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AINNOVATION TECHNOLOGY GROUP CO., LTD*

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)
(Stock Code: 2121)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024 INVALIDATION OF ALL INCENTIVE SHARES GRANTED UNDER 2023 EQUITY INCENTIVE SCHEME AND CHANGE OF USE OF PROCEEDS AND ITS USEFUL LIFE

The board of directors (the “**Board**”) of AlInnovation Technology Group Co., Ltd (the “**Company**”, and its subsidiaries, the “**Group**”) is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2024 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2023.

FINANCIAL SUMMARY

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	571,704	923,851
Gross profit	193,225	298,872
Operating loss	(190,751)	(211,049)
Loss for the period	(184,553)	(196,053)
Add:		
Share-based payment expenses	42,085	139,912
Amortization and impairment of intangible assets arising from acquisition	31,794	14,275
Impairment loss on goodwill	9,646	—
Changes in fair value of financial assets/liabilities at fair value through profit or loss	63,620	2,486
Adjusted net loss (Unaudited)	(37,408)	(39,380)

Revenue-By Type of Products/Services

For the six months ended 30 June

2024

2023

Amount

Amount

RMB'000

%

RMB'000

%

Sales of products and solutions

539,685

94.4

867,738

93.9

Services of data solutions

32,019

5.6

56,113

6.1

Total

571,704

100.0

923,851

100.0

Revenue-By Customer Type

For the six months ended 30 June

2024

2023

Amount

Amount

RMB'000

%

RMB'000

%

End-users

351,474

61.5

377,048

40.8

System integrators

220,230

38.5

546,803

59.2

Total

571,704

100.0

923,851

100.0

Revenue-By Industry Verticals

For the six months ended 30 June

	2024		2023	
	Amount RMB'000	%	Amount RMB'000	%
Manufacturing	437,489	76.5	610,522	66.1
Automotive equipment	88,589	15.5	227,167	24.6
Energy and power	72,750	12.7	44,399	4.8
Food & Beverage and New Material	66,618	11.7	59,168	6.4
3C high-tech	54,461	9.5	46,879	5.1
Iron and steel metallurgy	50,211	8.8	7,235	0.8
Intelligent manufacturing practical training	49,683	8.7	45,319	4.9
OLED panel semiconductors manufacturing	20,891	3.6	97,812	10.6
Engineering and Construction	18,916	3.3	57,943	6.3
Others	15,370	2.7	24,600	2.6
Financial services	82,913	14.5	231,566	25.1
Other industries	51,302	9.0	81,763	8.8
Total	<u>571,704</u>	<u>100.0</u>	<u>923,851</u>	<u>100.0</u>

BUSINESS OVERVIEW

Part I: Business Review

China has successively proposed to cultivate new quality productivity, carry out “Artificial Intelligence +”, pursue digital transformation in manufacturing industry, promote large-scale equipment renewal and other high-quality development strategies of the manufacturing industry since 2024. Among which, the deep integration of manufacturing industry and artificial intelligence is considered to be the key area of the cultivation of new quality productivity. As the representative technology that leads a new round of global intelligence, AI large model is being embedded in practical application scenarios at unprecedented depth and speed, promoting the digital transformation of traditional industries. Against this background, the traditional manufacturing industry is faced with unprecedented transformation challenges and opportunities. How to use large model, an important AI technology, to help manufacturing enterprises to conduct further digital and intelligent transformation for improvement of production efficiency and technological innovation is an important subject of achieving high-quality development of the manufacturing industry.

As the market leader in China’s “AI + Manufacturing” solutions, AInnovation embraces changes on the basis of AI1.0, explores deeply pain points of enterprises and launches technology platform “AInnoGC Industrial LLM” and AIGC application matrix by way of implementation of application scenario, creating real-world generative AI solutions and applications for the manufacturing industry to empower key business processes.

During the Reporting Period, we not only successfully promoted the implementation of two generative AI applications, ChatBI and ChatDoc, in multiple projects, but also upgraded and released the 2.0 version of “AInnoGC Industrial LLM” (AInno-75B), as well as AIGC applications such as ChatVision-generative enterprise private visual insight, ChatRobot Pro-generative industrial robots scheduling, and ChatCAD-generative aided industrial design. So far, we have built a relatively complete industrial LLM technology product matrix, taking “Industrial LLM + Industrial Software”, “Industrial LLM + Industrial Robot” and “Industrial LLM + Industrial Vision” as starting points to promote the transformation of the manufacturing industry.

As affected by the current market environment, the customers of some industries of the Group experienced cyclical pressure and operation challenges and have taken a more cautious attitude towards expenditures. However, China's new industrialization process will still be a long-term trend and enterprises' demand for technologies like artificial intelligence to push forward digital transformation still exists. During the Reporting Period, our revenue reached RMB571.7 million, representing a year-on-year decrease of 38.1%. The gross profit margin increased again by 1.4 percentage points year-on-year, reaching 33.8%; the total selling and distribution expenses, general and administrative expenses and research and development expenses decreased year-on-year by 35.8%; adjusted net loss continued to narrow, decreasing by 5.1% year-on-year to RMB37.4 million. We are well aware of the importance of maintaining cash in the fully uncertain market environment. As at 30 June 2024, cash and cash equivalents of the Group was approximately RMB1,332.9 million. During the Reporting Period, the Company made substantial progress in strengthening capital turnover management and optimizing resource allocation, the net cash used in operating activities improved by 76.8% year-on-year, narrowing to RMB25.9 million. Adhering to the strategy of hard-working attitude and long-term development, AInnovation will actively cope with the market challenges, spare efforts on serving customers, lowering cost and enhancing efficiency, while at the same time enhancing its own ability for technological products and sustainable operation.

AInnovation has always attached great importance to research and development investment to ensure technological leadership. As of 30 June 2024, we have applied for a total of 1,326 patents, including 1,079 invention patents, with 583 patents granted, including 361 invention patents. AInnovation proposed an asymmetric enhanced self-supervised learning method to solve large-scale fine-grained retrieval tasks. Academic papers on this research were received by CVPR 2024. In the trusted AI industrial LLM Evaluation of CAICT, AInno-75B was the first in the industry to pass the evaluation and received the current highest rating (4+ level). In the SuperCLUE industrial LLM benchmark evaluation, AInnoGC Industrial LLM ranked first in China and the Excellent Leader Quadrant. At the same time, we actively participated in the formulation of industrial LLM standards and obtained the certification of the core writing entity of the industrial LLM issued by the key laboratory of the Ministry of Industry and Information Technology for the evaluation of key technologies and applications of artificial intelligence. In the first half of 2024, AInnovation was approved for the 2023 National Post-Doctoral Scientific Research Workstation (全國博士後科研工作站), marking a new step for the Company in independent research and development and talent platform construction.

With its excellent AI commercialization ability in the field of “AI + Manufacturing” and its innovative technical strength in deep learning and generative AI, AInnovation was ranked in the main list of “2024 Forbes China Artificial Intelligence Technology Enterprises TOP 50 (2024 福布斯中國人工智能科技企業 TOP 50)” and the list of “2024 Forbes China Artificial Intelligence Innovation Technology TOP10 (2024 福布斯中國人工智能創新技術 TOP10)” during the Reporting Period. In the research report “2023 Market Share of AI-Empowered Industrial Quality Inspection Solutions in China (《中國 AI 賦能的工業質檢解決方案市場份額，2023》)” released by IDC, AInnovation ranked first and became the largest manufacturer of AI industrial quality inspection solutions. In the research report “China New Industrial Software Atlas and Market Analysis 2024 (《中國新型工業軟件圖譜及市場分析 2024》)” released by IDC, AInnovation was selected as a typical manufacturer of the integration of industrial software and emerging technologies. AInnovation was awarded the “General Artificial Intelligence and Industrial Integration AI LLM Potential Service Provider (通用人工智能與工業融合 AI 大模型潛力服務商)” by China Academy of Industrial Internet. As the main enterprise of the artificial intelligence industry chain in Qingdao, the “artificial intelligence industrial LLM Shandong Provincial Engineering Research Center (人工智能工業大模型山東省工程研究中心)” undertaken by AInnovation has successfully been recognized as the 2024 Shandong Provincial Engineering Research Center by the Shandong Development and Reform Commission. In April 2024, ChatRobot, ChatCAD and other large model related applications were reported by CCTV’s “Science and Technology Driving Force (《科技推動力》)” column.

At the same time, we actively carried out ecological cooperation, focused on the industrial LLM, and linked industry-university-research partners. During the Reporting Period, AInnovation reached a strategic cooperation with DingTalk (China) Information Technology Co., Ltd. to jointly develop the large model enterprise service software market. AInnovation reached a strategic cooperation with Shandong University to create a new model of school-enterprise cooperation with “scientific research-innovation-talent”, and became a postgraduate internship base of Shandong University. In addition, AInnovation participated in a series of forums held by Advantech (China) Co., Ltd. Beijing Branch in many places as a partner to jointly explore the application value and trend of large models in the industrial field.

During the Reporting Period, the Company’s key tasks were as follows:

Strengthen the industrial LLM product and technology system

Since the release of 1.0 version of AInnoGC Industrial LLM last year, the Company has continued to increase investment in research and development, and successfully launched AInnoGC 2.0 in March this year. AInnoGC 2.0 has achieved significant improvement in the three aspects of ChatX series generative AI applications, industrial LLM and LLM service engines, continuously created differentiated advantages and built a fully autonomous and industry-leading industrial LLM technology and product system. Especially this year, with the continuous implementation of ChatX series generative AI applications on the business side, we have successfully established a closed-loop data connection between AInnoGC Industrial LLM and customer application scenarios in practices which are targeting at the actual needs and problems of industrial enterprise customers, further promoting the improvement of industrial LLM technology and product system, and opening up a new situation for the follow-up development of AInnoGC product matrix.

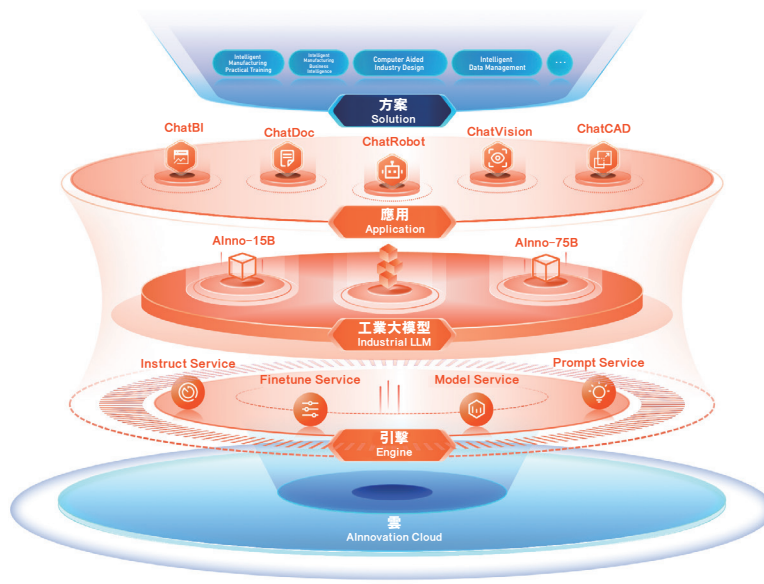


Figure (1) AIInnoGC 2.0

In terms of ChatX series of generative AI applications, the Company continued to promote business implementation, and ChatX meets the multi-scenario and multi-dimensional intelligent transformation needs of industrial enterprises. For application scenarios related to enterprise management and operation, such as equipment management and energy consumption management, etc., we provide corresponding ChatX application capabilities for different types of private domain data, such as ChatDoc knowledge answering capabilities for document type data, ChatBI data analytics capabilities for structured table type data, and ChatVision visual insight capabilities for video/image type visual data; for application scenarios related to enterprise core production, such as on-site logistics and parts assembly, etc., we provide ChatRobot Pro intelligent scheduling and control capabilities, and ChatCAD-assisted industrial design capabilities in upstream industrial design.

During the actual application process, our core products have been rapidly polished and developed:

- 1) ChatDoc generative enterprise private domain knowledge Q&A: To significantly improve the Q&A effectiveness, efficiency and user experience under the situation of massive files by further enriching the knowledge Q&A capabilities with multiple knowledge bases, multiple document types and multiple content formats, and focusing on optimizing the full-process data calculation efficiency and service throughput capabilities.
- 2) ChatBI generative enterprise private domain data analysis: To further enhance the product positioning of Copilot Assistant for data analysis, optimize the product experience based on customer needs and support users to intervene, edit and confirm the entire process, thus ensuring the reliability and credibility of data analysis results. Meanwhile, Text-To-SQL and Text-To-Chart effects and display formats have been further optimized to continuously lower the data analysis threshold and increase the data analysis efficiency.
- 3) ChatRobot Pro generative industrial robots scheduling: To successfully launch a new version of ChatRobot Pro this year, incorporating the latest technological advances in the direction of Robotics at home and abroad based on the realization of high-level scheduling and orchestration last year. This version constructs a multi-modal and end-to-end vision-language-action (VLA) strategy model that continuously optimizes the perception, understanding, planning and decision-making capabilities of industrial LLM, which greatly improves the task generalization and interactive friendliness of robot operation.
- 4) ChatVision generative enterprise private domain vision insight: To strengthen the understanding ability of multi-modal data, further enhance the understanding of the relationship between complicated events and events and their identification, which helps us to develop wider range of application scenarios.
- 5) ChatCAD generative aided industrial design: To create MVP product experience by continuously verifying the feasibility and key technical path of industrial LLM in the field of industrial design. In view of the challenge and long period of time required to obtain large amounts of high-quality data in the field of industrial design, we will lay out and polish ChatCAD products for the long term.

In terms of industrial LLM, the Company continued to increase its investment in algorithm research to optimize the capability of AInnoGC industrial LLM, while enriching the pre-programmed tool chain and services of the large model service engine to assist application development and innovation. Specifically:

- 1) Industrial LLM: The successful launch of the AInno-75B multi-modal industrial LLM in the first half of the year not only improved the basic capabilities of the LLM, but also self-developed 4-bit quantization algorithm, achieving half the deployment cost without significant loss of effects. This achievement effectively supports the rapid upgrade iteration and delivery deployment of ChatBI and ChatDoc, as well as the rapid exploration and experimentation of new directions for ChatCAD. The comprehensive capabilities of the AInno-75B have also been recognized by many institutions such as the CAICT.
- 2) LLM Service Engine: In developing ChatX series of generative AI applications and industrial LLM, we continue to implement the strategy of technology platformization by adhering to the precipitation and reuse of technical assets, thus creating a powerful platform for large model Infra tool chain. This year, we focused on introducing and polishing the RAG and Agent engineering frameworks to provide strong technical support for the iterative upgrades of ChatDoc, ChatRobot Pro and other products.

Assist AIGC solutions to continue implementation

In the first half of 2024, we still maintained a steady momentum in the field of industrial intelligence empowerment, thanks to the continued maturity of MMOC artificial intelligence platform and its successful practice on the customer side. At the same time, the continuous development and iteration of AInnoGC industrial LLM product application matrix have successfully applied industrial LLM technology to production management through continuous implementation in application scenarios offered by customers. We deeply embed the MMOC artificial intelligence technology platform and the AInnoGC industrial LLM platform into industrial applications to support the implementation of artificial intelligence across multiple industry segments by combining industrial applications with technology twin towers to provide comprehensive digital and intelligent transformation support for manufacturing customers and promote high-quality business growth.

In the field of industrial software, we implement the AI+MOM productization strategy to deeply embed artificial intelligence technology in the existing core product system of MOM. In the subdivision fields such as food and beverage and high-end new materials, we build the practice and application of artificial intelligence based on AInnoGC large model technology matrix, with MOM industrial software as the primary vehicle. Combined with the productization and standardization level of MOM industrial software, we empower artificial intelligence technology in the form of capability, tool and platform, and continue to create artificial intelligence industrial software suitable for industry users, driving the commercialization of AI+MOM product system on the customer side and for replication in the industry. For example, among the lighthouse customers in many industries, from the product and sales knowledge base at the marketing end, the process system knowledge base at the internal operation end, to the recipe knowledge base at the R&D end, and the equipment operation and maintenance knowledge base at the manufacturing end, etc., we gradually cut into the core scenes of enterprise manufacturing by comprehensively covering the entire value chain of manufacturing enterprises based on the large model technology. Meanwhile, data analysis application scenarios based on large model technology are further expanding to cover multi-dimensional enterprise production and operation management data such as output data, equipment operation data, sales data, quality management data, etc., helping enterprise users conduct intelligent in-depth insight and analysis of relevant data.

In the field of intelligent equipment, we continue to promote the software and hardware integrated solution with positioning machine vision as the core of AI technology among industrial top customers. Having accumulated experience in providing services for top customers in sub-sector for years and utilized the long-term improvement and practice and experience of MMOC AI platform on manufacturing end, we have achieved a wide-range replication in terms of our machine vision products in the intelligent equipment industry, and accomplished the standardization, instrumentalization and platform-turning of the process of the design, manufacture, delivery and implementation of the entire solution, which has considerably accelerated the promotion progress of sub-sector products. Meanwhile, by virtue of AInnoGC product application matrix and Agent intelligent development platform, we have gradually materialized the connection of the test result of intelligent quality inspection equipment with the enterprise quality management system, by which introducing manufacturing data into LLM-applied products in a more efficient and closed-loop manner, which in turn enables the enterprise management to understand the manufacturing progress and quality control conditions of products in the enterprise in a more convenient and efficient manner, supported by a clearer form of graphs and a more handy interactive model by using the LLM's capabilities of understanding natural languages and deconstructing and analyzing data.

In the industry of panel semiconductors, on the basis of further improvement of the operation and application of business line of intelligent equipment, which is represented by intelligent glass panel defect quality inspection solution, thanks to the further expansion in the scale of quality inspection data, introducing LLM technology enables a more efficient analysis and insight of quality inspection information, thus providing useful feedback in respect of manufacturing process improvement more efficiently. In the field of robot empowerment, we have conducted the investigation and survey as well as implementation in the scenario of on-site intelligent logistics, where LLM is applied to assist in enhancing the efficiency of operation and maintenance of on-site logistics robot, reducing blocking time and increasing the efficiency of dispatch etc.

In the field of automotive equipment, we start with the visual intelligence technology based on the application scenarios of intelligent inspection and intelligent video security with the customer value as its core and leverage on MMOC AI platform products to successively expand our service range into a full-value chain system including model manufacturing, model management, and application construction as well as intelligent analysis for result of quality inspection. We take advantage of the advanced technology to build a leading demonstration line of transportation in the field of automotive equipment. By introducing industrial internet platform and intelligent products, we accomplish a management of “digitalization and intelligence” in the equipment industry, and the problems of high technological threshold of data access and analysis as well as the high cost for knowledge acquisition are solved. By utilizing the LLM capacity of calculation and study, mass data is analyzed and dealt with in a short term with a real-time provision of insight and report of data, which decreases the dependence of enterprises upon professional data analysts. With the technique of natural language handling, an efficient management and intelligent retrieval of knowledge within enterprises has been built, so that employees can access to necessary information rapidly, which significantly improves the efficiency of acquiring knowledge. Intelligent interactive and digital display platform has dramatically increased and optimized the work efficiency and process of enterprises, which has reduced the dependence upon manual operation and the long-term operating cost and improved the quality of products and services as well as the market competitiveness of enterprises. Through those technological innovation, we manage to build an efficient and intelligent demonstration line of transportation for automotive equipment, which has materially increased the operating efficiency and competitiveness of enterprises.

In the industry of industrial logistics, we continue to promote the development strategy for the digitalization and intelligence of “industrial logistic for the manufacturing of steel industry”. Several industry-first applications have been successfully implemented, that is, the first “iSmartCSU intelligent operating system for continuous ship unloader (iSmartCSU連續式卸船機智能作業系統)” and the first automatic driving of mine rail transportation have entered into system adjustment, the first AI+5G transformation of intelligent hardware for new energy battery electric vehicle is approaching the ending stage and the first intelligent molten iron transportation with open-tank has basically realized unmanned driving. Meanwhile, deep inside of iron and steel enterprises’ scenario of intelligent logistics for the ports, intelligence is extended from continuous ship unloader to grabbing ship unloader. With the graphic handling and visual recognition technology, the full-process track for hot metal ladle and steel ladle in the highly dusty and low-light circumstances has been successfully achieved, which provides solid data support for building intelligent steel plants. Also, we have provided more sophisticated intelligent operation and maintenance services upon our implementation of the entire heavy-duty logistics system for customers and continued to optimize and complete the whole life cycle service system. We have applied our experience in providing services for customers in the field of iron and steel metallurgy to the team standards of which we have participated in the preparation, representing our leading function in the 5G and intelligent logistics of the steel industry.

In the field of industrial sustainability, we continue to dig deep into the needs of the industry, drive the improvement of intelligent products and service levels with artificial intelligence dual platforms, and push forward the rapid iterative upgrade of intelligent manufacturing practical training products and solutions in both vertical and horizontal directions with industry needs. We have established intelligent manufacturing practical training centers and intelligent machine centers in many regions of the country as development base. The MMOC platform is used as the technical course base for the training courses, and the artificial intelligence technology is added to the product shelves of the training center in a more understandable way (that is in the mode of low code and visual programming), so as to comprehensively improve the teaching, learning and research capabilities of the training center. In terms of intelligent practical training software, we combine the AInnoGC product matrix with the practical training software platform to give full play to the large model's ability to understand and generate natural language and form an intelligent teaching platform. On the one hand, we provide teaching assistance software with the characteristics of large model technology for training teachers to improve the efficiency and quality of teacher's teaching and research, course preparation, test question generation, and knowledge management. On the other hand, we develop knowledge inquiry, knowledge summary and refinement, automatic grading, and learning review and other software functions for training students to help them improve the efficiency of independent learning. We are committed to integrating large model technology into the industrial implementation practice of intelligent manufacturing practical training in a more tangible and convenient way. At the same time, we will further empower artificial intelligence technology into industrial robot applications, and take advantage of the first-mover advantage of the robot innovation center to combine machine vision technology, video intelligence technology, large model technology with industrial robot control, industrial robot training machine operation management, industrial robot training machine safety management, etc., and actively explore the innovative application track of intelligent industrial robots in the direction of intelligent manufacturing practical training.

In the field of digital and intelligent software, we have comprehensively promoted the application of AI technology and data solutions and achieved remarkable results. Our intelligent data governance solution tailor-made for customers has realized intelligent inventory and management of data assets through ChatDoc’s understanding ability of knowledges and ChatBI’s data analytics capabilities, effectively improving the efficiency and accuracy of data governance. Aiming at the pain points such as rapid business development and frequent data table construction, we have proposed a solution for DDL (Data Definition Language) intelligent table building and data lineage building. Intelligent table construction orchestration and field attribute recommendation functions not only improve the efficiency of data table management, but also significantly reduce the management complexity issues caused by inconsistent field naming. At the same time, the lineage construction and field graph index based on metadata effectively solve the problem of huge data assets and fuzzy relationships between tables. To solve the threshold problem of non-technical users accessing professional databases, we have developed personalized SQL queries and intelligent query functions. Through the natural language processing capabilities of large models, DDL and SQL statements will be automatically generated when users enter modeling requirements. This function not only improves the efficiency of information acquisition, but also greatly reduces the technical threshold for users, which is widely praised by customers. Our goal is to comprehensively enhance the performance of financial industry customers in key business scenarios such as precision marketing, compliance risk control, business and financial management, and regulatory reporting through product-level integration, such as automatic code generation, data asset classification, and user portrait, as well as through functional decoupling of data governance and asset management software and customization of industry suites, thus helping them to activate and maximize the potential value of their data assets. We adhere to the principles of “distinctive product features”, “highly cohesive business scenarios” and “strong execution”, and continuously increase investment in AI solutions and data product research and development to expand our industry coverage.

Part II: Future Outlook

AI industry has been undergoing a high-speed development with numerous energy and changes. During this round, AI uncovers its revolutionary characteristics not only by its generation of words, graphs and codes, but also by its capacity of building a new man-machine interactive model and combination with manufacturing parts including research and development and design, production and operation as well as business and management, to increase the manufacturing efficiency and develop new quality productivity.

We believe that the manufacturing industry is the main field to which AI LLM is applied. All software will be remade based on AI LLM and all hardware will be driven by AI LLM. In the future, we will constantly endeavor on industrial software innovation with LLM and drive industrial robots with LLM by following a clear technical path, to increase the intelligent level of manufacturing industry by collaboration of software and hardware. On the one hand, we will strategically focus on industrial software and digital and intelligent software based on our experience in services for the digital transformation of manufacturing industry for years, and implement a deep integration of LLM technology and MES as well as BI to promote the development of new industrial software. On the other hand, we will actively explore the application scenarios for industrial robots driven by industrial LLM to promote the development of industrial intelligent robots.

With the gradually integration and implementation of business and technologies, the application of AI LLM in manufacturing industry has broad prospect. While strengthening technological innovation, AIInnovation will continue to push forward the implementation of technologies and scenarios in engineering practices. Based on its five business aims of “industrial software, digital and intelligent software, industrial logistics, intelligent equipment, industrial sustainability”, and constantly adjust the structure of business and optimize the product layout to promote the lasting and healthy development of the enterprise and improve competitiveness and influence of the enterprise’s brand in the AI manufacturing market. It is expected that revenue will improve in the second half of the year as compared with the first half of the year, but will decrease as compared with the corresponding period of last year.

Strengthen product research and development and technological innovation

Looking into the future, the Company will stay committed to improving the product maturity of the ChatX series of generative AI applications and furthering sales of solutions to maximize its business value.

- 1) Operation and data applications for enterprise: while continuing to enhance ChatDoc/ChatBI in terms of the core capabilities of RAG/Text-To-SQL/Text-To-Chart and optimizing its generation effect, we actively expand such new functions as multi-modal support and business orchestration and maintain the openness and scalability of its services for easy integration, to better empower BG business-end industry solutions, drive differentiation, enhance competitiveness, and accelerate promotion and implementation.
- 2) Industrial intelligent robot applications: we will continue to keep ChatRobot Pro up with the latest technological development of Robotics, domestically and overseas, to optimize our end-to-end pre-trained VLA model for generalization improvement considering the potential use needs of industrial enterprises. In addition, efforts to optimize products entailed our continuous exploration in technologies including the integration of high- and low-level control strategies, robot data collection, simulation environment and physical equipment management, and end-to-end Robot development framework.

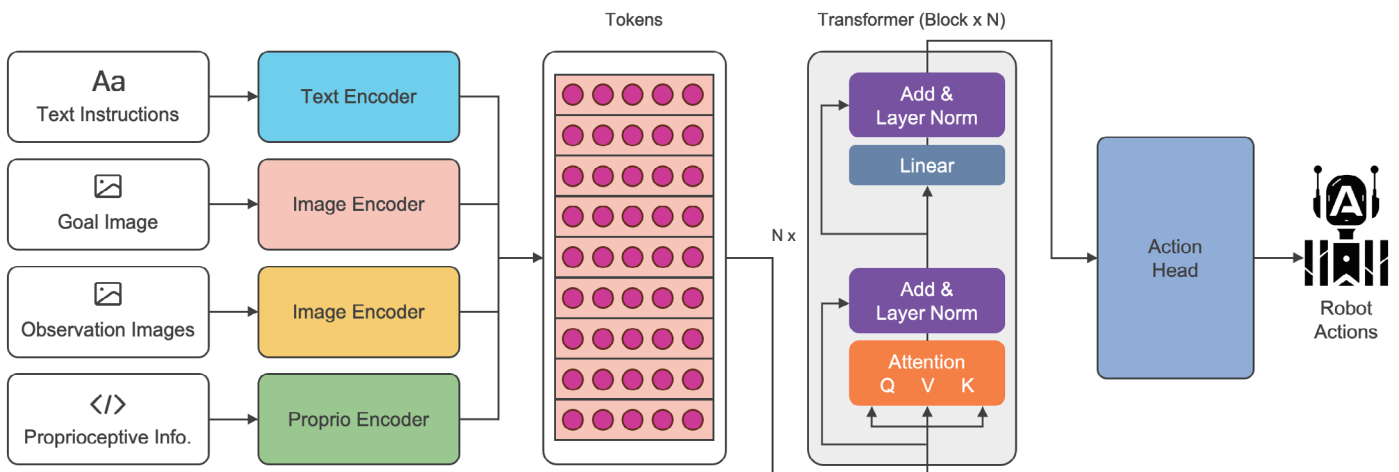


Figure (2) End-to-end VLA model for ChatRobot Pro

In addition, we will devote more resources and continue to optimize industrial large models and supporting service engines to accelerate the development, delivery and innovation of ChatX series applications. In particular:

- **AIInno-15B/75B Industrial LLM:** By following such four development directions as industrialization, end-to-end modality, lightweight, and multi-modality, explicitly for the needs of complex knowledge question answering on ChatDoc, data asset organization on ChaBI, complex robotic control of ChatRobot Pro and other actual scenario requirements, we continue to optimize its capabilities, including but not limited to task orchestration of Agent, end-to-end perception, decision-making and control, etc. At the same time, we will continue to conduct in-depth research, application and evaluation of quantification and other technologies to ensure that actual application needs for our business can be met with lower computing costs.
- **LLM Service Engine:** We are determined to accumulate technological assets and empower applications through platform-based means. Based on existing tools and services, the engine will continue to improve LLM in respect of the highly efficient training and inference algorithms, multi-modal RAG, and complex orchestration of Agent, especially the system performance, scalability and stability. We will continue to effectively connect the engine to Industrial LLMs and ChatX series applications for higher efficiency in application development and delivery of the applications.

Accelerate the implementation of industry solutions

In the second half of 2024, our development focus on technology and products will continue to be put on artificial intelligence, especially LLM technology. We will continue to upgrade and optimize the LLM platform and deeply expand the application of LLM products based on the existing LLM technology accumulated. Meanwhile, according to the industrial characteristics of key industries and the business features of top customers, combined with the product matrix of the Group's existing software and hardware, we will deeply integrate both and use existing customer resources and our understanding to the industry, to accelerate the generation of business value from LLM technology product system for customers and comprehensively support the Company's intelligent transformation.

In the field of industrial software, we will continue to firmly implement the productization strategy of deep integration of LLM technology with MOM industrial software product system, continue to promote the deep integration of LLM technology with EAM, MES, QMS and other software systems among the top customers in various segments such as Food & Beverage, new materials, equipment manufacturing. The intelligence of MOM industrial software will be empowered by the device operation and maintenance intelligent assistant and data analysis intelligent assistant. The professionalism and maturity of industrial software series products on customer application side will be fully enhanced, so that the key indicators in the process of production could be tracked, analysed and traced in a more efficient way. At the same time, by leveraging the increasingly mature and improved LLM intelligent platform, we are committed to providing customers with more professional and targeted intelligent solutions. While providing customers with industrial software with LLM technology, we also offer LLM establishment competence to customers and conduct technology cooperation with key industry customers from a broader and deeper perspective, so that we can become business collective with such customers and build a unique vertical large model for them. On such basis, by taking into consideration customers' own digital construction and transformation work, and based on our knowledge base construction capability, we will help customers carry out business development and management upgrading on their self-owned vertical large model. By taking advantage of the productization process of large models and the business landing of top customers in the industry, we will continue to implement the "1+N/1XN" strategy, to realise the landing of mature LLM embedded products on top customers and duplication to customers of other industries.

In the field of intelligent equipment, while maintaining our principle of productization development of upgrading intelligent equipment that is based on machine vision technology, we will try to explore product technologies with LLM technology in more intelligent equipment application areas with more open attitude and bolder spirit.

In the field of panel semiconductor industry, during the upper level software management of intelligent equipment, we will continue to strengthen our ability of the management of production efficiency, troubleshooting and maintenance, stock management and counting of large-scale intelligent equipment by leveraging LLM's ability to manage and summarize data, and the analysis and judgment between machine learning and data logic management. Meanwhile, for the intelligent equipment applied in flexible production lines, the LLM technology could provide optimized

recommendations for the process procedures, quality control request, materials distribution, resources allocation that are changeable with production tasks, which could significantly enhance the production efficiency and management transparency of a manufacturing enterprise, and effectively lower the internal management cost.

In the field of automotive equipment, we will continue to conduct deep cooperation with top enterprises in the industry. On one hand, we will apply the machine vision and machine learning technique to the process of customers' production and management, to provide customers with software and hardware integrated solutions, thus improving customers' production efficiency, safety level and management granularity. On the other hand, we will use our experience and ability in the construction of artificial intelligence platform, to build a self-owned artificial intelligence construction and management platform for customers, empowering customers with their own artificial intelligence. By taking advantage of the opportunity of constructing artificial intelligence platforms, we can strengthen customer stickiness and integrate artificial intelligence platforms with production application, to form a solid foundation to gain repeat customers. We will continue to put effort into promoting the in-depth development of intelligence and digitalization in the field of automotive equipment area. We intend to further optimize and expand the existing intelligent products and platforms, enhance data analysis and knowledge management ability, so as to satisfy more complicated and diversified business requirements. At the same time, we will strengthen our cooperation with customers, obtain deep understanding of customers' needs and, by offering customized solutions, provide customers with more targeted and efficient services.

In the field of technological innovation, we will put more resources into the research and development of advanced technologies, especially in the areas of big data analysis and LLM-driven robots, we will explore new application scenarios and enhance the automation and intelligence level, to bring greater value for customers.

In addition, we will speed up our pace of digital transformation to push forward the realization of intelligent manufacturing by more enterprises, so that the operation efficiency and market competitiveness of the whole industry will be enhanced. Through continuous technological innovation and cooperation with customers, we will make more breakthroughs in the second half of the year, which will further consolidate our leading position in the intelligent equipment sector and bring more innovation and value for customers as well as the industry.

In the field of industrial logistics, we will continue to deepen the steel logistics of the whole plant around the four major aspects - raw materials entering the plant, production and delivery, in-plant transportation and finished products leaving the plant. Meanwhile, we will gradually deploy and develop the application of logistics transportation robot, address tracking for vehicle transportation, workshop unmanned aerial vehicle inspection and the high-precision RTK GNSS that faces to industrial complicated scenarios, and other new technologies and products, to further enhance the efficiency and intelligent level of logistics of steel production. At the same time, we will also promote the upstream and downstream supporting industries of steel production and actively expand demonstrative projects, to drive the whole industry to achieve synergy development, innovation and upgrading.

In the field of industrial sustainability, we will proactively explore the application scenarios of LLM technology. In respect of artificial intelligence empowering training software, we will conduct localization based on the practical training center of intellectual manufacturing in each region. By fully taking into consideration the government policies and the special needs of education industry, after comprehensive assessment of the technological products around three aspects – education, learning and research, LLM technology will be applied in the directions such as teaching preparation, teaching evaluation, knowledge search and student self-research. Also, considering the teaching characteristics of practical training education, the LLM platform will be developed to low threshold, be applied in teaching and visualization, and will serve as the basic tool platform and engine to quickly build large model, so that students could learn and use large model in a more convenient way and obtain deeper understanding and mastery of large model techniques. Furthermore, we will simultaneously proceed the application practice of LLM technology and practical training operation machine. With the use of machine vision technology and LLM technology, we will tap into the field of intelligent supervision, intelligent invigilation, intelligent security maintenance and intelligent learning of data analysis, to fully cover every ring of the whole intellectual manufacturing training industry, such as education, training, examination and competition.

In the field of digital and intelligent software, we will continue to deepen the application of AI technology, and constantly push forward the innovation of products and services, to meet the increasing market demand and regulatory requirements. We will further improve the intelligent data governance solutions, enhance the automation level of checking and management of data assets and ensure the accuracy and efficiency of data governance, to satisfy more financial institutions' requirements. By improving personalized SQL query and intelligent query function, we provide nontechnical users with more convenient access and data analysis tool, to enhance the efficiency and accuracy of information obtained and help customers to use data assets better. The application scenarios of AI model, including automatic code generation, data assets grading and users profiling functions, will be further optimized and expanded, so that the intelligent level of the products will be improved, and customers' diversified requirements could be met. On the basis of securing the existing bank and insurance business, we will further expand to asset management field, such as securities, funds, futures, leasing and trust, and will gradually tap into manufacturing and other industries with rapidly increasing data management demand, to provide efficient solutions for more customers by customization of industry suite and decoupling of data governance functions. Meanwhile, more investment will be put into the R&D of AI solutions and data products to drive technological innovation and product upgrading, thus ensuring our leading position in the market competition and providing higher quality service for customers. Through these measures, we believe that we will achieve more business breakthroughs and greater market coverage in the second half of 2024, thus providing strong technical support and service guarantee to the digital transformation and high-quality development of financial industry.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The high-quality development of the manufacturing industry is the core direction of the future transformation and upgrading of China's real economy. Under both opportunities and challenges of new technology and market environment, AInnovation, as the leader of "AI+Manufacturing" industry in China, has been actively transformed towards high-quality development, with growth focus changing from high speed to high quality. Today, we continue to deepen our professionalism in AI manufacturing industry, strengthen our business quality and going-concern resilience, and firmly maintain the health of fundamental strength of the enterprise to lay the foundation for long-term growth.

REVENUE

Our revenue for the six months ended 30 June 2024 was RMB571.7 million, representing a decrease of 38.1% as compared with RMB923.9 million for the six months ended 30 June 2023. The decrease was primarily caused by increased focus on revenue streams of high quality and continuous optimization of business structure.

In terms of manufacturing industry, revenue for the six months ended 30 June 2024 was RMB437.5 million, representing a decrease of 28.3% as compared with RMB610.5 million for the six months ended 30 June 2023.

In terms of financial services industry, revenue for the six months ended 30 June 2024 was RMB82.9 million, representing a decrease of 64.2% as compared with RMB231.6 million for the six months ended 30 June 2023.

COST OF SALES

Our cost of sales for the six months ended 30 June 2024 was RMB378.5 million, representing a decrease of 39.4% as compared with RMB625.0 million for the six months ended 30 June 2023, primarily due to cost decrease arising from decreased revenue.

In terms of manufacturing industry, cost of sales for the six months ended 30 June 2024 was RMB274.8 million, representing a decrease of 26.8% as compared with RMB375.4 million for the six months ended 30 June 2023, primarily due to cost decrease arising from decreased revenue in the manufacturing industry.

In terms of financial services industry, cost of sales for the six months ended 30 June 2024 was RMB61.3 million, representing a decrease of 64.0% as compared with RMB170.1 million for the six months ended 30 June 2023, primarily due to cost decrease arising from decreased revenue in the financial services industry.

GROSS PROFIT AND GROSS MARGIN

As a result of foregoing, our overall gross profit for the six months ended 30 June 2024 was RMB193.2 million, representing a decrease of 35.4% as compared with RMB298.9 million for the six months ended 30 June 2023. For the six months ended 30 June 2024, our overall gross margin was 33.8%, representing an increase of 1.4% from 32.4% for the six months ended 30 June 2023. This was primarily attributable to (i) higher delivery efficiency and our optimization control on cost; (ii) continuous optimization of business structure; and (iii) more standardized products and solutions and more technical assets accumulated in our platforms.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses for the six months ended 30 June 2024 were RMB79.3 million, representing a decrease of 13.0% as compared with RMB91.2 million for the six months ended 30 June 2023, primarily due to the decrease in share-based payment expenses and our effective control on selling expenses.

GENERAL AND ADMINISTRATIVE EXPENSES

Our general and administrative expenses for the six months ended 30 June 2024 were RMB96.4 million, representing a decrease of 49.3% as compared with RMB190.0 million for the six months ended 30 June 2023, primarily due to the decrease in share-based payment expenses and our effective control on general and administrative expenses.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses for the six months ended 30 June 2024 were RMB148.0 million, representing a decrease of 33.7% as compared with RMB223.1 million for the six months ended 30 June 2023, primarily due to the improvement of research and development efficiency, and our effective control on research and development expenses.

NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

We had a net impairment loss on financial assets of RMB4.5 million for the six months ended 30 June 2024, representing a decrease compared to a net impairment loss of RMB36.0 million for the six months ended 30 June 2023, primarily due to a decrease in the provision for impairment of trade receivables during the Reporting Period.

OTHER INCOME

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

For the six months ended 30 June 2024, our other income was RMB23.3 million.

OTHER LOSSES, NET

Our other losses, net primarily consist of: (i) fair value losses on financial assets and liabilities at fair value through profit or loss; and (ii) interests received on financial assets at fair value through profit or loss.

For the six months ended 30 June 2024, we had a net other loss of RMB59.4 million.

OPERATING LOSS

As a result of the foregoing, we had an operating loss of RMB190.8 million for the six months ended 30 June 2024, representing a decrease of 9.6% as compared with the operating loss of RMB211.0 million for the six months ended 30 June 2023, primarily due to continuous optimization of business structure, increased focus on revenue streams of high quality and the positive results of cost reduction and efficiency improvement.

FINANCE INCOME

Our finance income for the six months ended 30 June 2024 was RMB7.7 million, representing a decrease as compared with RMB16.0 million for the six months ended 30 June 2023, primarily due to a decrease in interest income from bank deposits.

FINANCE COSTS

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

Our finance costs decreased from RMB4.6 million for the six months ended 30 June 2023 to RMB3.8 million for the six months ended 30 June 2024, mainly due to a decrease in interest expenses on our convertible bond.

LOSS FOR THE PERIOD

For the six months ended 30 June 2024, we recorded a loss for the period of RMB184.6 million, representing a decrease of 5.9% from the loss of RMB196.1 million for the six months ended 30 June 2023, primarily due to continuous optimization of business structure and the positive results of cost reduction and efficiency improvement.

NON-IFRS MEASURES

Adjusted Net Loss

We define adjusted net loss as the net loss for the period adjusted by adding back share-based payment expenses, amortization and impairment of intangible assets arising from acquisition, impairment loss on goodwill 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 and contingent considerations.

The following table reconciles our adjusted net loss for the period presented to the most directly comparable financial measures calculated and presented in accordance with IFRSs, which are net loss for the periods.

	For the six months ended	
	30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reconciliation of net loss to adjusted net loss:		
Loss for the period	(184,553)	(196,053)
Add:		
Share-based payment expenses	42,085	139,912
Amortization and impairment of intangible assets arising from acquisition	31,794	14,275
Impairment loss on goodwill	9,646	—
Changes in fair value of financial assets/liabilities at fair value through profit or loss	63,620	2,486
Adjusted net loss (Unaudited)	(37,408)	(39,380)

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

As at 30 June 2024, cash and cash equivalents of the Group was approximately RMB1,332.9 million, which changed slightly as compared to approximately RMB1,344.6 million as at 31 December 2023. The change was mainly from the cash outflow from investing and operating activities and the cash inflow from financing 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) and lease liabilities less cash and cash equivalents. As of 30 June 2024, the Group had a net cash position and the gearing ratio was not applicable.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this announcement, for the six months ended 30 June 2024, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

MATERIAL INVESTMENTS HELD/FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS

As of 30 June 2024, save as disclosed in this announcement, we did not have material investments or future plans for other material investments or acquisition of capital assets.

FOREIGN EXCHANGE EXPOSURE

For the six months ended 30 June 2024, the Group mainly operated in the PRC with most of the transactions settled in RMB. The functional currency of our Company and the main subsidiaries is RMB. As of 30 June 2024, our balance of the cash and cash equivalents was mainly denominated in RMB. The Group manages its foreign exchange risk by closely monitoring the movement of the exchange rates and will consider hedging significant foreign currency exposure if necessary. As of 30 June 2024, our business is not exposed to any significant foreign exchange risk.

PLEDGE OF ASSETS

As at 30 June 2024, the Group had no material pledge of assets.

BORROWINGS

As at 30 June 2024, borrowings of the Group were RMB101.6 million (31 December 2023: RMB76.7 million), mainly including short-term borrowings of several subsidiaries.

CONTINGENT LIABILITIES

As at 30 June 2024, we did not have any material contingent liabilities.

SUBSEQUENT EVENT

At the extraordinary general meeting of shareholders on 13 January 2023, the Company adopted the H share equity incentive scheme for directors and senior management in 2023 (the “**2023 Equity Incentive Scheme**”). Pursuant to a resolution by the Board of Directors of the Company on 26 August 2024, all the Shares granted under the 2023 Equity Incentive Scheme have been lapsed. The Company accounts for the lapse as an acceleration of vesting, and therefore will, on the invalidation date, recognize share-based payment expenses immediately with the amount of RMB74,700,000 that otherwise would have been recognized for services received over the remainder of the vesting period. Please refer to the announcement released by the Company on 26 August 2024 for detailed information.

OTHER INFORMATION

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024.

Repurchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor the Company's subsidiaries have repurchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares*) during the Reporting Period.

As at 30 June 2024, there were no treasury shares* held by the Company.

Compliance with the CG Code

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix C1 of the Listing Rules as the basis of the Company's corporate governance practice. The Company is committed to the view that the Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

During the Reporting Period, the Company has complied with all applicable code provisions set out in the CG Code.

The Company has also implemented certain recommended best practices set out in the CG Code.

* As defined in the Listing Rules

Compliance with the Model Code for Securities Transactions by Directors, Supervisors and Employees

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and Supervisors of our Company. Having made specific enquiries with all Directors and Supervisors by the Company, all Directors and Supervisors confirmed that they have been in compliance with the required standards set out in the Model Code during the Reporting Period.

Review of Interim Report by Audit Committee

The members of the Audit Committee of the Company consist of Mr. Xie Deren (Chairman of the Committee), Mr. Wang Hua and Ms. Ko Wing Yan Samantha. The interim results announcement for the six months ended 30 June 2024, 2024 interim report and the unaudited interim financial statements for the six months ended 30 June 2024 of the Group, which were prepared in accordance with the requirements under the International Financial Reporting Standards, have been reviewed and confirmed by Audit Committee of the Company.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ainnovation.com). The interim report of the Group for the six months ended 30 June 2024 will be dispatched to the Company’s shareholders in the manner they have selected to receive corporate communications, and made available for review on the same websites in due course.

INVALIDATION OF ALL INCENTIVE SHARES GRANTED UNDER 2023 EQUITY INCENTIVE SCHEME

References are made to the circular of the Extraordinary General Meeting dated 28 December 2022 (the “**Circular**”) and the announcement dated 13 January 2023 of the Company, in relation to the H Share Equity Incentive Scheme for Directors and Senior Management in 2023 adopted by the Company, for summary of its major terms, please refer to the Circular.

Having considered the Company’s current results and market condition, the Board of the Company has approved as at 26 August 2024 that, for the qualified employees who have been granted incentive shares under the 2023 Equity Incentive Scheme and who still have labor relations or service relations with the Company, their incentive shares granted shall lapse from the date of the approval on a voluntary basis from participants. Up to the date of this announcement, all the 13,793,794 incentive shares granted to qualified employees have been lapsed, which include all the incentive shares granted to Mr. Xu Hui, the Chief Executive Officer of the Company and Mr. Xie Deren, the independent non-executive Director, namely 7,247,585 Shares and 813,992 Shares held by them respectively, which have been lapsed upon their agreement.

In addition, pursuant to the relevant requirements under the 2023 Equity Incentive Scheme, for persons who have been granted incentive shares under the 2023 Equity Incentive Scheme and who have terminated the labor relations with the Company, the 1,468,506 incentive shares granted to such participants but have not been vested shall all lapse from the date of the termination of the labor relations.

Up to the date of this announcement, all the Shares granted under the 2023 Equity Incentive Scheme have been cancelled or lapsed. Those incentive shares are held by trustee after lapse, and can be regranted according to the market condition and in accordance with the 2023 Equity Incentive Scheme in the future.

Share-based payment expenses related to the 2023 Equity Incentive Scheme of RMB151,387,000 and RMB20,482,000 have been recognized as profit or loss during the year ended 31 December 2023 and six months ended 30 June 2024, respectively. The Company considers above invalid incentive shares as accelerated vesting, and will, on the invalidation date, recognize a share-based payment expense of RMB74,700,000 that should have been recognized during the remaining vesting period.

CHANGE OF USE OF PROCEEDS AND ITS USEFUL LIFE

The Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 27 January 2022. The net Proceeds (the “**Initial Offering Proceeds**”) received by the Company from the Global Offering, after deducting underwriting commissions and other expenses payable by the Company, amounted to approximately HK\$1,070.1 million (approximately RMB871.22 million).

For the purposes of enhancing the efficiency of use of the Initial Offering Proceeds, the Board of the Company approved the adjustments to the planned use and proportion of part of the remaining Initial Offering Proceeds. As of the date of this announcement, the unutilized amount for each use and the available amount after change are as follows:

Uses	Initial available amount <i>(RMB million)</i>	Unutilized amount before change <i>(RMB million)</i>	Available amount after change <i>(RMB million)</i>
Enhancing our R&D capabilities	approximately 392.05	approximately 22.80	approximately 22.80
Enhancing our commercialization capabilities	approximately 217.81	approximately 11.30	approximately 11.30
For potential strategic investments and acquisitions	approximately 87.12	approximately 87.12	—
Strengthening internal systems and upgrading information infrastructure	approximately 87.12	approximately 47.24	approximately 20.24
Working capital and general corporate use	approximately 87.12	approximately 0.47	approximately 114.59

References are made to the announcements of the Company dated 7 June 2023 and 14 June 2023, in relation to, among others, the placing of new H Share under the general mandate by the Company (the “**Placing**”). The completion of the Placing took place on 14 June 2023. The net proceeds (after deducting the commissions, discretionary fee (assuming that it is paid in full) and estimated expenses) from the Placing amounted to approximately HK\$378,856,331 (the “**Placing Proceeds**”).

In addition, considering the actual use of proceeds, the Board of the Company approved the adjustment to the useful life of the Initial Offering Proceeds and Placing Proceeds. The useful life of the Initial Offering Proceeds will be extended from 31 December 2024 to 31 December 2025, and the useful life of the Placing Proceeds will be extended from 31 December 2024 to 31 December 2027.

Except the afore-mentioned changes, the uses of Initial Offering Proceeds and Placing Proceeds have no other changes.

The Board of the Company is of view that the change of use of Proceeds and its useful life is in line with the Company's operating strategy, beneficial for the long-term development of the Company, in the Company and its Shareholders' best interests as a whole, and will not cause any material adverse effect to the Company's existing business and operation.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Six months ended	
		30 June	
	<i>Note</i>	2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	5	571,704	923,851
Cost of sales	6	(378,479)	(624,979)
Gross profit		193,225	298,872
Selling and distribution expenses	6	(79,285)	(91,191)
General and administrative expenses	6	(96,444)	(190,027)
Research and development expenses	6	(148,042)	(223,097)
Net impairment losses on financial assets		(4,538)	(35,968)
Impairment loss on goodwill		(9,646)	—
Impairment loss on intangible assets		(9,934)	—
Share of net losses of investments accounted for using the equity method		—	(342)
Other income	7	23,299	32,121
Other losses, net	8	(59,386)	(1,417)
Operating loss		(190,751)	(211,049)
Finance costs	9	(3,821)	(4,572)
Finance income	9	7,703	15,975
Loss before income tax		(186,869)	(199,646)
Income tax credit	10	2,316	3,593
Loss for the period		(184,553)	(196,053)
Other comprehensive loss, net of tax			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Currency translation differences		(140)	(102)
Other comprehensive loss for the period, net of tax		(140)	(102)
Total comprehensive loss for the period		(184,693)	(196,155)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)**

FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Six months ended	
		30 June	
	<i>Note</i>	2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Loss for the period attributable to:			
Owners of the Company		(195,483)	(195,688)
Non-controlling interests		<u>10,930</u>	<u>(365)</u>
Loss for the period		<u>(184,553)</u>	<u>(196,053)</u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		(195,559)	(195,737)
Non-controlling interests		<u>10,866</u>	<u>(418)</u>
Total comprehensive loss for the period		<u>(184,693)</u>	<u>(196,155)</u>
Basic and diluted loss per share for loss attributable to the owners of the Company (in RMB)	12	<u>(0.36)</u>	<u>(0.36)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

		As at 30 June 2024	As at 31 December 2023
	<i>Note</i>	RMB'000	RMB'000
<i>(Unaudited)</i>			
ASSETS			
Non-current assets			
Property, plant and equipment	13	50,881	56,600
Right-of-use assets	13	70,430	65,594
Intangible assets	13	294,562	327,031
Goodwill	13	317,739	327,385
Financial assets at fair value through other comprehensive income		9,000	9,000
Other non-current assets		10,195	10,290
Total non-current assets		752,807	795,900
Current assets			
Inventories		169,422	130,629
Trade and notes receivables	14	424,027	671,547
Prepayments and other receivables	15	312,352	218,904
Financial assets at fair value through other comprehensive income		6,800	3,203
Financial assets at fair value through profit or loss	16	51,995	103,826
Restricted cash		16,649	20,533
Cash and cash equivalents		1,332,903	1,344,615
Total current assets		2,314,148	2,493,257
Total assets		3,066,955	3,289,157

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*AS AT 30 JUNE 2024*

	As at	As at
	30 June	31 December
<i>Note</i>	2024	2023
	RMB'000	RMB'000
	(Unaudited)	
EQUITY		
Equity attributable to owners of the Company		
Share capital	565,051	565,051
Share premium	2,631,580	2,631,580
Less: Treasury shares	(266,639)	(264,349)
Other reserves	991,301	949,292
Accumulated losses	(2,043,735)	(1,848,252)
	<u>1,877,558</u>	<u>2,033,322</u>
Non-controlling interests	<u>212,089</u>	<u>190,823</u>
Total equity	<u>2,089,647</u>	<u>2,224,145</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2024

		As at 30 June 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Lease liabilities		55,013	56,667
Deferred income tax liabilities		38,040	40,677
Other non-current liabilities		4,978	6,636
Financial liabilities at fair value through profit or loss	19	<u>103,349</u>	<u>95,565</u>
Total non-current liabilities		<u>201,380</u>	<u>199,545</u>
Current liabilities			
Borrowings	17	101,557	76,651
Lease liabilities		29,784	23,069
Trade and notes payables	18	277,930	353,707
Contract liabilities		89,871	121,778
Other payables and accruals		194,282	210,808
Current income tax liabilities		294	664
Financial liabilities at fair value through profit or loss	19	<u>82,210</u>	<u>78,790</u>
Total current liabilities		<u>775,928</u>	<u>865,467</u>
Total liabilities		<u>977,308</u>	<u>1,065,012</u>
Total equity and liabilities		<u>3,066,955</u>	<u>3,289,157</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1 General information of the Group

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

The Company and its subsidiaries (collectively, the “Group”) conduct research and development 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.

This interim condensed consolidated financial information is presented in thousands of Renminbi (“RMB”), unless otherwise stated.

This interim condensed consolidated financial information has been reviewed, not audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information does not include all the notes of the type normally included in annual financial statements. Accordingly, the condensed consolidated interim financial information should be read in conjunction with the Group’s annual audited consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with IFRS Accounting Standards.

3 Accounting policies information

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2023, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total earnings for the full financial year.

(a) New and amended standards adopted by the Group

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

Standards and amendments	Key requirements	Effective for annual periods beginning on or after
IAS 1 (Amendments)	Classification of liabilities as current or non-current and non-current liabilities with covenants	1 January 2024
IFRS 16 (Amendments)	Lease liability in sale and leaseback	1 January 2024
IFRS 7 and IAS 7 (Amendments)	Supplier finance arrangements	1 January 2024

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2024 and have not been early adopted by the Group:

Standards and amendments	Key requirements	Effective for annual periods beginning on or after
IAS 21 (Amendments)	Lack of exchangeability	1 January 2025

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

4 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.

Revenue from customers contributing over 10% of the total revenue of the Group for the six months ended 30 June 2024 and 2023 is as follows:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Customer A	*	113,381
Customer B	60,424	*

* Less than 10%

5 Revenue

An analysis of revenue is as follows:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Point in time		
– Sales of products and solutions	493,083	867,738
Over time		
– Sales of products and solutions	46,602	—
– Services of data solutions	32,019	56,113
	<u>571,704</u>	<u>923,851</u>

6 Expenses by nature

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Material costs	222,796	433,895
Employee benefit expenses	207,192	288,084
Subcontracting costs	179,157	302,349
Amortisation of intangible assets (Note 13)	22,535	14,994
Depreciation of right-of-use assets (Note 13)	12,180	12,388
Depreciation of property, plant and equipment (Note 13)	10,387	16,434
Service fees	10,339	14,202
Travelling expenses	7,348	8,780
Rental and property management expenses	3,285	2,502
Marketing expenses	3,242	3,289
Other expenses	23,789	32,377
	<u>702,250</u>	<u>1,129,294</u>

7 Other income

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Government grants	<u>23,299</u>	<u>32,121</u>

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

8 Other losses, net

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Fair value losses on financial assets and liabilities		
at fair value through profit or loss	(63,620)	(2,486)
Interests received on financial assets at fair value through profit or loss	4,200	1,394
Others	<u>34</u>	<u>(325)</u>
	<u>(59,386)</u>	<u>(1,417)</u>

9 Finance costs and income

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Finance costs:		
Interest expenses on lease liabilities	(2,154)	(2,136)
Interest expenses on bank borrowings	(1,667)	(1,236)
Interest expenses on convertible bonds	—	(1,200)
	<u> </u>	<u> </u>
Total finance costs	(3,821)	(4,572)
	<u> </u>	<u> </u>
Finance income:		
Interest income from bank deposits	<u>7,703</u>	<u>15,975</u>
Finance income - net	<u>3,882</u>	<u>11,403</u>

10 Income tax credit

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current tax on loss for the period	321	397
Deferred income tax	<u>(2,637)</u>	<u>(3,990)</u>
Income tax credit	<u><u>(2,316)</u></u>	<u><u>(3,593)</u></u>

The Company and its subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% on estimated assessable profits.

A number of subsidiaries of the Group obtained or kept the status as High and New Technology Enterprises during the six months ended 30 June 2024. 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.

A number of subsidiaries of the Group are entitled to the preferential policy of Small and Micro-sized Enterprises, for which the applicable income tax rate is 5%.

11 Dividends

The Board does not recommend an interim dividend for the six months ended 30 June 2024 (2023: Nil).

12 Loss per share

(a) Basic loss per share

The basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares (excluding treasury shares) issued during the six months ended 30 June 2024 and 2023.

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Loss from continuing operation attributable to the owners of the Company	(195,483)	(195,688)
Weighted average number of ordinary shares in issue ('000)	549,745	547,369
Basic loss per share (RMB)	<u>(0.36)</u>	<u>(0.36)</u>

(b) Diluted loss per share

As the Group incurred losses for the six months ended 30 June 2024 and 2023, the potential diluted ordinary shares related to treasury shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, the diluted loss per share for the six months ended 30 June 2024 and 2023 are the same as basic loss per share of the respective period.

13 Property, plant and equipment, right-of-use assets, intangible assets and goodwill

	Property, plant and equipment <i>RMB'000</i> <i>(Unaudited)</i>	Right-of- use assets <i>RMB'000</i> <i>(Unaudited)</i>	Intangible assets <i>RMB'000</i> <i>(Unaudited)</i>	Goodwill <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</i>
Six months ended 30 June 2024 (Unaudited)					
Opening net book amount as at 1 January 2024	56,600	65,594	327,031	327,385	776,610
Additions	4,697	17,980	—	—	22,677
Impairment charge	—	—	(9,934)	(9,646)	(19,580)
Disposals	(29)	(964)	—	—	(993)
Depreciation and amortisation (Note 6)	<u>(10,387)</u>	<u>(12,180)</u>	<u>(22,535)</u>	<u>—</u>	<u>(45,102)</u>
Net book amount as at 30 June 2024	<u><u>50,881</u></u>	<u><u>70,430</u></u>	<u><u>294,562</u></u>	<u><u>317,739</u></u>	<u><u>733,612</u></u>
Six months ended 30 June 2023 (Unaudited)					
Opening net book amount as at 1 January 2023	81,943	75,089	206,620	194,552	558,204
Additions	3,193	17,240	79	—	20,512
Acquisition of subsidiaries	356	845	157,841	132,833	291,875
Disposals	(1,850)	—	—	—	(1,850)
Depreciation and amortisation (Note 6)	<u>(16,434)</u>	<u>(12,388)</u>	<u>(14,994)</u>	<u>—</u>	<u>(43,816)</u>
Net book amount as at 30 June 2023	<u><u>67,208</u></u>	<u><u>80,786</u></u>	<u><u>349,546</u></u>	<u><u>327,385</u></u>	<u><u>824,925</u></u>

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

Goodwill impairment

During the six months ended 30 June 2024, the revenue and profit generated by Shenzhen AInnovation Eye Technology Co., Ltd. (“Shenzhen Huiyan”) decreased significantly due to market downturn. The management has therefore recalculated the recoverable amount of this cash generating unit (“CGU”), and thus a full impairment loss of RMB9,646,000 was recognized for the CGU as at 30 June 2024.

The recoverable amount of this CGU was determined based on value-in-use calculations, consistent with the methods used as at 31 December 2023. The following table sets out the key assumptions for this CGU where the impairment calculations were updated as at 30 June 2024:

	30 June 2024	31 December 2023
Revenue growth rate(%)	-58.5% ~ 29.0%	4.0% ~ 44.2%
Gross profit margin (%)	29.6% ~ 35.2%	36.4% ~ 36.9%
Pre-tax discount rate (%)	16.7%	16.4%

The significant decrease in the revenue growth rate assumption of this CGU in the current period was primarily due to the market downturn.

There was no impairment of other CGUs required from the review on goodwill as at 30 June 2024.

Intangible assets impairment

The Group’s intangible assets mainly comprise customer relationship and technology from business combinations. Customer relationship and technology impairment assessment is based on recoverable amounts of intangible assets which are determined based on the higher of the fair value less disposal cost and value-in-use calculations. These calculations use multi-period excess earnings method and license fee saving method.

During the six months ended 30 June 2024, the customer relationship and technology owned by Shenzhen Huiyan had an impairment amounted to RMB9,934,000.

As at 30 June 2024, apart from the impairment for the customer relationship and technology owned by Shenzhen Huiyan, no other impairment loss is considered necessary during the six months ended 30 June 2024.

14 Trade and notes receivables

	As at 30 June 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i>
Trade receivables	558,808	789,512
Less: Provision for impairment	<u>(167,450)</u>	<u>(169,063)</u>
	391,358	620,449
Notes receivables	<u>32,669</u>	<u>51,098</u>
	<u><u>424,027</u></u>	<u><u>671,547</u></u>

As at 30 June 2024 and 31 December 2023, notes receivables were bank acceptance notes mature in six months and commercial acceptance notes mature in one year.

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

The majority of the Group's receivables are with credit term from 30 days to 180 days. As at 30 June 2024 and 31 December 2023, the aging of the trade receivables based on the recognition date of the gross trade receivables is as follows:

	As at 30 June 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i>
Trade receivables		
Less than 3 months	189,550	323,794
3 months to 6 months	62,578	101,583
6 months to 12 months	105,030	202,717
1 year to 2 years	168,364	143,794
2 years to 3 years	<u>33,286</u>	<u>17,624</u>
	<u><u>558,808</u></u>	<u><u>789,512</u></u>

15 Prepayments and other receivables

	As at 30 June 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i>
Other receivables		
– Loans to a third party (i)	7,970	—
– Deposits for share repurchase	8,584	515
– Deposits	11,495	12,658
– Staff advances	2,342	2,011
– Other receivables from a related party	200	—
– Others	<u>18,903</u>	<u>15,661</u>
Other receivables, gross	49,494	30,845
Provision for impairment	<u>(18,261)</u>	<u>(12,238)</u>
Other receivables, net	<u>31,233</u>	<u>18,607</u>
Prepayments to vendors	107,701	48,460
Recoverable value-added tax	172,723	151,142
Recoverable income tax	<u>695</u>	<u>695</u>
Total	<u><u>312,352</u></u>	<u><u>218,904</u></u>

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

- (i) As at 30 June 2024, loans to a third party with aggregated amount of RMB7,970,000 were unsecured with an interest at 2% per annum and had been fully settled in August 2024.

16 Financial assets at fair value through profit or loss

	As at 30 June 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i>
Investment fund	22,264	48,481
Wealth management product	14,689	14,500
Listed equity securities	2,429	2,438
Other financial investment instrument	12,613	38,407
	<u>51,995</u>	<u>103,826</u>

17 Borrowings

	As at 30 June 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i>
Current		
– Borrowings in relation to discounting notes receivable (i)	557	1,251
– Bank loans, secured (ii)	6,000	6,000
– Bank loans, guaranteed (iii)	80,000	57,400
– Bank loans, unsecured	15,000	12,000
	<u>101,557</u>	<u>76,651</u>

The Group's borrowings comprised:

- (i) As at 30 June 2024, borrowings in relation to discounting notes receivables with aggregated amount of RMB557,000 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 30 June 2024, secured bank loans with aggregated amount of RMB6,000,000 were secured by the pledge of a property owned by Mr. Li Weiguo, the director and non-controlling shareholder of Qingdao Aolipu Qizhi Intelligent Industrial Technology Co., Ltd.
- (iii) As at 30 June 2024, the bank loans with aggregated amount of RMB80,000,000 were guaranteed by: 1) Mr. Chen Hong, the director and non-controlling shareholder of AInnovation EHigher (Shanghai) Intelligence Technology Co., Ltd. ("Shanghai EHigher"), to the extent of RMB28,000,000; 2) Mr. Chen Hong and Ms. Liao Lu, the non-controlling shareholders of Shanghai EHigher, and a guarantee company to the extent of RMB15,000,000; 3) Mr. Li Weiguo to the extent of RMB15,000,000; 4) Mr. Chen Hong and a guarantee company to the extent of RMB10,000,000; 5) Mr. Ma Li, the director and non-controlling shareholder of Shanghai Compass Information Technology Co., Ltd. ("Shanghai Compass"), his spouse and the pledge of a property owned by Mr. Ma Li to the extent of RMB 9,000,000; and 6) Mr. Chen Hong and Ms. Liao Lu to the extent of RMB3,000,000.

For the six months ended 30 June 2024, the interest rates relating to the Group's borrowings ranged from 2.90% to 4.50% per annum (30 June 2023: 2.10% to 4.50% per annum). The borrowings of the Group are all loans denominated in RMB.

18 Trade and notes payables

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 <i>RMB'000</i>
Accounts payable	255,959	317,711
Notes payable	<u>21,971</u>	<u>35,996</u>
	<u>277,930</u>	<u>353,707</u>

As at 30 June 2024 and 31 December 2023, the aging analysis of the trade and notes payables based on transaction date were as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 <i>RMB'000</i>
Within 3 months	123,763	211,437
Between 3 months and 6 months	35,306	66,653
Between 6 months and 1 year	76,189	31,963
Between 1 year and 2 years	30,013	33,550
Between 2 years and 3 years	<u>12,659</u>	<u>10,104</u>
	<u>277,930</u>	<u>353,707</u>

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

19 Financial liabilities at fair value through profit or loss

	As at 30 June 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i>
Contingent considerations (i)	<u>185,559</u>	<u>174,355</u>

- (i) In May 2022 and 2023, the Company entered into two and one transfer agreements respectively with the then shareholders of three companies to acquire an aggregate 51% interests in each of the three companies with fixed considerations and contingent considerations which would be adjusted according to the performance commitment. The contingent considerations represented liabilities measured at fair value, and the fair values were determined using valuation model for which not all inputs are observable and are therefore within level 3 of the fair value hierarchy. During the six months ended 30 June 2024, the change in fair value of contingent considerations amounted to approximately RMB11,204,000.

20 Events after the reporting period

At the extraordinary general meeting of shareholders on 13 January 2023, the Company adopted the H share equity incentive scheme for directors and senior management in 2023 (the “**2023 Equity Incentive Scheme**”). Pursuant to a resolution by the board of directors of the Company on 26 August 2024, all the shares granted under the 2023 Equity Incentive Scheme have been lapsed. The Company accounts for the lapse as an acceleration of vesting, and therefore will, on the invalidation date, recognize share-based payment expenses immediately with the amount of RMB74,700,000 that otherwise would have been recognized for services received over the remainder of the vesting period.

DEFINITIONS

“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 announcement only, do not apply to Hong Kong, the Special Administrative Region of Macau and Taiwan
“Company” or “our Company” or “the Company” or “AInnovation”	AInnovation Technology Group Co., Ltd (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 and our subsidiaries
“H Share(s)”	overseas-listed shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are to be traded in Hong Kong dollars and are listed and traded on the Stock Exchange
“HK\$” or “Hong Kong Dollars”	Hong Kong dollar, 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
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“RMB” or “Renminbi”	the lawful currency of the PRC
“Share(s)”	H share(s)
“Supervisor(s)”	the supervisor(s) of our Company
“%”	percent

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

Hong Kong, 26 August 2024

As at the date of this announcement, the Board of the Company comprises Mr. Xu Hui as executive Director, Dr. Kai-Fu Lee, Mr. Wang Hua and Mr. Wang Jinqiao as non-executive Directors, Mr. Xie Deren, Ms. Ko Wing Yan Samantha and Ms. Jin Keyu as independent non-executive Directors.

* *For identification purposes only*