivalents. The net debt equity ratios of 31 December 2022 and 2021 were as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Borrowings(including related party borrowing)	**76,960**	—
Convertible bonds	**29,931**	—
Lease liabilities	**90,111**	87,571
Less: Cash and cash equivalents	**(1,642,665)**	(1,553,150)
Net debt	**(1,445,663)**	(1,465,579)
Total equity	**2,358,975**	1,795,308
Net debt equity ratio	**N/A**	N/A

3.3 Fair value estimation

Financial instruments carried at fair value or where fair value was disclosed can be categorised by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels within a fair value hierarchy as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2022				
Assets				
Fair value through other comprehensive income ("FVOCI")				
– Notes receivables	—	—	5,310	5,310
Financial assets at FVPL				
– Wealth management products	—	14,125	—	14,125
– Investment fund	—	—	69,260	69,260
– Listed equity securities	2,920	—	—	2,920
– Other financial investment instrument	—	69,715	—	69,715
	2,920	83,840	69,260	156,020
Liabilities				
Financial liabilities at FVPL				
– Contingent considerations	—	—	117,606	117,606
– Convertible bonds	—	—	29,931	29,931
	—	—	147,537	147,537
As at 31 December 2021				
Assets				
Financial assets at FVOCI				
– Notes receivables	—	—	34,333	34,333

There were no transfers between Level 1, 2 and 3 during the years ended 31 December 2022 and 2021.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

As at 31 December 2022, the Group's level 1 financial assets was listed equity securities; Wealth management product and other financial investment instrument were within level 2. The Group's level 3 financial assets included notes receivables and investment fund, and the Group's level 3 financial liabilities included contingent liabilities and convertible bonds.

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

As at 31 December 2022, the discounted cash flow method was used to determine the fair value of notes receivables, contingent liabilities and convertible bonds. Key assumption under discounted cash flow method included discount rate, expected return rate, and risk-adjusted discount rate. The net asset value method was used to determine the fair value of investment fund and no key assumption is applicable for the net asset value method.

The following table presents the changes in level 3 items for the periods ended 31 December 2022 and 2021:

	Year ended 31 December		
	2022		2021
	Financial assets at FVPL RMB'000	Financial assets at FVOCI RMB'000	Financial assets at FVOCI RMB'000
As at the beginning of the year	—	34,333	4,043
Acquisition of subsidiaries	3,370	4,836	—
Additions	98,650	48,926	46,857
Change in fair value	(3,890)	—	22
Disposals	(28,870)	(82,785)	(16,589)
As at the end of the year	69,260	5,310	34,333
Total losses for the period realised in profit or loss for assets held at the end of the period, under "Other losses, net"	(3,890)	—	—

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

	Fair value As at 31 December		Significant un-observable inputs	Range of inputs (probability-weighted average) Year ended 31 December		Relationship of unobservable inputs to fair value
	2022 RMB'000	2021 RMB'000		2022	2021	
Notes receivables	5,310	34,333	Discount rates	3.79%	2.51%	An increase/decrease in the discount rate by 50 basis points (bps) would decrease/increase the fair value by approximately RMB11,000 (31 December 2021: RMB60,000).
Private equity fund investments	69,260	—	Net asset value	NA	—	The higher the net asset value, the higher the fair value.
Contingent consideration	117,606	—	Discount rates	14%	—	An increase/decrease in the discount rate by 50 bps would decrease/increase the fair value by approximately RMB594,000 (31 December 2021: nil).
Convertible bond	29,931	—	Discount rates	8.25%	—	An increase/decrease in the discount rate by 50 bps would decrease/increase the fair value by approximately RMB109,000 (31 December 2021: nil).

4 Critical estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

(a) Share-based payments

As disclosed in Note 33, the Company granted equity-settled share options and restricted share units to certain directors, senior management, employees and consultants. Significant estimate on assumptions in determining the fair value of the granted share options and RSUs include risk-free interest rate, expected volatility and dividend yield.

(b) Impairment of trade and notes receivables

The loss allowance for financial assets disclosed in Note 3.1 is based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The carrying amounts of the Group's trade and notes receivables are disclosed in Note 23.

(c) Income taxes and deferred income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Group recognizes deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses. Deferred income tax liabilities relating to business combination are recognized when the fair value of the assets transferred exceeds its carrying amount. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax liabilities and income tax charges in the period in which such estimates are changed.

4 Critical estimates and judgements (continued)

(d) Estimation of goodwill impairment

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2022 reporting periods, the recoverable amount of cash-generating units (CGUs) was determined based on value in use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in Note 18. These growth rates are extrapolated using the estimated general inflation rate.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 18.

5 Segment information

The executive director of the Company has been identified as the chief operating decision-maker of the Group who reviews the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The revenue of the Group is primarily derived from artificial intelligence products and services. Therefore, the Group regards that there is only one segment which is used to make strategic decisions.

No geographical segment information is presented as most of the revenue and operating losses of the Group are derived within the PRC and most of the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

5 Segment information (continued)

Revenue from customers contributing over 10% of the total revenue of the Group in 2022 and 2021 is as follows:

	Year ended 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Customer A	*	87,545

* Less than 10%

No customer contributed over 10% of the total revenue of the Group for the year ended 31 December 2022.

6 Revenue

An analysis of revenue is as follows:

	Year ended 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Point in time		
— Sales of products and solutions	**1,458,327**	846,411
Over time		
— Sales of products and solutions	**63,902**	—
— Services of data solutions	**35,414**	14,757
	1,557,643	861,168

7 Expenses by nature

	Year ended 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Materials costs	**746,662**	422,807
Subcontracting costs	**528,950**	327,763
Employee benefit expenses (Note 10)	**469,322**	590,937
Professional service and other consulting fees	**32,555**	10,814
Depreciation of property, plant and equipment (Note 15)	**31,310**	24,223
Listing expenses	**26,457**	51,500
Depreciation of right-of-use assets (Note 16)	**21,877**	9,260
Amortisation of intangible assets (Note 17)	**19,341**	700
Marketing expenses	**18,324**	8,321
Travelling expenses	**16,395**	6,950
Auditors' remuneration – audit services	**4,500**	3,000
– non-audit services	**1,577**	228
Rental and property management expenses	**2,806**	7,452
Recruiting and training expenses	**1,467**	3,505
Provision for write-down of inventories	**1,126**	—
Other expenses	**36,439**	19,515
	1,959,108	1,486,975

8 Other income

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants	**56,009**	28,067

Government grants provided to the Group mainly related to financial subsidy from the local government in the PRC.

9 Other losses, net

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Foreign exchange gains/(losses)	**5,046**	(5,750)
Donation	**(284)**	(400)
Losses on disposal of property, plant and equipment	**(334)**	(6)
Fair value losses on financial assets and liabilities at FVPL	**(8,716)**	—
Interests received on financial assets at FVPL	**632**	4,883
Liquidated damages	**(6,400)**	—
Others	**818**	229
	(9,238)	(1,044)

10 Employee benefit expenses

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	**245,318**	148,421
Pension costs-defined contribution plans	**20,683**	13,846
Other social security and housing fund	**20,002**	14,666
Share-based payment expenses	**173,294**	406,967
Other employee benefits	**10,025**	7,037
	469,322	590,937

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2022 and 2021 included 1 director and 1 director, respectively, whose emoluments are reflected in the analysis presented in Note 46. The emoluments paid or payable to the remaining individuals during the reporting periods are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	**7,266**	3,471
Pension costs-defined contribution plans	**207**	131
Other social security and housing fund	**205**	142
Share-based payment expenses	**81,802**	137,020
	89,480	140,764

10 Employee benefit expenses (continued)

The emoluments of the five highest paid individuals except for the director, whose emoluments have been disclosed in Note 46, fell within the following bands:

	Year ended 31 December	
	2022	**2021**
HKD 11,000,001 to HKD 11,500,000	**1**	—
HKD 20,000,001 to HKD 20,500,000	**1**	—
HKD 22,000,001 to HKD 22,500,000	**—**	1
HKD 22,500,001 to HKD 23,000,000	**—**	1
HKD 23,500,001 to HKD 24,000,000	**1**	—
HKD 26,500,001 to HKD 27,000,000	**—**	1
HKD 45,000,001 to HKD 45,500,000	**1**	—
HKD 97,500,001 to HKD 98,000,000	**—**	1
	4	4

11 Finance income/(cost)

	Year ended 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Finance income:		
Interest income from bank deposits	**38,708**	24,022
Finance costs:		
Interest expenses on lease liabilities (Note 16)	**(4,227)**	(1,220)
Interest expenses on bank borrowings	**(2,462)**	—
Interest expenses on convertible bonds	**(1,400)**	—
Finance costs of financial liabilities of redeemable shares	**—**	(34,877)
	(8,089)	(36,097)
Finance income/(cost), net	**30,619**	(12,075)

12 Income tax (credit)/expense

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

	Year ended 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Current tax on profits for the year	**3,667**	208
Deferred income tax (Note 35)	**(4,179)**	—
Income tax (credit)/expense	**(512)**	208

The difference between the actual income tax expense charged to the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rates to loss before taxation can be reconciled as follows:

12 Income tax (credit)/expense (continued)

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss before taxation	**(361,672)**	(634,916)
Tax calculated at tax rates applicable to profits of the respective subsidiaries	**(90,418)**	(158,729)
Preferential tax of certain subsidiaries	**32,452**	14,283
Expenses not deductible for tax purposes	**27,182**	107,839
Super deductions from research and development expenditures	**(18,157)**	(19,282)
Utilisation of the tax losses unrecognized deferred income tax previously	**(2,644)**	(1,079)
Temporary difference for which no deferred tax asset was recognized	**14,837**	14,674
Tax losses for which no deferred tax asset was recognized	**36,236**	42,502
Income tax (credit)/expense	**(512)**	208

The Group's subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% on estimated assessable profits.

A number of subsidiaries of the Group obtained the status as High and New Technology Enterprises in 2022. According to the tax incentives of the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") for High New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years commencing from the years when these companies are recognized as High New Tech Enterprises.

13 Dividends

The Board does not recommend a final dividend for the year ended 31 December 2022 (2021:Nil).

14 Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of shares in issue or deemed to be in issue during the reporting periods. The weighted average number of ordinary shares deemed in issue before the conversion into a joint stock company in May 2021 was determined as assuming that:

(1) The Redeemable Shares were treated as treasury share before the cancellation of redeemable rights as described in Note 30. As a result, the amount of 2,507,000 shares was deducted from the paid-in capital before the cancellation of redeemable rights for the purpose of calculating the number of ordinary shares deemed in issue;

(2) The remaining paid-in capital had been fully converted into number of ordinary shares deemed in issue at conversion ratio of 1:1 as upon transformation into joint stock company;

(3) The above number of ordinary shares had been further retrospectively adjusted for the effect of shares conversion from share premium into share capital at the conversion ratio of 1:17 as described in Note 30.

	Year ended 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Loss from continuing operation attributable to the owners of the Company	**(363,042)**	(636,599)
Weighted average number of ordinary shares in issue	**550,722**	444,903
Basic loss per share (RMB)	**(0.66)**	(1.43)

14 Loss per share (continued)

(a) Basic loss per share (continued)

The calculation of weighted average number of ordinary shares in issue is as below:

	Year ended 31 December	
	2022	**2021**
	'000	**'000**
Weighted average number of shares in paid-in capital/share capital	**555,995**	27,224
Less: Weighted average number of Redeemable Shares in paid-in capital before the cancellation of redeemable rights	**—**	(2,507)
Weighted average number of treasury shares	**(5,273)**	—
Weighted average number of shares in remaining paid-in capital/share capital	**550,722**	24,717
Weighted average number of ordinary shares in issue at the conversion ratio of 1:1	**—**	24,717
Add: Shares conversion from share premium into share capital at the conversion ratio of 1:17	**—**	420,186
Weighted average number of ordinary shares in issue	**550,722**	444,903

(b) Diluted loss per share

As the Group incurred losses for the reporting periods, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the reporting periods are the same as basic loss per share for the respective year.

15 Property, plant and equipment

	Leasehold improvements RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Transportation equipment and vehicles RMB'000	Production equipment RMB'000	Buildings RMB'000	Construction in-progress RMB'000	Total RMB'000
Year ended 31 December 2022								
Opening net book amount	51,269	11,320	1,873	–	–	–	14,750	79,212
Additions	8,725	2,896	861	3,027	1,858	–	1,087	18,454
Acquisition of subsidiaries	1,731	643	3,610	1,654	9,145	1,078	–	17,861
Disposals	–	(36)	(417)	–	(1,821)	–	–	(2,274)
Depreciation (Note 7)	(23,755)	(5,410)	(1,051)	(533)	(522)	(39)	–	(31,310)
Transfers	15,837	–	–	–	–	–	(15,837)	–
Net book amount	53,807	9,413	4,876	4,148	8,660	1,039	–	81,943
As at 31 December 2022								
Cost	117,893	21,413	6,620	4,681	9,021	1,078	–	160,706
Accumulated depreciation	(64,086)	(12,000)	(1,744)	(533)	(361)	(39)	–	(78,763)
Net book amount	53,807	9,413	4,876	4,148	8,660	1,039	–	81,943

15 Property, plant and equipment (continued)

	Leasehold improvements RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Construction in-progress RMB'000	Total RMB'000
Year ended 31 December 2021					
Opening net book amount	41,510	8,828	2,332	4,818	57,488
Additions	1,055	6,494	167	38,317	46,033
Disposals	—	(86)	—	—	(86)
Depreciation (Note 7)	(19,681)	(3,916)	(626)	—	(24,223)
Transfers	28,385	—	—	(28,385)	—
Net book amount	51,269	11,320	1,873	14,750	79,212
As at 31 December 2021					
Cost	91,600	18,170	3,166	14,750	127,686
Accumulated depreciation	(40,331)	(6,850)	(1,293)	—	(48,474)
Net book amount	51,269	11,320	1,873	14,750	79,212

Depreciation of the Group's property, plant and equipment has been recognized as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cost of sales	**270**	41
General and administrative expenses	**9,029**	7,117
Research and development expenses	**17,385**	12,845
Selling expenses	**4,626**	4,220
	31,310	24,223

16 Leases

(i) Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Right-of-use assets		
Offices	**67,747**	85,495
Plants	**7,342**	1,577
	75,089	87,072
Lease liabilities		
Current	**19,958**	9,282
Non-current	**70,153**	78,289
	90,111	87,571

Additions to the right-of-use assets during the years ended 31 December 2022 were RMB9,894 thousand (2021: RMB82,489 thousand), among which, the additions arising on business combination were RMB5,716 thousand (2021: nil).

16 Leases (continued)

(ii) Amounts recognized in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets (Note 7)		
Offices	**20,629**	8,209
Plants	**1,248**	1,051
	21,877	9,260
Interest expense (included in finance costs)	**4,227**	1,220

The total cash outflow for leases presented as financing activities of the years ended 31 December 2022 were RMB10,095 thousand (2021: RMB10,828 thousand).

The total cash outflow short-term leases presented as operating activities of the years ended 31 December 2022 were RMB3,886 thousand (2021: RMB8,217 thousand).

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices and plants. Rental contracts are typically made for fixed periods of 6 months to 5 years with no extension options. Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise small items of IT equipments.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17 Intangible assets

	Software RMB'000	Customer Relationships RMB'000	Technology RMB'000	Total RMB'000
Year ended 31 December 2022				
Opening net book amount	**5,672**	**—**	**—**	**5,672**
Additions	**1,786**	**—**	**—**	**1,786**
Acquisition of subsidiaries	**2,203**	**177,400**	**38,900**	**218,503**
Amortisation charge (Note 7)	**(5,049)**	**(9,911)**	**(4,381)**	**(19,341)**
Net book amount	**4,612**	**167,489**	**34,519**	**206,620**
As at 31 December 2022				
Cost	**10,792**	**177,400**	**38,900**	**227,092**
Accumulated amortisation	**(6,180)**	**(9,911)**	**(4,381)**	**(20,472)**
Net book amount	**4,612**	**167,489**	**34,519**	**206,620**
Year ended 31 December 2021				
Opening net book amount	603	—	—	603
Additions	5,769	—	—	5,769
Amortisation charge (Note 7)	(700)	—	—	(700)
Net book amount	5,672	—	—	5,672
As at 31 December 2021				
Cost	6,803	—	—	6,803
Accumulated amortisation	(1,131)	—	—	(1,131)
Net book amount	5,672	—	—	5,672

17 Intangible assets (continued)

Amortisation of the intangible assets has been recognized as follows:

	Year ended 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
General and administrative expenses	**669**	247
Research and development expenses	**8,761**	453
Selling and distribution expenses	**9,911**	—
	19,341	700

18 Goodwill

	As at 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Cost additions on business combination	**194,552**	—

18 Goodwill (continued)

Impairment tests for CGUs containing goodwill

The goodwill arose from the following acquisitions during the year ended 31 December 2022: 1) the acquisition of Shanghai Higher Mechanical & Electrical Co., Ltd. and its subsidiaries ("Shanghai Higher") on 31 May 2022; 2) the acquisition of Qingdao Aolipu Qizhi Intelligent Industrial Technology Co., Ltd. and its subsidiaries ("Qingdao Aolipu Qizhi") on 31 May 2022; and 3) the acquisition of Huiyan Automation Technology (Shenzhen) Co.,LTD. ("Shenzhen Huiyan") on 31 October 2022. The amount of goodwill resulting from these acquisitions are RMB96,377 thousand, RMB88,529 thousand and RMB9,646 thousand respectively. Shanghai Higher is mainly engaged in developing and delivering AI-based products and solutions for the manufacture industries in the PRC. Qingdao Aolipu Qizhi mainly provides integrated solutions for intelligent industrial automation systems in area of intelligent manufacturing. Shenzhen Huiyan is a system integrator providing hardware components development, agency services and softwares for manufacturing businesses.

The Group carries out annual impairment test on goodwill by comparing the recoverable amounts of CGU to the carrying amounts. Goodwill arising from the acquisition of Shanghai Higher, Qingdao Aolipu Qizhi and Shenzhen Huiyan was monitored separately and assessed as separate CGUs for the purpose of impairment testing.

The recoverable amounts of these CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management generally covering a five-year period. Cash flows beyond the projection period are extrapolated using the estimated terminal growth rates stated below.

The key assumptions used for value-in-use calculations in 2022 were as follows:

	Year ended 31 December 2022		
	Shanghai Higher	**Qingdao Aolipu Qizhi**	**Shenzhen Huiyan**
Revenue (% annual growth rate)	**7.9%~36.8%**	**7.7%~63.5%**	**3.0%~68.6%**
Budgeted gross margin (%)	**28.6%~31.0%**	**47.0%~48.2%**	**8.5%**
Pre-tax discount rate (%)	**14.0%**	**14.0%**	**14.0%**

18 Goodwill (continued)

Impairment tests for CGUs containing goodwill (continued)

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Revenue	Average annual growth rate over the five-year forecast period; based on current industry trends, past performance and management's expectations for the future.
Budgeted gross margin	Historic performance and management's expectations for the future.
Pre-tax discount rate	Specific risks relating to the relevant segments and the country in which they operate.

There was no impairment required from the review on goodwill. The directors and management have considered and assessed reasonably possible changes for key assumptions and have not identified any reasonably possible change in assumptions would result in impairment provision.

Based on the headroom of the impairment assessments, management believed that any reasonably possible change in any of the key assumptions would not result in an impairment provision of goodwil.

19 Other non-current assets

	As at 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Deposits	**13,948**	11,810
Prepayments (non-current portion)	**10,819**	—
	24,767	11,810

20 Investments accounted for using the equity method

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	**—**	—
Acquisition of subsidiaries	**1,030**	—
Disposals	**(113)**	—
Share of losses	**(575)**	—
At the end of the year	**342**	—

The associates are non-listed companies and there is no quoted market price available for their shares.

There are no material contingent liabilities relating to the Group's interest in the associates.

21 Financial instruments by category

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
Financial assets at fair value:			
Financial assets at FVOCI	25	**5,310**	34,333
Financial assets at FVPL	26	**156,020**	—
		161,330	34,333
Financial assets at amortised cost:			
Other non-current assets	19	**13,948**	11,810
Trade and notes receivables	23	**534,422**	362,000
Other receivables	24	**35,657**	9,991
Amounts due from related parties	44(c)	**38,091**	3,206
Restricted cash	27	**9,915**	2,697
Cash and cash equivalents	27	**1,642,665**	1,553,150
		2,274,698	1,942,854
		2,436,028	1,977,187

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
Financial liabilities at fair value:			
Financial liabilities at FVPL	39	**147,537**	—
Financial liabilities at amortised cost:			
Trade and notes payables	37	**280,324**	227,719
Other payables and accruals (excluding other tax payables, payroll and welfare payables and warranty)	38	**58,897**	39,875
Amounts due to related parties(excluding contract liabilities)	44(c)	**20,148**	—
Lease liabilities	16	**90,111**	87,571
Borrowings	36	**57,590**	—
		507,070	355,165
		654,607	355,165

22 Inventories

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Raw materials	**26,370**	11,574
Work in progress	**81,405**	57,387
Finished goods	**1,555**	2,762
	109,330	71,723
Less: allowance for impairment of inventories	**(1,558)**	—
	107,772	71,723

The cost of inventories recognized as expenses and included in cost of sales amounted to RMB1,050,565 thousand and RMB593,927 thousand for the years ended 31 December 2022 and 2021 respectively.

As at 31 December 2022, inventories with cost of RMB1,126 thousand (2021:nil) was considered obsolete and full provision of the amount to RMB1,126 thousand was made accordingly. A provision of the amount to RMB432 thousand was acquired on 31 May 2022, the date of business combination.

The movements in provision of inventories are as follows:

	Raw materials RMB'000	Work in progress RMB'000	Finished goods RMB'000	Total RMB'000
Year ended 31 December 2022				
At the beginning of the year	—	—	—	—
Acquisition of subsidiaries	—	432	—	432
Provisions for inventories	—	456	670	1,126
At the end of the year	—	888	670	1,558

23 Trade and notes receivables

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Accounts receivable	**586,353**	406,271
Less: Provision for impairment	**(84,996)**	(49,150)
	501,357	357,121
Notes receivables	**33,065**	4,879
	534,422	362,000

As at 31 December 2022 and 2021, notes receivables were bank and commercial notes receivables aged less than six months.

The majority of the Group's receivables are with credit term mostly from 30 days to 180 days. At 31 December 2022 and 2021, the aging analysis of trade receivables based on the recognition date of the gross trade receivables at the respective reporting dates are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Accounts receivable		
Less than 3 months	**347,114**	255,302
3 months to 6 months	**73,457**	54,881
6 months to 12 months	**94,904**	62,048
1 year to 2 years	**44,997**	22,979
2 years to 3 years	**25,881**	11,061
	586,353	406,271

23 Trade and notes receivables (continued)

The movements in provision for impairment of trade and notes receivables are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	**49,150**	25,144
Acquisition of subsidiaries	**28,807**	—
Provisions for trade receivables	**34,301**	24,006
Written off as uncollectible	**(26,216)**	—
Disposal of Subsidiaries	**(1,046)**	—
At the end of the year	**84,996**	49,150

For the trade receivables, the Group has assessed the expected credit losses by taking into account historical default rates, existing market conditions and forward-looking information. Based on the assessment, the creation and reversal for impaired receivables have been included in the net impairment losses on financial assets. Amounts charged to allowance account are written off when there is no expectation of receiving the receivables.

The carrying amounts of the Group's trade and notes receivables, excluding provision for impairment, are denominated in the following currencies:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	**607,634**	411,150
USD	**11,127**	—
EUR	**657**	—
	619,418	411,150

24 Prepayments and other receivables

	As at 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Other receivables		
– Deposits for share repurchase	**16,296**	—
– Staff advances	**1,749**	366
– Deposits	**8,371**	4,663
– Others	**11,546**	4,962
Other receivables, gross	**37,962**	9,991
Provision for impairment	**(2,305)**	—
Other receivables, net	**35,657**	9,991
Prepayments to vendors	**109,322**	22,505
Recoverable value–added tax ("VAT")	**45,424**	18,997
Recoverable income tax	**536**	2,539
	190,939	54,032

The carrying amounts of the Group's other receivables, excluding provision for impairment, are denominated in the following currencies:

	As at 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
RMB	**21,666**	9,991
HKD	**16,296**	—
	37,962	9,991

The carrying amounts of other receivables approximate their fair values.

25 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 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Current		
Debt investments		
– Notes receivables aged less than six months	**5,310**	34,333

26 Financial assets at fair value through profit or loss

	As at 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Investment fund(a)	**69,260**	—
Wealth management products(b)	**14,125**	—
Listed equity securities(c)	**2,920**	—
Other financial investment instrument(d)	**69,715**	—
	156,020	—

(a) In April 2022, the Company made investment in a private equity fund, with amount of RMB73,150 thousand. The private equity fund represented assets measured at fair value, and the fair value was determined using valuation model for which not all inputs are observable and is therefore within level 3 of the fair value hierarchy (Note 3.3). Changes in fair value of the private equity fund was recognized in other loss, net.

(b) The wealth management products represented the financial products issued by public monetary funds. The public monetary fund mainly invests in financial instruments permitted by laws and regulations, including cash, short-term bank deposits, bond repurchase, bank bills and other money market instruments with good liquidity.

(c) The listed equity securities are listed stocks purchased in the public secondary market. The fair values of the listed securities are determined based on the closing price quoted in active markets.

(d) In June 2022, the Company invested about RMB 71,890 thousand to purchase a total return swaps financial product, swapped out fixed interest, and exchanged in the income or loss of the equivalent shares of a listed stock. The product is accounted for assets measured at fair value, and the fair value was determined using the observable inputs, and is therefore within level 2 of the fair value hierarchy (Note 3.3).

27 Cash and cash equivalents and restricted cash

	As at 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Cash at bank and in hand	**1,652,580**	1,555,847
Less: Restricted cash	**(9,915)**	(2,697)
Cash and cash equivalents	**1,642,665**	1,553,150

The breakdown of restricted cash by nature as at 31 December 2022 and 2021 is as follows:

	As at 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Deposits for issue of bank acceptance notes payable	**4,686**	—
Deposits for issue of letters of guarantee (i)	**5,064**	2,683
Other restricted cash	**165**	14
	9,915	2,697

(i) There are no material contingent liabilities relating to issue of letters of guarantee.

Cash at bank and in hand are denominated in the following currencies:

	As at 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
RMB	**1,595,762**	1,555,846
USD	**1**	1
HKD	**56,817**	—
	1,652,580	1,555,847

28 Paid-in capital and share capital – the Group and the Company

	Paid-in Capital (a) RMB'000	Share Capital (b) RMB'000	Number of Shares
As at 31 December 2022	—	**559,305**	559,304,838
As at 31 December 2021	—	**514,560**	514,560,438

(a) Paid-in capital

The movements in paid-in capital are set out below:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
At the beginning of the year	—	24,105
Capital injection (ii)	—	2,446
Conversion of share premium into share capital (iii)	—	(26,551)
At the end of the year	—	—

The Company was established on 6 February 2018 with an initial authorized registered and paid-in capital of RMB10,000 thousand.

(i) The Company was a limited liability company before the Company changed the type of enterprise from a limited liability company to a joint stock company on 19 May 2021, and 1 RMB paid-in capital is referred to as 1 unit capital ('Unit Capital').

(ii) Pursuant to the shareholders' resolution passed in the reporting periods, the Company received new capitals in cash of 2,446 thousand Unit Capital respectively at total consideration of RMB102,135 thousand in the year ended 31 December 2021.

(iii) On 19 May 2021, the Company changed the type of enterprise from a limited liability company to a joint stock company. The details are disclosed in Note 28(b)(i).

28 Paid-in capital and share capital – the Group and the Company (continued)

(b) Share capital

The movements in share capital are set out below:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	**514,560**	—
Conversion into a joint stock company (i)	**—**	26,551
Capital injection (ii)	**—**	2,035
Conversion of share premium into share capital (iii)	**—**	485,974
Issuance of ordinary shares (iv)	**44,745**	—
At the end of the year	**559,305**	514,560

(i) On 19 May 2021, the Company changed the type of enterprise from a limited liability company to a joint stock company. The net assets of the Company as of the conversion date, amounting to RMB1,718,968 thousand, were converted into 26,551,000 ordinary shares at RMB1.00 each. The excess of net assets converted over nominal value of the ordinary shares and other reserves resulted from share-based payments was credited to the Company's share premium.

(ii) Pursuant to a capital increase agreement dated 21 May 2021, SVF II Zeal Subco (Singapore) Pte. Ltd. subscribed for an increased share capital of RMB2,035 thousand with a consideration of USD115,000 thousand which is equivalent to RMB736,344 thousand.

(iii) On 3 June 2021, the share capital of the Company was increased to RMB 514,560 thousand by way of conversion of share premium into share capital in the same shareholders' portion according to the existing shareholding structure.

(iv) On 27 January 2022, the Company completed its listing on The Stock Exchange of Hong Kong Limited with 44,744,400 shares of the Company issued at an offer price of HK$26.3 per share. The issuance of 44,744,400 shares, net of underwriting commission and other issuance cost, led to an increase of share capital and share premium by approximately RMB44,745 thousand and RMB888,107 thousand, respectively.

29 Treasury shares

	As at 31 December 2021 RMB'000	Increase in the current year RMB'000	As at 31 December 2022 RMB'000
Shares repurchase	—	258,821	258,821

Pursuant to a resolution by the shareholders of the Company at the annual general meeting held on 10 May 2022, the board of directors of the Company was granted a general mandate (the "Share Repurchase Mandate") to repurchase shares of the Company no more than 10% of the total number of the shares of the Company in issue at the time of the passing of the resolution at the annual general meeting. On 16 May 2022, the board of directors of the Company duly resolved to exercise the above Share Repurchase Mandate to repurchase the shares of the Company in the open market for an amount not exceeding HK$315,000 thousand, during the repurchase period from 10 May 2022 to the end of the 2022 annual general meeting.

For the year ended 31 December 2022, the cumulative number of shares repurchased by the Company was 13,320,400 shares with total consideration amounting to approximately HK$296,174 thousand (equivalent to approximately RMB258,821 thousand), accounting for around 2.38% of the total number of share of the Group. Such shares will be subjected to cancellation after the repurchase.

30 Capital reserve and Share premium - the Group and the Company

Capital reserve of the Group and the Company represents the capital contribution premium from shareholders and deduction for obligation as a result of additional redeemable rights. Where the Company received capitals at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums over paid-in capital shall be classified as capital contribution premium.

Since the date of incorporation, the Company has completed several rounds of financing by issuing Redeemable Shares with redemption rights, liquidation preference, anti-dilution rights, tag-along rights, and drag-along rights etc. The Company recognized the present value of expected redemption amount of the Redeemable Shares at the date of capital injection as financial liabilities carried at amortised cost. On 30 March 2021, pursuant to the agreement of shareholders, shareholders with Redeemable Shares waived redeemable rights against the Company, tag-long rights, drag-along rights, anti-dilution and liquidation preference. As a result, the Company transferred the balance of financial liabilities of redeemable shares to capital reserve.

On 19 May 2021, the Company changed the type of enterprise from a limited liability company to a joint stock company. The net assets of the Company as of the conversion date, amounting to RMB1,718,968 thousand, were converted into 26,551,000 ordinary shares at RMB1.00 each.

The excess of net assets converted over nominal value of the ordinary shares and other reserves resulted from share-based payments was credited to the Company's share premium.

31 Other reserves

Other reserves of the Group during the reporting periods comprises changes in the fair value of certain investments in equity securities in OCI, deduction arising from transactions with non-controlling interests, share-based payment reserve, and currency translation differences. The Group has elected to recognize changes in the fair value of certain investments in equity securities in OCI, as explained in Note 2.12. These changes are accumulated within the FVOCI reserve within equity.

31 Other reserves (continued)

	Financial assets at FVOCI(i) RMB'000	Share-based payment reserve (Note 33) RMB'000	Currency translation differences RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 31 December 2020	(2,394)	210,319	—	(118,796)	89,129
Share-based payment expenses (Note 33)	—	406,967	—	—	406,967
Changes in the fair value of equity investments at fair value through other comprehensive income	22	—	—	—	22
Disposal of financial assets at fair value through other comprehensive income(ii)	2,372	—	—	—	2,372
Balance at 31 December 2021	—	617,286	—	(118,796)	498,490
Share-based payment expenses (Note 33)	—	173,294	—	—	173,294
Currency translation differences	—	—	98	—	98
Balance at 31 December 2022	**—**	**790,580**	**98**	**(118,796)**	**671,882**

(i) It mainly represents changes in the fair value of certain investments in equity securities in OCI. The Group has elected to recognize changes in the fair value of certain investments in equity securities in OCI. These changes are accumulated within the FVOCI reserve within equity.

(ii) Pursuant to the agreement dated 30 April 2021, the Group disposed the financial assets at FVOCI of Beijing Sinovation Ventures Kuangshi International Artificial Intelligence Technology Research Institute Co., Ltd. at a total consideration of RMB128 thousand.

32 Accumulated losses

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	**(902,873)**	(675,887)
Loss for the year - Attributable to owners of the Company	**(363,042)**	(636,599)
Conversion into a joint stock company	—	411,985
Disposal of financial assets at fair value through other comprehensive income	—	(2,372)
At the end of the year	**(1,265,915)**	(902,873)

33 Share-based payments

Share-based compensation benefits are provided to certain directors, senior management, employees and consultants via the Company's share incentive schemes, which includes the grant of RSUs and share options through several limited partnership entities, as rewards for their services, full time devotion and professional expertise to the Company and certain of its subsidiaries.

10 unit RSUs granted before the Company converted into stock company are equivalent to 1 Unit Capital and equivalent to 18 share capital of the Company after the Company converted into stock company and completed the share conversion from share premium into share capital at the conversion ratio of 1:17.

33 Share-based payments (continued)

The following table summarizes the Group's share option activities:

	Year ended 31 December			
	2022		2021	
	Weighted average exercise price RMB	Number of share options '000	Weighted average exercise price RMB	Number of share options '000
As at the beginning of the year	**0.1**	**—**	0.1	11,725
Granted during the year	**0.1**	**—**	0.1	5,107
Forfeited during the year	**0.1**	**—**	0.1	(883)
Transferred to RSUs	**0.1**	**—**	0.1	(15,949)
	0.1			
As at the end of the year	**0.1**	**—**	0.1	—

The following table summarizes the Group's RSU activities:

	Year ended 31 December	
	2022	2021
	Number of RSUs '000	Number of RSUs '000
Granted but not yet vested at the beginning of the year	**33,213**	13,204
Granted during the year	**7,930**	16,151
Forfeited during the year	**(8,211)**	(1,640)
Vested during the year	**(13,473)**	(10,451)
Transferred from share options	**—**	15,949
Granted but not yet vested at the end of the year	**19,459**	33,213

The share-based payment expenses in relation to the share options and RSUs will be amortized according to different vesting schedules which mainly range from one year to four years with the proportion of achieving performance conditions.

33 Share-based payments (continued)

The inputs into the model

The fair values of share options were calculated using the binomial option pricing model. The inputs into the model were as follows:

	Year ended 31 December	
	2022	2021
	RMB	RMB
Unit capital value of one share option	**NA**	26.49~26.67
Exercise price	**NA**	0.10
Expected volatility	**NA**	48.60%
Risk-free rate	**NA**	3.22%~3.32%
Expected dividend yield	**NA**	0.00%

Expected volatility was estimated based on the historical share price movement of the comparable companies for the period of time close to the expected time to exercise. Risk-free rate was based on the market yield of the PRC Treasury Curve and country risk differential as of the respective valuation dates.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Group's best estimate. The value of an option varies with different variables of certain subjective assumptions.

33 Share-based payments (continued)

The inputs into the model (continued)

The fair values of the share options and RSUs granted to certain directors, senior management, employees and consultants during the reporting periods were as follows:

	Year ended 31 December	
	2022	**2021**
	RMB	**RMB**
Fair value of one share option	**—**	26.39~26.57
Fair value of one RSU	**24.86~37.86**	26.57~39.97

Share-based payment expenses of and RMB173,294 thousand have been recognized in profit or loss for years ended 31 December 2022 (2021: RMB406,967 thousand).

34 Other non-current liabilities

	As at 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Government grants	**15,523**	26,579

Government grants provided to the Group mainly related to financial subsidy from the local government in the PRC.

The amount of government grants that credited to the statement of comprehensive income is disclosed in Note 8.

35 Deferred income tax

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	17	—
– to be recovered within 12 months	4,551	—
Offset by deferred tax liabilities	(4,568)	—
	—	—
Deferred income tax liabilities:		
– to be recovered after more than 12 months	(27,755)	—
– to be recovered within 12 months	(4,135)	—
Offset by deferred tax assets	4,568	—
	(27,322)	—

(i) Deferred tax assets

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
Provision for impairment of inventories and loss allowance of trade receivables	3,608	—
Accrued employee benefits	647	—
Fair Value change on financial liabilities at FVPL	296	—
Lease liabilities	17	—
Total deferred tax assets	4,568	—

35 Deferred income tax (continued)

(i) Deferred tax assets (continued)

The movements in deferred income tax assets are as follows:

	Provisions and accruals RMB'000	Accrued employee benefits RMB'000	Fair Value change on financial liabilities at FVPL RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021 and 2022	—	—	—	—	—
Acquisition of a subsidiary (Note 43)	2,045	—	256	—	2,301
Credited to profit or loss	1,563	647	40	17	2,267
At 31 December 2022	**3,608**	**647**	**296**	**17**	**4,568**

(ii) Deferred tax liabilities

	As at 31 December 2022 RMB'000	2021 RMB'000
The balance comprises temporary differences attributable to:		
Intangible assets	**(31,510)**	—
Right-of-use assets	**(297)**	—
Property, plant and equipment	**(83)**	—
Total deferred tax liabilities	**(31,890)**	—

35 Deferred income tax (continued)

(ii) Deferred tax liabilities (continued)

The movements in deferred income tax liabilities are as follows:

	Right-of-use assets RMB'000	Intangible assets RMB'000	Property, plant and equipment RMB'000	Inventory RMB'000	Total RMB'000
At 1 January 2021 and 2022	—	—	—	—	—
Acquisition of a subsidiary (Note 43)	—	(33,675)	(84)	(43)	(33,802)
(Charged)/Credit to profit or loss	(297)	2,165	1	43	1,912
At 31 December 2022	**(297)**	**(31,510)**	**(83)**	**—**	**(31,890)**

The expiration of tax losses carried forward for which deferred income tax assets is not recognized is as follows:

	As at 31 December 2022 RMB'000	2021 RMB'000
Tax losses expiring within 1 years	**571**	—
Tax losses expiring between 1-2 years	**2,149**	4,129
Tax losses expiring between 2-3 years	**20,546**	32,918
Tax losses expiring between 3-4 years	**46,683**	44,805
Tax losses expiring between 4-5 years	**35,421**	68,549
Tax losses expiring between 5-6 years	**48,445**	—
Tax losses expiring between 6-7 years	**184,311**	49,506
Tax losses expiring between 7-8 years	**159,385**	165,975
Tax losses expiring between 8-9 years	**165,273**	134,224
Tax losses expiring between 9-10 years	**218,703**	166,884
	881,487	666,990

35 Deferred income tax (continued)

(ii) Deferred tax liabilities (continued)

Unrecognized temporary differences are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Temporary difference for which no deferred tax asset was recognized:		
– Provisions for impairment	**67,941**	49,339
– Accrued expenses and others	**157,808**	70,890
	225,749	120,229

36 Borrowings

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Current		
– Borrowings in relation to discounting notes receivable (i)	**640**	—
– Bank loans secured (ii)	**6,000**	—
– Bank loans guaranteed (iii)	**45,950**	—
– Bank loans unsecured	**5,000**	—
	57,590	—

(i) As at 31 December 2022, borrowings in relation to discounting notes receivable with aggregated amount of RMB640 thousand represented the proceeds received from the discounting of the Group's notes receivable with recourse. As these notes receivable had not yet matured, the proceeds were recorded as borrowings.

(ii) As at 31 December 2022, secured bank loans with aggregated amount of RMB6,000 thousand were secured by the pledge of a property owned by a director and minority shareholder of a subsidiary of the Group.

36 Borrowings (continued)

(iii) As at 31 December 2022, the bank loans with aggregated amount of RMB45,950 thousand were guaranteed by: 1) Mr. Li Weiguo and a guarantee company to the extent of RMB8,000 thousand; 2) Mr. Li Weiguo to the extent of RMB2,000 thousand; 3) Mr. Chen Hong and Mrs. Liao Lu, the directors and minority shareholders of Shanghai Higher Mechanical & Electrical Co., Ltd., and a guarantee company to the extent of RMB18,000 thousand; 4) Mr. Chen Hong and a guarantee company to the extent of RMB10,000 thousand; 5) Mr. Chen Hong and Mrs. Liao Lu to the extent of RMB7,950 thousand.

For the year ended 31 December 2022, the weighted average effective interest rate for borrowings was 3.76% per annum (2021: nil). The borrowings of the Group are loans all denominated in RMB.

37 Trade and notes payables

	As at 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Accounts payable	**275,700**	222,086
Notes payable	**4,624**	5,633
	280,324	227,719

37 Trade and notes payables (continued)

As at 31 December 2022 and 2021, the aging analyses of the trade and notes payables based on transaction date were as follows:

	As at 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Within 3 months	**206,126**	161,929
Between 3 months and 6 months	**25,872**	34,947
Between 6 months and 1 year	**24,005**	28,144
Between 1 year and 2 years	**18,846**	2,465
Between 2 years and 3 years	**5,475**	234
	280,324	227,719

The carrying amounts of trade and notes payables approximate their fair values.

38 Other payables and accruals

	As at 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Accruals and other payables	**51,164**	39,875
Payroll and welfare payables	**80,917**	38,765
Interest payable on convertible bonds	**7,733**	—
Warranty	**3,838**	—
Other taxes payable	**18,723**	5,233
	162,375	83,873

The carrying amounts of other payables and accruals approximate their fair values.

39 Financial liabilities at fair value through profit or loss

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Contingent considerations (a)	**117,606**	—
Convertible bond (b)	**29,931**	—
	147,537	—

(a) In May 2022, the Company entered into two share transfer agreements with shareholders of two companies to acquire an aggregate 51% interests in each of the two companies with fixed considerations and contingent considerations which would be adjusted according to the performance commitment. The contingent considerations represented liabilities measured at fair value, and the fair value was determined using valuation model for which not all inputs are observable and is therefore within level 3 of the fair value hierarchy (Note 3.3). The contingent considerations at date of acquisition in May 2022 amounted to RMB 109,416 thousand (Note 43) and it was increased to RMB117,606 thousand as at 31 December 2022.

(b) Jiangsu Epsa Automation Technology Co., Ltd. ("Jiangsu Epsa"), a subsidiary newly acquired by the Group in May 2022, entered into an investment agreement with an investor for the issuance of convertible bonds with principal amount of RMB30,000 thousand in October 2019. According to the terms of the investment agreement, during the 48 months since the date of issuance, at the investor's option, the conversion right was exercisable on the investor's demand in exchange for shares of Jiangsu Epsa, and the investor has the right to request Jiangsu Epsa to redeem the convertible bonds or shares if converted, with 100% of its issue price plus 8% annual simple interest rate.

The conversion price is based on negotiation between Jiangsu Epsa and the investor. The Group designate the entire hybrid contract as at fair value through profit or loss and recognized financial liabilities of RMB 29,882 thousand at date of acquisition in May 2022 (Note 43). As at 31 December 2022, the total fair value of the convertible bonds amounted to approximately RMB29,931 thousand and the changes in fair value of RMB49 thousand was recognized as loss in the consolidated statements of comprehensive loss in 2022.

40 Contract liabilities

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Contract liabilities		
– Sales of products and solutions	**105,183**	43,649

(i) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year	**42,333**	35,624

(ii) Unsatisfied performance obligations

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Sales of products and solutions, to be recognized:		
- Within 1 year	**486,031**	310,380
- After 1 year but less than 3 years	**29,183**	64,336
	515,214	374,716

The revenue relating to data solutions are recognized based on the actual usage by the customer and thus the Group applied the expedient under IFRS 15 for not disclosing of unsatisfied performance obligation.

41 Cash used in operations

(a) Cash generated from operations

The reconciliation from loss before income tax to cash used in operations is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss before income tax	**(361,672)**	(634,916)
Adjustment for:		
Depreciation of property, plant, and equipment and right-of-use assets and amortisation of intangible asset	**72,528**	34,183
Losses on disposal of property, plant and equipment	**334**	6
Fair value losses on financial assets and liabilities at FVPL	**8,716**	—
Interests received on financial assets at FVPL	**(632)**	(4,883)
Interest expenses on lease liabilities	**4,227**	1,220
Interest income	**(38,708)**	(24,022)
Provision for write-down of inventories (Note 22)	**1,126**	—
Net impairment losses on financial assets	**37,022**	24,057
Share-based payment expenses	**173,294**	406,967
Share of loss of investments accounted for using the equity method	**575**	—
Finance cost of financial liabilities of redeemable shares	**—**	34,877
Interest expenses on bank borrowings	**2,462**	—
Interest expenses on convertible bonds	**1,400**	—
Net foreign exchange (gains)/losses	**(5,727)**	5,750
Operating loss before changes in working capital	**(105,055)**	(156,761)
Changes in working capital:		
Decrease/(increase) in inventories	**132,532**	(16,413)
Increase in trade and notes receivables	**(132,998)**	(196,452)
Increase in Prepayments and other receivables	**(65,519)**	(26,703)
Decrease/(increase) in other operating assets	**9,588**	(29,568)
(Decrease)/increase in trade and notes payables	**(34,614)**	164,520
(Decrease)/increase in contract liabilities	**(152,137)**	5,209
Increase/(decrease) in other operating liabilities	**4,159**	(2,623)
Cash used in operations	**(344,044)**	(258,791)

41 Cash used in operations (continued)

(a) Cash generated from operations (continued)

(a) Major non-cash transaction

For years ended 31 December 2022, the Group endorsed bank notes receivables to the suppliers for purchase of goods amounting to approximately RMB56,967 thousand (2021: RMB2,442 thousand).

(b) Net debt reconciliation

	Cash and cash equivalents RMB'000	Lease liabilities RMB'000	Financial liabilities of redeemable shares RMB'000	Borrowings (including related party borrowing) RMB'000	Convertible bonds RMB'000	Total RMB'000
Net debt as at 31 December 2020	1,042,502	(14,690)	(1,659,214)	—	—	(631,402)
Cash flows	510,648	10,828	(100,000)	—	—	421,476
Acquisitions and other non-cash movement	—	(83,709)	1,759,214	—	—	1,675,505
Net debt as at 31 December 2021	1,553,150	(87,571)	—	—	—	1,465,579
Cash flows	89,515	10,095	—	(20,257)	—	79,353
Acquisitions and other non-cash movement	—	(12,635)	—	(56,703)	(29,931)	(99,269)
Net debt as at 31 December 2022	**1,642,665**	**(90,111)**	**—**	**(76,960)**	**(29,931)**	**1,445,663**

42 Capital commitments

As at 31 December 2022 and 2021, the Group had the following capital commitments:

	As at 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Contracted but not provided for		
–Leasehold improvement	**1,613**	27,136

43 Business combination

During the year ended 31 December 2022, the Group acquired 51% equity interests of two companies, Shanghai Higher and Qingdao Aolipu Qizhi, engaging in the business disclosed in Note 18 in May 2022, and acquired 80% equity interests of another company, Shenzhen Huiyan, engaging in the business disclosed in Note 18 in October 2022, at total considerations of RMB250,716 thousand, of which, RMB141,300 thousand was paid in cash and RMB109,416 thousand representing the contingent considerations that was recognized as financial liabilities at fair value through profit or loss (Note 39). The three companies became subsidiaries of the Group since the acquisition day. The purchase resulted in a net cash outflow of RMB120,862 thousand for the year ended 31 December 2022.

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

	RMB'000
Total purchase consideration	
Cash considerations paid	141,300
Contingent considerations as at purchase day	109,416
	250,716

43 Business combination (continued)

	RMB'000
Total recognized amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	17,861
Right-of-use assets	5,716
Intangible assets (a)	218,503
Deferred income tax assets	2,301
Investment accounted for using the equity method	1,030
Inventories	169,707
Prepayments and other receivables	54,740
Trade and notes receivables	84,018
Financial assets at fair value through profit or loss	6,149
Restricted cash	239
Cash and cash equivalents	20,438
Lease liabilities	(4,230)
Deferred income tax liabilities	(33,802)
Financial liabilities at fair value through profit or loss	(29,882)
Borrowings	(56,703)
Trade and notes payables	(87,219)
Contract liabilities	(213,974)
Other payables and accruals	(31,529)
Current income tax liabilities	(150)
Total identified net assets	**123,213**
Less: Non-controlling interests	**(67,049)**
Total identified net assets acquired by the Group	**56,164**
Goodwill arising on acquisition:	
Total purchase consideration	**250,716**
Less: Total identified net assets acquired by the Group	**(56,164)**
Goodwill arising on acquisition (b)	**194,552**
Outflow of cash to acquire business, net of cash acquired:	
Cash considerations paid	**(141,300)**
Cash and cash equivalents in the entities acquired	**20,438**
Net cash outflow from the acquisition	**(120,862)**

43 Business combination (continued)

(a) The identified intangible assets for the acquisition consist of customer relationship and technology. They are initially recognized and measured at fair value as they are acquired in business combinations. When determining the length of useful lives of these intangible assets, management take into account (i) the estimated period during which such asset can bring economic benefits to the Group; and (ii) the useful life estimated by comparable companies in the market.

(b) The goodwill of RMB194,552 thousand recognized represents the excess of the purchase consideration over the fair value of the net identifiable assets acquired. The goodwill recorded, not deductible for tax purposes, is primarily attributable to the rich industry implementation experience in vertical segmentation industries of three companies, therefore the Group can further expand into relevant industry and acquire a rich source of industry knowledge for the continuous iteration of AI products and solutions.

44 Related party transactions

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) The directors of the Company are of the view that the following parties/companies were related parties that had transaction or balances with the Group during the reporting periods:

Name of related parties	Relationship with the Company
Sinovation Ventures (Beijing) Enterprise Management Limited ("Sinovation Ventures")	Shareholder of the Company
CISDI Information Technology Co., Ltd. (formerly known as "CISDI (Chongqing) Information Technology Co., Ltd.") ("CISDI Information")	Minority shareholder of a subsidiary
CISDI Group Co., Ltd.	The parent company of CISDI Information
CISDI Engineering Co., Ltd.	Controlled by CISDI Group Co., Ltd.
Mr. Chen Hong	Director and minority shareholder of a subsidiary
Mr. Li Weiguo	Director and minority shareholder of a subsidiary
Ms. Liao Lu	Director and minority shareholder of a subsidiary
Qingdao Aolipu Intelligence Manufacturing Research Institute Co., Ltd.	Associate of the Group
Aolipu (Beijing) Intelligence Technology Co., Ltd.	Associate of the Group

Other than as disclosed elsewhere in this report, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the reporting periods.

44 Related party transactions (continued)

(b) Transactions with related parties

Significant related party transactions of the Group are listed as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
(i) Sales and services to related parties		
CISDI Engineering Co., Ltd.	**64,876**	—
Sinovation Ventures	**5,758**	2,388
CISDI Information	**—**	17,254
	70,634	19,642
(ii) Services provided by related parties		
CISDI Group Co., Ltd.	**512**	—
(iii) Pay on behalf of the Group by a related party		
CISDI Information	**—**	1,013
(iv) Received loans from a related party		
Mr. Li Weiguo	**19,370**	—

44 Related party transactions (continued)

(c) Balances with related parties

	As at 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
(i) Receivables from related parties		
Trade		
Accounts receivable		
– CISDI Engineering Co., Ltd.	**36,204**	—
– Sinovation Ventures	**3,827**	1,266
– CISDI Information	**918**	2,129
	40,949	3,395
Provisions	**(3,436)**	(189)
	37,513	3,206
Non-Trade		
Other receivables		
– Aolipu (Beijing) Intelligence Technology Co., Ltd.	**578**	—
	578	—

44 Related party transactions (continued)

(c) Balances with related parties (continued)

	As at 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
(ii) Payables to related parties		
Trade		
Contract liabilities		
– CISDI Information	**303**	—
Non-Trade		
Other payables and accruals		
– Mr. Li Weiguo	**19,899**	—
– Qingdao Aolipu Intelligence Manufacturing Research Institute Co., Ltd.	**249**	—
	20,148	—

(d) Key management compensation

Key management includes directors (executive and non-executive), supervisors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Salaries, bonus and other welfare	**14,407**	8,443
Share-based payment expenses	**100,678**	117,321
	115,085	125,764

45 Balance sheet and reserve movement of the Company

(a) Balance sheet of the Company

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investment in subsidiaries	**671,630**	341,913
Property, plant and equipment	**25,363**	27,459
Intangible assets	**1,775**	—
Other non-current assets	**15,737**	—
	714,505	369,372
Current asset		
Inventories	**486**	11,192
Prepayments and other receivables	**59,171**	16,507
Trade and notes receivables	**225,899**	117,535
Financial assets at fair value through profit or loss	**153,100**	—
Amounts due from subsidiaries	**858,649**	975,506
Restricted cash	**—**	192
Cash and cash equivalents	**1,498,419**	1,129,847
	2,795,724	2,250,779
Total assets	**3,510,229**	2,620,151

45 Balance sheet and reserve movement of the Company (continued)

(a) Balance sheet of the Company (continued)

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
EQUITY		
Equity attributable to owners of the Company		
Share capital	**559,305**	514,560
Share premium	**2,562,978**	1,674,871
Less: Treasury share	**(258,821)**	—
Other reserves	**790,580**	617,286
Accumulated losses	**(530,042)**	(348,307)
Total equity	**3,124,000**	2,458,410
LIABILITIES		
Non-current liabilities		
Financial liabilities at fair value through profit or loss	**73,166**	—
Current liabilities		
Trade and notes payables	**75,083**	72,706
Contract liabilities	**4,559**	7,664
Other payables and accruals	**43,873**	32,864
Amounts due to related parties	**—**	—
Amounts due to subsidiaries	**145,108**	48,507
Financial liabilities at fair value through profit or loss	**44,440**	—
	313,063	161,741
Total liabilities	**386,229**	161,741
Total equity and liabilities	**3,510,229**	2,620,151

The balance sheet of the Company was approved by the board of directors of the Company on 31 March 2023 and was signed on its behalf by:

Xu hui
Director

Wang hua
Director

45 Balance sheet and reserve movement of the Company (continued)

(b) Reserve movements of the Company

	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 31 December 2020	210,319	(339,232)	(128,913)
Loss for the year	—	(421,060)	(421,060)
Transactions with owners in their capacity as owners			
– Conversion into a joint stock company (Note 30)	—	411,985	411,985
– Share-based payment expenses (Note 33)	406,967	—	406,967
Balance at 31 December 2021	617,286	(348,307)	268,979
Loss for the year	—	(181,735)	(181,735)
Transactions with owners in their capacity as owners			
– Share-based payment expenses (Note 33)	173,294	—	173,294
Balance at 31 December 2022	**790,580**	**(530,042)**	**260,538**

46 Benefits and interests of directors

(a) Directors' and the chief executive officer's emoluments

For the year ended 31 December 2022:

Name	Fees RMB'000	Wages, salaries and bonuses RMB'000	Pension costs-defined contribution plans RMB'000	Other social security and housing fund RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Chairman:						
Dr. Kai-Fu Lee	–	–	–	–	–	–
Chief executive officer:						
Mr. Xu Hui	–	1,900	63	63	67,689	69,715
Directors:						
Mr. Wang Hua						
Mr. Wang Jinqiao*	97	–	–	–	–	97
Mr. Zhou Wei**	–	–	–	–	–	–
Mr. Xie Deren	432	–	–	–	–	432
Ms. Jin Keyu	346	–	–	–	–	346
Ms. Gao Yingxin	346	–	–	–	–	346
Supervisor:						
Ms. Lin Ying	–	–	–	–	–	–
Mr. Gu Xuan Richard**	–	–	–	–	–	–
Mr. Nie Mingming	–	268	36	31	–	335
Ms. Duan Chengjin*	–	–	–	–	–	–
Total:	1,221	2,168	99	94	67,689	71,271

* Mr. Wang Jinqiao was appointed as director in September 2022. Ms. Duan Chengjin was appointed as supervisor in September 2022.

** Mr. Zhou Wei resigned as director in July 2022. Mr. Gu Xuan Richard resigned as supervisor in September 2022.

46 Benefits and interests of directors (continued)

(a) Directors' and the chief executive officer's emoluments (continued)

For the year ended 31 December 2021:

Name	Fees	Wages, salaries and bonuses	Pension costs-defined contribution plans	Other social security and housing fund	Share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman:						
Dr. Kai-Fu Lee	—	—	—	—	—	—
Chief executive officer:						
Mr. Xu Hui	—	1,698	57	57	68,428	70,240
Directors:						
Mr. Wang Hua	—	—	—	—	—	—
Ms. Tao Ning**	—	—	—	—	—	—
Ms. Wang Jing**	—	120	25	27	125	297
Mr. Jiang Shaoqin**	—	—	—	—	—	—
Mr. Zhang Fa'en**	—	822	25	27	899	1,773
Mr. Liang Guozhong**	—	—	—	—	—	—
Mr. Fang Yimin**	—	—	—	—	—	—
Mr. Zhou Wei	—	—	—	—	—	—
Ms. Zou Yanshu**	—	—	—	—	—	—
Mr. Xie Deren*	259	—	—	—	—	259
Ms. Siu Hera Kitwan*	166	—	—	—	—	166
Ms. Gao Yingxin*	207	—	—	—	—	207
Ms. Jin Keyu*	41	—	—	—	—	41
Supervisor:						
Ms. Lin Ying	—	—	—	—	—	—
Mr. Gu Xuan Richard*	—	—	—	—	—	—
Mr. Nie Mingming*	—	246	29	27	—	302
Total:	673	2,886	136	138	69,452	73,285

46 Benefits and interests of directors (continued)

(a) Directors' and the chief executive officer's emoluments (continued)

* Mr. Xie Deren, Ms. Siu Hera Kitwan and Ms. Gao Yingxin were appointed as independence directors in May 2021. Mr. Gu Xuan Richard and Mr. Nie Mingming were appointed as supervisors in May 2021. Ms. Jin Keyu was appointed as independence director in November 2021.

** Ms. Tao Ning, Ms. Wang Jing, Mr. Jiang Shaoqing, Mr. Zhang Fa'en, Mr. Liang Guozhong, Mr. Fang Yimin and Ms. Zou Yanshu resigned as directors in May 2021. Ms. Siu Hera Kitwan resigned as independence director in November 2021.

The Company's other senior management's remuneration includes salaries, wages, bonuses and share-based payment expenses. For the year ended 31 December 2022, the Company's other senior management's remuneration was within the range between RMB43,500 thousand to RMB44,000 thousand (2021: RMB52,000 thousand to RMB52,500 thousand).

(i) Directors' retirement benefits

None of the directors received or will receive any retirement benefits for the reporting periods.

(ii) Directors' termination benefits

None of the directors received or will receive any termination benefits for the reporting periods.

(iii) Consideration provided to third parties for making available directors' services

During the reporting periods, the Company did not pay consideration to any third parties for making available directors' services.

(iv) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealing in favour of directors, controlled bodies corporate by and connected entities with such directors during the reporting periods.

(v) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the reporting periods.

47 Subsidiaries

As at 31 December 2022, the Company had direct and indirect interest in the following subsidiaries:

Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital ('000)	Attributable equity interest to the Company	Principal activities and place of operation
AInnovation (Beijing) Technology Co., Ltd. (創新奇智(北京)科技有限公司)	Limited liability company	The PRC 24 April 2018	RMB 10,000	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
AInnovation (Chongqing) Technology Co., Ltd. (創新奇智(重慶)科技有限公司)	Limited liability company	The PRC 7 June 2018	RMB 10,000	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
AInnovation (Nanjing) Technology Co., Ltd. (創新奇智(南京)科技有限公司)	Limited liability company	The PRC 15 June 2018	RMB 6,820	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
AInnovation (Guangzhou) Technology Co., Ltd. (創新奇智(廣州)科技有限公司)	Limited liability company	The PRC 3 July 2018	RMB 20,000	80.00	Technology and software development, artificial intelligence research and product development, in the PRC
AInnovation (Hefei) Technology Co., Ltd. (創新奇智(合肥)科技有限公司)	Limited liability company	The PRC 25 July 2018	RMB 10,000	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
AInnovation (Chengdu) Technology Co., Ltd. (創新奇智(成都)科技有限公司)	Limited liability company	The PRC 26 February 2019	RMB 10,000	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
Chongqing CISAI Technology Co., Ltd. (重慶賽迪奇智人工智能科技有限公司)	Limited liability company	The PRC 29 March 2019	RMB 10,000	51.00	Technology and software development, artificial intelligence research and product development, in the PRC
AInnovation (Qingdao) Technology Co., Ltd. (創新奇智(青島)科技有限公司)	Limited liability company	The PRC 1 April 2019	RMB 20,000	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
RewinCloud (Chongqing) Technology Co., Ltd. (睿雲奇智(重慶)科技有限公司)(i)	Limited liability company	The PRC 14 June 2019	RMB 50,000	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
AInnovation (Shanghai) Technology Co., Ltd. (創新奇智(上海)科技有限公司)	Limited liability company	The PRC 30 September 2019	RMB 10,000	100.00	Technology and software development, artificial intelligence research and product development, in the PRC

47 Subsidiaries (continued)

As at 31 December 2022, the Company had direct and indirect interest in the following subsidiaries: (continued)

Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital ('000)	Attributable equity interest to the Company	Principal activities and place of operation
AInnovation (Xi'an) Technology Co., Ltd. (創新奇智(西安)科技有限公司)	Limited liability company	The PRC 28 October 2019	RMB 10,000	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
AInnovation (Shenzhen) Technology Co., Ltd. (創新奇智(深圳)技術有限公司)	Limited liability company	The PRC 10 June 2020	RMB 10,000	100.00	Technology and software development, artificial intelligence research and product development, equipment manufacture, in the PRC
China Railway Qizhi (Hefei) Technology Co., Ltd. (中鐵奇智(合肥)科技有限公司)	Limited liability company	The PRC 2 February 2021	RMB 10,000	51.00	Technology and software development, artificial intelligence research and product development, in the PRC
AInnovation (Zhejiang) Technology Co., Ltd. (創新奇智(浙江)科技有限公司)	Limited liability company	The PRC 23 February 2021	RMB 10,000	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
AInnovation Yiming (Anhui) Technology Co., Ltd. (依明奇智(安徽)科技有限公司) (ii)	Limited liability company	The PRC 9 December 2022	Nil paid	51.00	Technology and software development, artificial intelligence research and product development, in the PRC
Shanghai Zhicheng Zhiqi Technology Co., Ltd. (上海智成智奇科技有限公司) (ii)	Limited liability company	The PRC 26 January 2022	Nil paid	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
Shanghai Higher Mechanical & Electrical Co., Ltd. (上海浩亞智能科技股份有限公司)	Limited liability company	The PRC 21 July 2003	RMB 64,000	51.00	Technology and software development, artificial intelligence research and product development, in the PRC
Qingdao Aolipu Qizhi Intelligent Industrial Technology Co., Ltd. (青島奧利普奇智智能工業技術有限公司)	Limited liability company	The PRC 5 February 2010	RMB 33,038	51.00	Technology and software development, artificial intelligence research and product development, in the PRC
Huiyan Automation Technology (Shenzhen) Co., LTD. (慧眼自動化科技(深圳)有限公司) (iv)	Limited liability company	The PRC 5 June 2017	RMB 12,200	80.00	Technology and software development, artificial intelligence research and product development, in the PRC
AInnovition Anlian (Anhui) Technology Co., Ltd. (安聯奇智(安徽)科技有限公司) (ii)	Limited liability company	The PRC 30 November 2022	RMB 20,000	51.00	Technology and software development, artificial intelligence research and product development, in the PRC

47 Subsidiaries (continued)

As at 31 December 2022, the Company had direct and indirect interest in the following subsidiaries: (continued)

Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital ('000)	Attributable equity interest to the Company	Principal activities and place of operation
RewinCloud (Qingdao) Technology Co., Ltd. (睿雲奇智(青島)科技有限公司)	Limited liability company	The PRC 3 June 2021	RMB 47,000	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
Shanghai Jiaqian Construction Engineering Co., Ltd. (上海嘉乾建設工程有限公司) (v)	Limited liability company	The PRC 30 November 2011	RMB 14,000	35.70	Housing, road and municipal construction, communication technology development, in the PRC
Shanghai HaoChen Asset Management Co., Ltd. (上海浩臣資產管理有限公司)	Limited liability company	The PRC 13 November 2015	RMB 10,000	51.00	Asset and investment management, enterprise management consulting, in the PRC
Jiangsu Epsa Automation Technology Co., Ltd. (江蘇易普莎自動化科技有限公司)	Limited liability company	The PRC 20 March 2019	Nil paid	51.00	Electromechanical equipment development, electromechanical technology development, in the PRC
Jiangsu Haimaike Intelligent Technology Development Co., Ltd. (江蘇海脈科智能科技發展有限公司)	Limited liability company	The PRC 5 June 2020	Nil paid	51.00	Technology and software development, artificial intelligence research and product development, in the PRC
ePSA Himatic GmbH	Limited liability company	Germany 9 January 2017	EUR 50	51.00	Technology and software development, artificial intelligence research and product development, in Germany
Ovipri (Shanghai) Intelligent Technology Co., Ltd. (奧為普利(上海)智能科技有限公司)	Limited liability company	The PRC 21 November 2019	RMB 2,679	51.00	Technology and software development, artificial intelligence research and product development, in the PRC
Qingdao Aoliqizhi Technology Co., Ltd. (青島奧利奇智科技有限公司) (ii)	Limited liability company	The PRC 28 June 2022	Nil paid	51.00	Technology and software development, artificial intelligence research and product development, in the PRC
AInnovation Technology HK Limited (創新奇智科技香港有限公司)	Limited liability company	HK 28 June 2022	Nil paid	100.00	Software sales and development, artificial intelligence software development, in HK
AInnovation Eye (Guangzhou) Technology Co., Ltd. (慧眼奇智(廣州)精密技術有限公司)	Limited liability company	The PRC 29 December 2022	Nil paid	80.00	Technology and software development, artificial intelligence research and product development, in the PRC

(i) The paid-in capital of RewinCloud (Chongqing) Technology Co., Ltd. was increased by RMB10,000 thousand to RMB50,000 thousand in 2022, which was injected by the Company.

(ii) As at 31 December 2022, four subsidiaries were established, of which Shanghai Zhicheng Zhiqi Technology Co., Ltd. was established under the laws of the PRC with limited liability on 26 January 2022, AInnovation Anlian (Anhui) Technology Co., Ltd. was established under the laws of the PRC with limited liability on 30 November 2022, AInnovation Yiming (Anhui) Technology Co., Ltd. was established under the laws of the PRC with limited liability on 9 December 2022, Qingdao Aoliqizhi Technology Co., Ltd. was established under the laws of the PRC with limited liability on 28 June 2022, with the paid-in capital of amount nil, RMB20,000 thousand, nil, nil respectively.

47 Subsidiaries (continued)

(iii) For the year ended 2022, Shanghai Haozhong Information Technology Co., Ltd. and Jiangsu Jieheze Intelligent Technology Co., Ltd. were disposed on 29 September 2022 and 21 October 2022.

(iv) In December 2022, the paid-in capital of Huiyan Automation Technology (Shenzhen) Co., LTD. was increased by RMB5,000 thousand to RMB12,200 thousand.

(v) Shanghai Higher Mechanical & Electrical Co., Ltd., a subsidiary of the Group, held 70% equity interest in Shanghai Jiaqian Construction Engineering Co., Ltd.

As of the date of this report, there were no changes to the equity interests held by the Company in these subsidiaries since 31 December 2022.

* The English name of the Company referred above represents the best effort made by management of the Company to directly translate the Chinese names as they have not registered any official English names

Non-controlling interests (NCI)

Set out below is summarized financial information for Shanghai Higher Mechanical & Electrical Co., Ltd. and its subsidiaries ("Shanghai Higher") that has non-controlling interests that are material to the Group. The amounts disclosed for Shanghai Higher are before inter-company eliminations.

Summarized balance sheet	**Shanghai Higher As at 31 December 2022 RMB'000**
Current assets	**204,427**
Current liabilities	**(212,611)**
Current net assets	**(8,184)**
Non-current assets	**109,695**
Non-current liabilities	**(10,309)**
Non-current net assets	**99,386**
Net assets	**91,202**
Accumulated NCI	**47,866**

47 Subsidiaries (continued)

Non-controlling interests (NCI) (continued)

Summarized statement of comprehensive income	Shanghai Higher Seven months ended 31 December 2022 RMB'000
Revenue	219,468
Profit for the period	2,006
Other comprehensive income	192
Total comprehensive income	2,198
Profit allocated to NCI	1,094
Dividends paid to NCI	—

Summarized cash flows	Shanghai Higher Seven months ended 31 December 2022 RMB'000
Cash flows from operating activities	13,324
Cash flows from investing activities	(3,166)
Cash flows from financing activities	2,970
Net increase in cash and cash equivalents	13,128

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