2024
ANNUAL REPORT
年度報告

创新奇智
AInnovation

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)
（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

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Chairman's and CEO's Statement

Dear Shareholders,

Looking back, AInnovation has been actively seeking transformation throughout 2024, despite a market environment fraught with challenges and uncertainties. The Company astutely adjusted its strategic focus in 2024. Our strategic focus has gradually changed from the "attack" of pursuing high-speed revenue growth to the stable "defense" of pursuing high-quality and low-risk growth. The Company's strategic layout of transformation into a high-quality development model was effectively implemented in 2024 financial year. Through proactive deleveraging measures, we have dedicated ourselves to enhancing our strength and reducing risks and significantly enhanced the core competitiveness of our own technical products and the sustainable operation ability of our business.

Firstly, we highly focused our resources on high-quality business segments to optimise and upgrade our business structure and resource allocation. At the same time, the deep implementation of refined management strategy effectively controlled costs and improved operational efficiency. The Company made a crucial adjustment in management philosophy by prioritizing operating cash flow. We put operating cash flow ahead of operating profit or loss, and then revenue scale. As a result, while our revenue reflected in our financial statements declined somewhat in 2024, the performance in the second half of the year was much stronger than that of the first half. Besides, we recorded a significant increase in operating cash flow, adjusted profit or loss, gross profit margin and the proportion of revenue from manufacturing industry for the year.

Secondly, we prioritized internal development, continuously investing in technological research and development. Our strategy evolved from AI1.0 technical products to AI2.0 large models, with a focus on expanding their application in vertical fields. By leveraging industrial large language model (LLM) to drive industrial robots and empower industrial software, we accelerated the integration of software and hardware. Moreover, by shifting our focus towards the software business, we significantly increased its proportion within our portfolio and witnessed the application of technical products in industry scenarios with a healthier and more effective and efficient commercialization process.

Thirdly, we kept insisting on the original aspiration of serving the real economy and endeavored to help our manufacturing customers realize cost reduction and efficiency increase. We promoted digital transformation and industry upgrading of manufacturing customers through new quality productivity. Up to now, the Company has cumulatively served over 1,200 enterprise customers, over 70% of which are manufacturing customers. The number of customers in the current period increased from 397 in 2023 to 521 in 2024, representing a year-on-year increase of 31.2%.

Looking ahead to 2025, we are firmly optimistic about the development of China's new industrialization and new quality productivity. As the industry cycle improves, the demand for enterprises to accelerate digital transformation through artificial intelligence and other technologies continues to rise, the application of large model industry is just in time. The prospect of "AI + Manufacturing" is vast and holds infinite potential. The Company is confident that it will make a strategic pivot from resilience to resurgence, reclaiming its growth momentum. Let us keep the passion for AI alive, move forward together and cross mountains and seas!

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

創新奇智科技集團股份有限公司
(formerly known as 青島創新奇智科技集團股份有限公司)

COMPANY'S ENGLISH NAME

AInnovation Technology Group Co., Ltd*
(formerly known as 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

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. Wang Jinqiao
Mr. Xie Deren

NOMINATION COMMITTEE

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

SUPERVISORY COMMITTEE

Ms. Lin Ying
Ms. Duan Chengjin
Mr. Nie Mingming (resigned on 30 January 2024)
Ms. Gao Lingyan (appointed on 30 January 2024)

COMPANY SECRETARIES

Mr. Xiao Lei (resigned on 30 January 2024)
Ms. Lv Hongyu (appointed on 30 January 2024)
Ms. Kwan Sau In (resigned on 31 March 2025)

AUTHORIZED REPRESENTATIVES

Mr. Xu Hui
Mr. Xiao Lei (resigned on 30 January 2024)
Ms. Lv Hongyu (appointed on 30 January 2024)

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

Room 1928, 19/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

* For identification purposes only

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

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
"CG Code"	the Corporate Governance Code contained in Appendix C1 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report only, do not apply to Hong Kong, the Special Administrative Region of Macau and Taiwan
"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"	14 April 2025, being the latest practicable date for ascertaining certain information in this annual report before its publication
"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
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
"Nomination Committee"	nomination committee of the Board

"Nuosai Yucheng"	Nanjing Nuosai Yucheng Management Consulting Company Limited (南京諾賽育成管理諮詢有限公司, formerly known as 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
"our Company" or "AInnovation" or "Company"	AInnovation Technology Group Co., Ltd (創新奇智科技集團股份有限公司) (formerly known as 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)
"Prospectus"	the prospectus of the Company dated 17 January 2022
"Remuneration Committee"	remuneration committee of the Board
"Reporting Period"	the year ended 31 December 2024
"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 27.33% of the share captial in our Company, namely Sinovation Ventures, Nuosai 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
"Supervisor(s)"	the supervisor(s) of our Company
"Supervisory Committee"	supervisory committee of the Company
"Treasury Share(s)"	has the meaning ascribed to it under the Listing Rules
"%"	percent

Financial Summary

	Year ended 31 December				
	2020	2021	2022	2023	**2024**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	462,324	861,168	1,557,643	1,751,045	**1,221,768**
Gross profit	134,621	267,241	507,078	588,485	**423,071**
Operating loss	(286,801)	(622,841)	(392,291)	(600,012)	**(630,586)**
Loss for the year	(360,635)	(635,124)	(361,160)	(570,272)	**(608,925)**
Add:					
Share-based payment expenses	133,750	406,967	173,294	290,271	**153,815**
Finance cost of financial liabilities of redeemable shares	82,406	34,877	—	—	**—**
Listing expenses	—	51,500	26,457	—	**—**
Amortization of intangible assets arising from acquisition	—	—	14,292	36,135	**43,010**
Impairment loss on goodwill and intangible assets arising from acquisition	—	—	—	—	**227,973**
Changes in fair value of financial assets/liabilities at fair value through profit or loss	—	—	8,716	89,683	**66,862**
Adjusted net loss (Unaudited)	(144,479)	(141,780)	(138,401)	(154,183)	**(117,265)**

	As at 31 December				
	2020	2021	2022	2023	**2024**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	1,395,806	2,264,907	3,268,447	3,289,157	**2,623,132**
Cash and cash equivalents	1,042,502	1,553,150	1,642,665	1,344,615	**1,204,879**
Total liabilities	1,909,833	469,599	909,472	1,065,012	**910,904**

Premium customer revenue value

	Year ended 31 December	
	2023	**2024**
Number of premium customers	81	**68**
Premium customer revenue (RMB in thousands)	1,427,718	**845,185**
Premium customer dollar based repeating rate	41.6%	**17.0%**
Total number of customers	397	**521**
Total revenue (RMB in thousands)	1,751,045	**1,221,768**

Revenue-By Type of Products/Services

	Year ended 31 December			
	2023		**2024**	
	Amount RMB'000	%	**Amount RMB'000**	**%**
Sales of products and solutions	1,632,358	93.2	**1,149,467**	**94.1**
Services of data solutions	118,687	6.8	**72,301**	**5.9**
Total	1,751,045	100.0	**1,221,768**	**100.0**

Revenue-By Customer Type

	Year ended 31 December			
	2023		**2024**	
	Amount RMB'000	%	**Amount RMB'000**	**%**
System integrators	961,992	54.9	**392,241**	**32.1**
End–users	789,053	45.1	**829,527**	**67.9**
Total	1,751,045	100.0	**1,221,768**	**100.0**

Financial Summary

Revenue-By Industry Verticals

	Year ended 31 December			
	2023		**2024**	
	Amount RMB'000	%	**Amount RMB'000**	**%**
Manufacturing	1,176,425	67.2	**980,711**	**80.3**
Automotive equipment	393,097	22.5	**263,791**	**21.6**
Food & Beverage and New Material	140,580	8.0	**158,630**	**13.0**
3C high-tech	135,269	7.8	**143,309**	**11.7**
Iron and steel metallurgy	65,270	3.7	**117,520**	**9.6**
Energy and Power	70,440	4.0	**90,951**	**7.4**
Intelligent manufacturing practical training	105,643	6.0	**65,634**	**5.4**
Engineering and Construction	105,610	6.0	**58,802**	**4.8**
OLED panel semiconductors manufacturing	122,897	7.0	**41,828**	**3.5**
Others	37,619	2.2	**40,246**	**3.3**
Financial services	401,829	22.9	**127,105**	**10.4**
Other industries	172,791	9.9	**113,952**	**9.3**
Total	1,751,045	100.0	**1,221,768**	**100.0**

Business Overview

Part I: Business Review

In 2024, China attached great importance to the development of artificial intelligence, and has introduced a series of policies to promote the deep integration between artificial intelligence and the real economy (including manufacturing), such as fostering the new quality productivity, carrying out the "Artificial Intelligence +", and pursuing digital transformation in manufacturing industry, and other strategic deployments, which has created a favorable policy environment for the "AI + Manufacturing" field in which AInnovation operates. However, at the same time, the global economic development was facing uncertainty, and macroeconomic fluctuations have caused some enterprises to cut IT spending and delay or shelve AI projects, which in turn affects the market expansion speed and order acquisition of AI technology providers. In the past year, the rapid development of AI LLM technology and the continuous emergence of new algorithms and architectures have provided a technical foundation for vertical industry large models, accompanied by the maturity of multi-modal technology fusion, edge computing, AIoT and other technologies, which has enhanced the ability to apply AI in the manufacturing industry's complex scenarios.

During the year 2024, AInnovation adhered to the high-quality development strategy, strengthened cash flow management, enhanced costs and expenses control, strengthened payment cycles management, and grew steadily while maintaining financial health. As a result, the overall revenue scale of the Company declined to a certain extent during the Reporting Period, amounting to RMB1,221.8 million, down 30.2% year-on-year. However, the performance in the second half of the year was much stronger than that of the first half and the "AI + Manufacturing" business became a highlight. Its proportion in the revenue continues to increase, hitting a record high of 80.3%. At the same time, the business structure was restructured to focus on high-quality business, the proportion of high-margin business increased, and the gross profit margin improved again to 34.6% in the Reporting Period. Adjusted net loss narrowed to 117.3 million. Although remaining in a loss-making situation, the magnitude of the loss decreased, demonstrating the positive results of the Company's transition to a high-quality development model. Operating cash inflows increased and operating cash outflows were effectively controlled, resulting in net cash flows used in operating activities of 35.8 million, a significant improvement of 80.1% over the same period of the previous year, and cash and cash equivalents of 1,204.9 million.

In 2024, AInnovation adhered to the development path of "AI + Manufacturing" and launched the upgraded technology platform "AInnoGC Industrial LLM" and AIGC product matrix, creating real-world generative AI solutions and applications for the manufacturing industry to empower key business processes. During the Reporting Period, AInnovation launched an AInnoGC Industrial LLM technology platform with AInno-75B as its core, realizing obvious improvement in four aspects of ChatX series generative AI applications, industrial LLM, LLM Service Engine and AI Agent development platform, and continuously forming differentiated advantages. As for ChatX series generative AI applications, the Company continued to promote business implementation. ChatX, which is based on LLM Service Engine and developed by AI Agent application development platform, met intelligent transformation demand from industrial enterprises for multi-scenarios and multi-dimensions, such as ChatDoc knowledge Q&A capacity for data of document type, ChatBI data analysis capacity for data of structured form type and ChatVision visual insight capacity for data of video/image vision. As for application scenarios related to enterprise core production such as on-site logistics and components assembly and other parts, we provided ChatRobot Pro intelligent dispatch and control capacity and, in upstream industrial design part, ChatCAD auxiliary industrial design capacity. In April 2024, LLM related applications including ChatRobot and ChatCAD were reported by CCTV's "Science and Technology Driving Force (《科技推動力》)" column.

Business Overview

As of the end of December 2024, the Company has applied for a total of 1,365 patents about AI and industrial LLM, including 1,118 invention patents, with 605 patents granted including 383 invention patents. AInnoGC Industrial LLM has passed the CAICT's first tranche of industrial LLM standard compliance verification and received the current highest rating of 4+ level. In the "Industrial Application Accuracy Evaluation of Artificial Intelligence Large Models (《人工智能大模型工業應用準確性測評》)" by the China Academy of Industrial Internet, the industrial LLM of AInnovation ranked sixth overall, and the document generation capacity ranked first. In the SuperCLUE industrial LLM benchmark evaluation, AInnoGC Industrial LLM ranked first in China and was placed in the Excellent Leader Quadrant. We were also granted the second prize of the Qingdao Science and Technology Progress Award.

In 2024, AInnovation aligned its corporate strategic development direction with national strategies, actively participating in and deepening its engagement in artificial intelligence and new industrialization related activities, and was assessed by multi-level governments including the Ministry of Industry and Information Technology (MIIT), Shandong Province and Qingdao City. It also attended government meetings such as MIIT's symposium for small and medium enterprises and Shandong's forum for private enterprises. During the Reporting Period, AInnovation's technological and commercial capabilities gained recognition from multiple institutions. According to the Report on Market Share of China's AI Application (中國AI應用市場份額報告) published by IDC, AInnovation ranked third in China's computer vision application market share and fourth in China's machine learning platform market share, climbed to the No.1 in China's AI-empowered industrial quality inspection solutions market share, and maintained its second-place ranking in the food and beverage segment of China's manufacturing MES market share. AInnovation was listed on the main list of "2024 Forbes China AI Tech Enterprise 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 AI Innovation Technologies TOP10 (2024福布斯中國人工智能創新技術TOP10)". It was recognized by the China Academy of Industrial Internet, a unit directly under the MIIT, in the "High-Potential Service Provider for General AI and Industrial Integration AI Large Models (通用人工智能與工業融合AI大模型潛力服務商)". AInnovation, as the lead unit, also co-authored the "Research Report on Implementation of AI + Manufacturing Application (《人工智能+製造業應用落地研究報告》)" with CAICT. As the main enterprise of artificial intelligence production chain in Qingdao, AInnovation was the contractor of the "Shandong Engineering Research Center of AI Industrial Large Models (人工智能工業大模型山東省工程研究中心)", which was recognized by Shandong Development and Reform Commission as the 2024 Shandong Engineering Research Center and evaluated as the National Postdoctoral Research Workstation, Shandong Key Laboratory for Intelligent Manufacturing Industrial Large Models, Shandong Top 100 Innovative Private Enterprises (山東民營企業創新100強), Shandong Top 100 Software Enterprises (山東省軟件百強) and Qingdao Leading Benchmark Private Enterprises (青島市民營領軍標杆企業) and other titles.

AInnovation built a smart manufacturing ecosystem centered on AI technologies, 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 strategic cooperation with Shandong University and became a postgraduate internship base of Shandong University, to create a new model of school-enterprise cooperation with "scientific research-innovation-talent". AInnovation reached a strategic cooperation with China Resources Digital Holdings Company Limited (華潤數科控股有限公司), and jointly carried out integration of AI large models and industrial application scenarios. Additionally, AInnovation implemented eco-activities with multiple units including Advantech, Sinomach Group, VAHLE, Fudan University and Huaziyun (華諮雲), to discuss the application of large models in the manufacturing industry.

Strengthen the industrial intelligence technology system

In the past year, the Company has continued to increase investment in research and development and promoted technical innovation and product upgrading with its focus on AInnoGC Industrial LLM. Since the successful release of 1.0 version of AInnoGC Industrial LLM, the Company officially launched 2.0 version of AInnoGC Industrial LLM in March 2024, marking that the Company's technical strength has stepped into a new phase in industrial LLM area. This achievement is not only a symbol of technological breakthrough, but also an important milestone of the Company's accelerated growth in industrial intelligence domain.

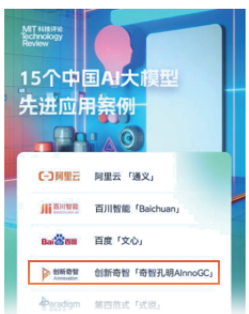
Based on AInnoGC 2.0, the Company has built a technology and product system of industrial LLM that is completely autonomous, controllable and industry-leading. This achievement not only demonstrated the Company's outstanding ability in technological innovation, but also highlighted its leading position in the industrial intelligence domain. The Company is well aware that technological leadership is the core impetus for promoting sustainable development of enterprises, and that an autonomous and controllable technology system is the key to safeguarding the invincible position of an enterprise in global market competition. Therefore, the Company has been committed to continuous innovation and breakthroughs in technology, to ensure that its products and services maintain industry leadership.

The Company actively accelerated the market promotion of AInnoGC 2.0 and client cooperation. The continuous application of ChatX series generative AI applications on the business front enabled the Company to deeply understand the practical needs and pain points of industrial enterprise customers. Through close cooperation with customers, the Company was able to not only transform advanced technologies into actual productivity, but also continue to optimize products and services according to customer feedback. These scenario-based practice achievements consolidated the Company's technological leadership in the industrial intelligence domain, as well as laid a solid foundation for the iteration of future technologies, products and solutions. The Company believes that with continuous technical innovation and market expansion, AInnoGC Industrial LLM will make more contributions to the future development of industrial intelligence and help enterprises realize high-quality development amid the digital transformation trend.

The trusted AI industrial LLM Evaluation of CAICT

The current highest rating (4+ level) received ①

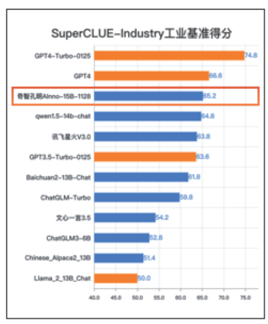
① So far, it is the only industrial LLM that has passed this evaluation of CAICT



The list of 15 advanced applications of Chinese AI large models released by MIT

"AInnoGC Industrial LLM" on the list ②

② The list consists of 15 enterprises including Alibaba Cloud, Baichuan AI, Baidu, AInnovation, 4Paradigm, Du Xiaoman, Huawei, iFlytek, Wall-Facing Intelligent, MINMAX, SenseTime, Vivo, Medical Alliance, Moonshot AI and Zhipu AI



The SuperCLUE Chinese industrial LLM evaluation

Ranked first in China ③

③ The Excellent Leader Quadrant comprises of AInnovation, Alibaba Cloud, iFlytek, etc..

Figure (1) AInnoGC Industrial LLM Evaluation

Business Overview

In terms of the industrial LLM, we have launched AInno-75B industrial LLM with 75 billion parameters in the first quarter of 2024. With a profound comprehensive capacity, the model is highly recognized by numerous evaluation institutions. Specifically, AInno-75B has managed to pass the LLM registration of the Cyberspace Administration of China, passed the trusted AI industrial LLM Evaluation of CAICT as the first batch and received the then highest rating (4+ level). Besides, it has also ranked first in China in respect of the SuperCLUE Chinese industrial LLM evaluation and has been included in the list of 15 advanced application cases of Chinese AI large models released by MIT. The aforesaid achievements have fully demonstrated that AInnoGC series of industrial LLM has a profound technical performance and has undergone constant challenges in the course of actual business execution, which has made it an advanced industrial LLM.

In terms of the AInnoGC industrial LLM technology platform, we have constructed an AI Agent development platform for the industrial field through the deep integration of industrial scenarios requirements and technology R&D capabilities. The platform takes the intelligent application orchestration engine as the core, and creates a four-in-one development paradigm of "process orchestration - knowledge injection - tool invocation - model scheduling" by modularizing and packaging the core functional modules such as the knowledge base management module, tool plug-in framework, and large-small model synergistic reasoning components. The platform enables rapid development of generative AI applications covering industrial scenarios such as equipment operation and maintenance, process optimization, and quality inspection through visual drag-and-drop, shortening the development cycle by over 60%.

1) In terms of intelligent agent development, the platform provides a complete end-to-end solution for building intelligent agents that supports the creation of complex directed graph workflows with advanced features such as parallel execution, link backtracking, loop computation, and state execution. This allows seamless adaptation to a variety of complex application scenarios. To address latency issues caused by concurrent reasoning in long workflows, we have deeply optimized the platform to enhance the parallel execution of processes and the back-end interactions and feedbacks, which significantly reduces the latency and improves system stability.

2) In terms of knowledge management and parsing, it supports uploading and parsing documents in various formats including PDF, DOC, TXT, HTML, PPT, EXCEL, CSV and JPG, has the ability of parsing and retrieving multimodal documents, and supports multimodal functions such as text searching and image searching. The platform can effectively handle both unstructured document data and structured database data. An integrated database module allows users to execute SQL queries, directly retrieving and embedding database records into workflows.

3) In terms of tool construction and use, the platform supports the creation of various tools by writing code and sending network requests to meet the needs of users with different technical expertise. In addition, the platform has a tool hub, offering ready-to-use tools covering data applications, web search, image and video processing, data source management, enterprise process optimization, document analysis and others. Users can flexibly elect or customize tools according to specific business needs, greatly improving the efficiency and adaptability of intelligent application development.

4) In terms of model access and application, the platform natively integrates the AInno-75B industrial LLM, and also supports one-click access to mainstream third-party LLM services and on-premise LLM deployed by customer. In addition, the platform has pre-equipped with a large number of visual intelligence models and data intelligence models in the industrial field, which are based on long-term industry accumulation and can be ready-to-use. They can quickly adapt to various business needs and further simplify the development and deployment of intelligent manufacturing applications for manufacturing enterprises.

5) The platform supports all-round asset accumulation and utilization of intelligent agent applications, knowledge bases, tools and models, enabling efficient management and sharing of enterprise intelligent application technology assets. At the same time, the platform provides a series of enterprise-level industrial intelligence application templates, which are built based on the best practices accumulated by AInnovation in the implementation of customer-side intelligent applications over a long period of time, lowering the threshold of intelligent application development for enterprises and speed up the development of intelligent applications.

As for ChatX series generative AI applications, with an optimized algorithm and enhanced ability of data handling, ChatX series applications are allowed to understand the complex demands in the industrial scenarios more precisely and accordingly provide more targeted and efficient solutions for customers. Furthermore, the improved performance of industrial LLM has considerably promoted the entire system. The new version has been enhanced in terms of calculation efficiency, model precision and stability, which has supported ChatX applications to better cope with complicated tasks and demands in industrial production.

ChatRobot industrial embodied intelligence robots: We have successfully launched a new version of ChatRobot Pro this year 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. Based on the aforesaid, we have further developed and established a fully autonomous all-round technology stack of industrial embodied intelligence. As illustrated in Figure (2), the core of the technology stack includes robot control system, robot intelligence system and robot data system. We continue to optimize the three core systems and cooperate closely with our partners of robot hardware ecosystem with the view of establishing the differentiation advantages, improving product maturity and promoting the sustainable progress of the technology of industrial embodied intelligence robots.

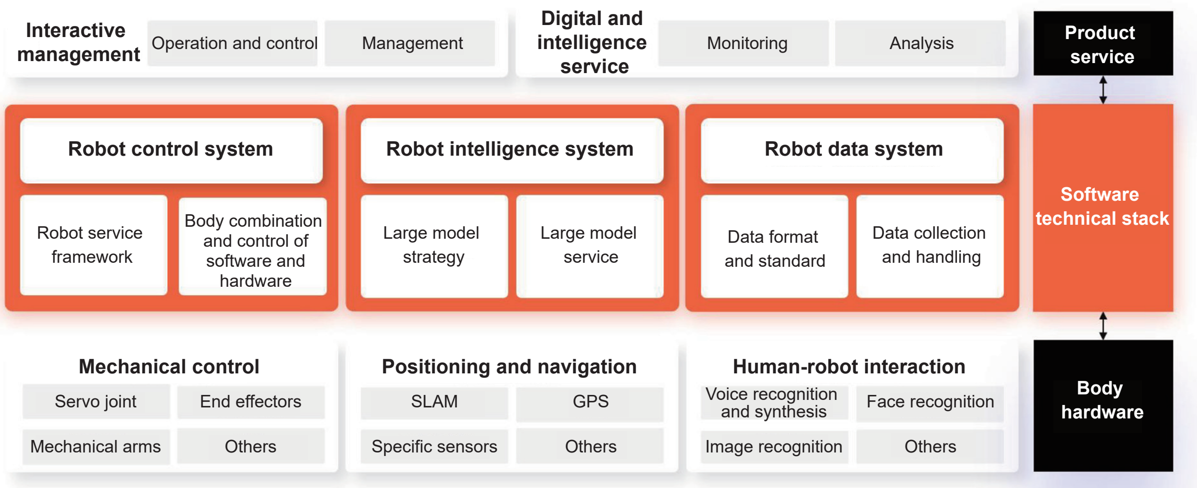


Figure (2) Technology Stack for Industrial Embodied Intelligence Robots

1) Robot data system: From the perspective of long-term development, a sound and complete data system is the foundation for the development of industrial embodied intelligence. In this regard, we have designed a complete data management system for embodied intelligence robots, which covers internet data, simulation data and remote operating data. Especially for high-quality remote operating data, we have designed a new and elegant data format called "data constitution", building a mature ability of data collection, storage and calculation. Meanwhile, we have enlarged our investment in data collection and managed to establish the industrial robot data set V1.0. The solid data system has significantly improved the efficiency of industrial embodied intelligence data handling and large model strategy training, which has laid the foundation for the long-term development in this path.

2) Robot intelligence system: We have utilized the core advantage of AInno series of industrial LLM to fully strengthen its end-to-end and multi-modal "Vision-Language-Action (VLA)" capacity and successfully developed a large model integrated strategy inclusive of complicated task understanding and efficient motion control. The strategy has equipped industrial embodied intelligence robots with a strong intelligent center and replaced pre-programming by learning from instruction, dramatically expanding the application scenarios and functional boundary of robots. To be specific, our robots are now able to use natural languages to smoothly interact with humans and understand as well as perform complicated scenario-based tasks by virtue of their powerful task generalization ability. In the meantime, those robots can also handle complex tasks and orders and absorb a wide range of commonsense knowledge. The realization of those functions not only enables robots to better adapt to various industrial environments, but also notably improves the intelligent level of industrial embodied intelligence robots, which has laid a firm basis for intelligent manufacturing in the future.

3) Robot control system: We have utilized the AI platform-based practical accumulation of AInnovation for years to design the "cloud-edge-end" integrated control system for industrial embodied intelligence robots. The control system is used for scheduling and management of different resources and abilities and is efficiently connected to the intelligence system, data system and robot hardware to ensure both a loose coupling and integrated operation among each system. In addition, the control system also provides external productization support to ensure the efficient operation of robot interaction, control, operation, and various monitoring and statistical functions, which is the control core of the entire industrial embodied intelligence robot.

ChatCAD auxiliary industry design: In 2024, the Company continued to increase investment in the field of ChatCAD to further verify the feasibility and key technical path of industrial LLM in the field of industrial design. Based on the successful implementation of Text-to-CAD function last year, that is, the automatic generation of CAD models through text input, this year we have further explored the implementation path of Image-to-CAD technology, which can automatically generate CAD models with static images input and can be used in a wide range of application scenarios. In order to promote the development of this technology, we have built a large-scale industrial training data set based on the cutting-edge cross-sector data synthesis technology (Synthetic Data) and continue to develop end-to-end and multi-modal industrial LLM for target scenarios. With those endeavors made, we have achieved breakthroughs in technological innovation in the field. At the same time, we work closely with CAD software partners to continuously enrich our data resources, generate product forms, further explore the product and application value of industrial LLM in the field of industrial design, and bring more efficient and intelligent design solutions to the industry.

ChatDoc enterprise private domain knowledge Q&A/ChatBI enterprise private domain data analysis: In 2024, ChatDoc further enriched the knowledge Q&A capabilities with multiple knowledge bases, multiple document types and multiple content formats, focused on optimizing the data calculation efficiency and service throughput capacities of the whole process, significantly improved the Q&A effect and efficiency in the context of a large number of documents, focused on optimizing the answer tracing function and provided more detailed answer tracing ability with the view of ensuring that the results of the Q&A are more accurate and reliable, and the user experience has been further improved. ChatBI has further enhanced the product positioning of Copilot Assistant for data analysis, optimized the product experience based on customer needs and supported users to intervene, edit and confirm in the entire process, thus ensuring the reliability and credibility of data analysis results. Meanwhile, the effects and display formats of Text-to-SQL and Text-to-Chart have been further optimized to continuously lower the threshold for data analysis and increase the data analysis efficiency. With the continuous implementation of ChatDoc and ChatBI on the business side, technical stability and product maturity have been considerably improved.

In addition, when it comes to the AI 1.0 MMOC, we always position the visual key scenarios application as the core focus and make efforts to promote the continuous improvement of product maturity through technological innovation. In this process, we not only adhere to and consolidate the advantages of traditional vision solutions, but also actively introduce the cutting-edge capabilities of industrial LLM to bring new vitality to our products. By adding multi-modal industrial LLM capabilities on the basis of visual small models, we have managed to realize the innovative model of "industrial LLM+", the introduction of which not only enables the function of our products more generalized for more complex scenarios and diversified needs, but also it significantly improves the interactivity of our products to allow them better meet the users' experience needs in their actual use scenarios. This integrated and innovative technology strategy enables us to stand out of intense market competition and continue to build product differentiation competitiveness. We are deeply aware that only by continuing to optimize and upgrade our technical capabilities can we maintain a leading position in the visual field. Therefore, we will continue to further explore along this path, further uncover the potential of multi-modal large models, provide our users with more valuable solutions, and promote the wide application and sustainable development of AI technology in the visual field.

Enrichment of AI products and solutions

In 2024, while continuing to advance the development and iteration of MMOC artificial intelligence platform, we have also successfully applied it to the operations of clients in the industrial sector, consistently achieving technological integration and practical innovation. At the same time, as AInnoGC industrial LLM's product matrix continues to mature and improve, we are also advancing the practical implementation of our customers' concerns in the application scenarios, applying industrial LLM technologies and derivatives skillfully in the production and management process of our clients, which effectively assisting their intelligent transformation and upgrading. By deepening the research and exploration of artificial intelligence technology, we have elaborately refined artificial intelligence products and solutions, deeply integrating MMOC analytical artificial intelligence platforms with AInnoGC generative artificial intelligence platforms into industry applications, thereby building a Twin Towers support system that bridges technology and industry, which provides us with a solid foundation for implementing artificial intelligence practices across multiple niche industries as well as offers manufacturing clients comprehensive, systematic, digitalised, and intelligent transformation support. At the same time, it lays a strong groundwork for the high-quality growth of our business.

In the field of industrial software, we remain steadfast in advancing our productization strategy of integrating artificial intelligence LLM with MOM industrial software. Within our existing MOM core product system, we have deeply integrated artificial intelligence LLM technology, particularly in niche industries such as food and beverage and advanced new materials. We are committed to building an innovative fusion and application of new artificial intelligence and industrial software which leverage traditional industrial software as the primary foundation and the AInnoGC LLM technology matrix as the innovation engine. Combined with the productisation and standardisation characteristics of industrial software, we empower the artificial intelligence LLM technology with capability, tooling, modularisation, and platformisation, and continue to create artificial intelligence industrial software that meets the needs of industry users, thus driving the commercialisation of artificial intelligence industrial software product system on the customer side and its widespread replication in the industry. Over the past year, we have fully leveraged the strong technological barriers developed by industrial software products within our customer base, integrating cutting-edge LLM technology to build various intelligent agents and thereby deeply optimizing and upgrading our existing industrial software. This strategy has successfully helped us achieve intelligent agent-based empowerment across the entire value chain through large models in multiple leading industry enterprises. It spans from the intelligent sales knowledge assistant at the marketing end, to the smart office assistant at the management and operations end, the intelligent formula and process analysis and optimization at the product R&D end, and the intelligent equipment operation and maintenance assistant at the production and manufacturing end. Last year, through active external cooperation, we continued to expand the functions of the intelligent industrial software product system and strengthen the provision of relevant capabilities. We entered into a strategic cooperation agreement with DingTalk to deeply combine AI+MOM industrial software products with DingTalk software platform, achieving the co-construction of all-round smart factory solutions covering R&D, production, marketing and office operation. Meanwhile, we entered into a strategic cooperation agreement with CR Digital to help it build its own industrial large language model (LLM) platform based on the AInnoGC LLM product matrix. Leveraging CR Digital's existing comprehensive industrial software layout within CRH, we have also jointly built an intelligent agent application, deeply integrated industrial software with LLM intelligent agents, and implemented various scenarios within CRH's business units.

Business Overview

In the field of intelligent equipment, we continue to focus on deepening our efforts in artificial intelligence technology centered on machine vision, promoting highly integrated and high-performance software and hardware integrated solutions to leading industry clients. Leveraging years of extensive experience serving leading clients in niche industries and the long-term refinement and practical application of the MMOC artificial intelligence platform in industrial manufacturing, our machine vision products have achieved widespread replication and application in the intelligent equipment industry. We have standardized and modularized the entire process of solution design, manufacturing, delivery, and implementation, significantly accelerating the marketization process of products in niche sectors. At the same time, through the unique fast process orchestration capabilities and flexible modular external link technology of our self-developed AI Agent development platform, we have elaborately achieved the deep integration of emerging LLM technology with traditional small model technology. With years of accumulated assets in machine vision and machine learning, we have successfully advanced artificial intelligence capabilities in data analysis, feature extraction, visual understanding, and generation to a new level. In the panel semiconductor industry, we have further strengthened our technological barriers and enhanced the operation and application of business line of intelligent equipment, which is represented by intelligent glass panel defect quality inspection solution. This has enabled large-scale replication among leading industry clients. In addition, we have progressively achieved seamless integration between the inspection results of intelligent quality inspection equipment and enterprise quality management systems, incorporating production data into LLM application products in a more efficient and closed-loop manner. Through the deep understanding of natural language and the precise deconstruction and analytical capabilities of LLM, we provide intuitive chart formats and more user-friendly interaction modes. This enables enterprise managers to conveniently and efficiently monitor the progress of product manufacturing and quality control. On the other hand, as the scale of quality inspection data continues to grow, we have introduced LLM technology to enable more efficient analysis and insights into quality inspection information, which provides data-driven feedback and recommendations for improvements in production processes in a more efficient way. In the field of robot empowerment, we have conducted in-depth research and practice in on-site intelligent logistic scenarios. By introducing LLM technology, we have optimized the operational efficiency of on-site logistic robots, significantly reduced blocking time while enhancing the response speed and accuracy of the dispatching system. In terms of the field of automotive equipment, we start with visual intelligence technology, focusing on maximizing customer value and deploying in-depth layouts in key application scenarios such as intelligent quality inspection and intelligent video security. Relying on the advanced functions of the MMOC artificial intelligence platform, we have gradually expanded the single front-line quality inspection scenario service and video security scenario service to meet the customer's sustainability model production, model management, model performance evaluation, quality inspection application implementation, intelligent analysis of quality inspection results, etc., which assists the customer to establish its own artificial intelligence systematic capabilities, thereby building up the intelligent service system that covers the entire value chain.

In the field of iron and steel metallurgy, we continue to promote the development strategy for the digitalization and intelligence of "industrial logistics for the manufacturing of steel industry", and we are focused on expanding the horizontal replication of industry customers under the "1*N" industry scenario. The logistics objects have achieved comprehensive coverage from the "liquid" to the "solid" state, and a smart steel coil unmanned transportation model has been successfully deployed at certain steel enterprise in northern China, resulting in a significant improvement in logistics efficiency. The logistics scenario has been further extended to ports. At a raw materials port in southern China, we deployed the industry's first "iSmartBGSU Grabbing Ship Unloader Intelligent Operation System (iSmartBGSU抓鬥式卸船機智能作業系統)", and at a port in southern China, we implemented the "iSmartLoco Unmanned Locomotive Technology Drive System (iSmartLoco無人機車駕駛系統)" for the first time. Both innovative initiatives signify a significant breakthrough in logistics automation and intelligentization. At the same time, the productization process has been continuously accelerating, with the BlazerADP industrial automatic driving vehicle platform successfully obtaining CE certification. Key technologies—including the automatic parking device, automatic charging device, and automatic hook release device—have been widely applied in multiple projects. These outcomes have not only enhanced operational safety and efficiency but have also significantly advanced the process of achieving independent development and domestic production of core equipment and controllers.

In the field of intelligent manufacturing practical training, we are actively broadening our customer base by closely aligning with the differentiated needs of educational institutions at various levels. By using the intelligent manufacturing training center as a hub for multi-point outreach, we are gradually expanding our service to educational institutions of all tiers and key laboratories. Leveraging the abundant faculty resources and outstanding students available at institutions, and with the MMOC platform and AInnoGC platform serving as a dual-core development foundation, we have collaborated with major laboratories in their teaching, learning, and research endeavours to jointly establish diversified intelligent manufacturing practical training centers and intelligent robotics centers. We are actively exploring pathways to empower the application of artificial intelligence technologies in industrial robotics. By making full use of the first-mover advantage of the robot innovation center and the increasingly mature robot core control technology to deeply integrate advanced technologies such as machine vision technology, video intelligence technology, intelligent learning technology and large model technology into the perception, decision-making, and interaction modules of our robots. We are committed to developing application scenarios including industrial robot control, industrial robot training machine operation management, and industrial robot training machine safety management. At the same time, we have allocated dedicated technology research and development resources to integrating artificial intelligence technologies with digital twin technology, applying this integration to robotic simulation control to enhance robot programming efficiency and reduce testing safety risks. Overall, we are dedicated to organically combining artificial intelligence technologies across both software and hardware, addressing the universal needs of the industry, with the aim of pioneering innovative pathways and new application fields for intelligent industrial robots in the realm of intelligent manufacturing practical training.

Business Overview

In the field of automotive equipment, we have meticulously developed a cutting-edge, full-lifecycle intelligent automation solution centered on automotive transportation lines. This intelligent transportation line serves as the "artery" of the entire production system, extending through various innovative segments, including intelligent automotive manufacturing complexes, new energy vehicle manufacturing bases, and high-end equipment collaborative support systems. Through the precise and efficient transportation of materials and semi-finished products, the solution guarantees seamless integration across each sector, thereby significantly enhancing production efficiency. Such a solution is designed to comprehensively meet customers' rigorous requirements for exceptional quality, high production efficiency, cost optimization, process transparency, and agile responsiveness. We have innovatively introduced a generative enterprise private domain knowledge Q&A application centered on ChatDoc, a system capable of rapidly and accurately addressing various specialized issues encountered by customers during production. Customers need only to pose a query, and ChatDoc promptly sifts through an extensive knowledge base to extract relevant information and recommend targeted solutions. This process substantially reduces the time required for data retrieval and consultation with professionals, thereby significantly enhancing the timeliness and scientific bases of decision-making. Meanwhile, we have deployed an intelligent data extraction system centered on ChatBI. This system boasts robust capabilities for data insight and refinement, enabling it to automatically and efficiently extract key information with precision from the vast amounts of data generated at various production stages. Customers are no longer required to invest substantial manpower and time in manually collecting and organizing data, as ChatBI delivers the required information accurately in real time, assisting them in clearly grasping production dynamics, quality trends, and other critical aspects, and thereby providing a solid data foundation for scientifically sound decision-making. Across the dimension of the entire process, we have implemented green screening and evaluation for raw materials, lean quality control throughout production processes, and comprehensive performance inspections for finished products prior to shipment — all deeply integrated into a closed-loop management system covering the entire process. By capturing real-time on-site quality dynamics and accurately identifying potential quality risks, we can rapidly pinpoint and effectively resolve such issues. Meanwhile, with in-depth data exchange and sharing among various departments has enabled traceability of product quality throughout the entire process, thereby enhancing quality from multiple dimensions. This full-lifecycle intelligent automation solution, which integrates cutting-edge ChatDoc and ChatBI technologies, will create tremendous value for customers among leading domestic automotive equipment manufacturing enterprises and to effectively propel the automotive equipment industry into a new era of intelligent development.

In the financial sector, we remain focused on the intelligent application of data, dedicating our efforts to providing banks, securities firms, and various financial institutions with comprehensive, one-stop data solutions. To enhance data management capabilities, we have significantly upgraded our data asset management platform. By strengthening data standards management to ensure consistency in data formats and definitions, and concurrently intensifying quality monitoring to promptly detect and correct any errors or deviations, we assist our financial clients in comprehensively improving their data governance, thereby effectively enhancing their risk prevention and control capabilities. With regard to investment decision support, we have fully leveraged big data and artificial intelligence technologies to elaborately develop an intelligent investment decision support system. This system is capable of conducting real-time analyses and delivering precise forecasts based on vast amounts of market data, providing a scientifically sound and reliable basis for the investment decisions of financial institutions. Numerous clients have reported a significant improvement in investment returns following its implementation. We have also innovatively introduced ChatDoc, a generative enterprise private domain knowledge Q&A application, which incorporates a wealth of financial expertise and regulatory policies accumulated through the Group's many years of industry KnowHow. This application is capable of providing financial professionals with real-time and precise knowledge Q&A services, thereby greatly enhancing work efficiency and decision-making accuracy.

Part II: Future Outlook

The competitive landscape in the AI field is undergoing profound changes. In the future, the core of AI competition will focus on application scenarios. With the continuous popularization of underlying technology, it is difficult to form long-term barriers with technological advantages alone, and the ability to deeply integrate AI technology with various actual scenarios and create business value has become the key for enterprises to differentiate itself from others. In our opinion, the vertical industries will be the main battlefield for LLMs. As industrial LLMs are characterized by strong expertise and high data security, therefore, the real value of LLMs will be focused on their application and implementation across more industries and enterprise-level solutions. Enterprises that could accurately identify the pain points of specific industries and offer customized solutions tailored to the actual needs of customers will gain a competitive advantage in the market and are more likely to receive widespread recognition in the market.

Looking ahead to 2025, AInnovation, as a pioneering enterprise in the field of "AI + Manufacturing", has formulated its development strategy of "one model, one agent and two wings", namely, positioning industrial LLM as the engine to drive industrial robots and empower industrial software, thus developing a diverse set of AI Agents customised for industrial use. The Company will continue to invest resources in deeply polishing the industrial LLM technology platform and related generative AI applications, pay close attention to cutting-edge technology trends, increase R&D investment, and actively explore new algorithms, architectures and application modes to ensure that it maintains a leading position in technology. In addition to strengthening technological innovation, the Company will promote the engineering implementation of technologies within industry scenarios, and based on the five business themes of "industrial software, digital and intelligent software, industrial logistics, intelligent equipment, industrial sustainability", deeply explore the potential of AI application in each business segment.

To achieve the long-term and sustainable development, AInnovation will continue to adjust its business structure and optimize its product portfolio in accordance with market dynamics and customer demand. By eliminating low AI value-added and low-margin businesses and focusing resources on developing business segments with core competitiveness and market potential, we will ensure the optimal allocation of corporate resources and improve operational efficiency and profitability.

Enhancing technological innovation and its application and implementation

In the current rapidly developing technology era, AI is profoundly transforming various industries. Looking to the future, the Company will increase its investment in technology with strong determination and clear strategy and will endeavor to follow the general direction and trend of AI technology development on top of the existing industrial intelligence technology system. We know that technological transformation is the core driving force for the sustainable development of an enterprise. Therefore, we will actively embrace technological transformation and boldly pursue innovation and breakthroughs. At the same time, the Company will expand its engagement in the field of industrial intelligence, make full use of the existing industry advantages to deeply explore various application scenarios, and realize the deep integration of intelligent technology and industrial scenarios. We will focus on key technologies and scenarios to unleash the value of our technologies, promote the intelligent transformation of industries, and bring more efficient and smarter solutions.

AI Agent: continuously enhancing platform capabilities and customer penetration and promoting the evolution of intelligent agent applications toward a high-level

As the intelligent transformation of enterprises reaches a more advanced stage, AI Agents are becoming the infrastructure for reshaping of traditional business processes. We will remain focused on the R&D of the AI Agent development platform and delivering platform capabilities tailored for manufacturing enterprises, helping enterprises build efficient AI Agent R&D and management systems, to enhance overall operational efficiency and decision-making capability.

In particular, we will further enhance the distinctive capabilities of the AI Agent development platform to build the application of manufacturing industry intelligent agents. With the extensive implementation experience and data accumulation of manufacturing customers, we will continue to build the knowledge base of the vertical domain and strengthen the synergistic inference capability between large and small models under manufacturing scenarios and the empowerment of key processes including R&D, design and production optimization. We will deepen our technical embedded solutions of AI Agent with industrial software and build a pluggable industrial intelligent agent ecosystem, to accelerate the intelligent transformation of traditional software and solutions. Alongside providing the out-of-the-box intelligent agent application, we will gradually open our AI Agent development capabilities to customers, which will further enhance the customer stickiness of AI Agent products while helping customers expedite the iteration of deployed intelligent agents and driving the development of more new intelligent agents.

Meanwhile, with the continuous enhancement of large model infrastructure and AI Agent platform capabilities and continuous popularization of intelligent agent application scenarios on customer side, we will actively explore technologies and scenarios and promote the evolution of intelligent agent applications toward a higher level. In terms of technologies, we will continue to promote the introspection, tool usage, planning and multi-intelligent agent collaboration of the AI Agent platform, to support the building of a higher-level intelligent agent that is able to precisely reason, analyze and steadily carry out complicated missions and further release users' productivity in human-machine collaboration. Meanwhile, we will remain insisted on scenario landing oriented, thoroughly consider the production and operation paradigm of manufacturing enterprises and gradually promote the application of high-level intelligent agent on customer side.

Industrial embodied intelligent robots: deepening technology stack optimization and expanding application scenarios

In the field of industrial embodied intelligent robots, we will continue to deepen the optimization of our technology stack, focusing on the improvement of the three core segments, i.e. data system, intelligent system and control system. By constructing a larger volume and higher quality dataset, we will provide the robot with richer learning resources to enhance its ability to perceive and understand complex environments. High-quality datasets not only help robots better adapt to different work scenarios, but also significantly improve their decision-making accuracy and efficiency. In terms of intelligent systems, we will continue to optimize the VLA large model to further enhance the intelligence of the robot. Through the introduction of advanced algorithms and optimization technologies, we are committed to equipping robots with stronger learning and adaptation capabilities so that they can autonomously complete tasks in complex industrial environments.

On this basis, we will be based on the industrial automation scene and gradually expand the application prospects in the field of commercial automation. Industrial automation scenario covers material handling, parts assembly and other key links, which are the core of the manufacturing industry, and an important area for the application of industrial robots. By optimizing robot technology, we can significantly increase production efficiency, reduce labor costs and improve product quality. In the field of commercial automation, we see greater market potential. Business automation includes a wide variety of scenarios such as retail stocking, business operations, commercial cleaning, etc. These scenarios place higher demands on the flexibility, adaptability and interactivity of robots. Through technological innovation, we will enable robots to better adapt to the needs of these scenarios and provide business users with efficient and reliable automation solutions.

In response to these broader industry needs, we will join hands with partners such as robot hardware body and parts manufacturers to create targeted robot products and actively promote their commercialization. Through close cooperation with our partners, we can fully utilize our respective strengths and optimize the allocation of resources. We will work together on R&D of technology, product design and marketing to ensure our robot products meet the actual needs of different industries. We believe that through our strong partnerships, we will be able to provide more competitive robot solutions to the market and promote the application of robot technology in more fields.

Industrial LLM-aided industrial design: enhancing design generation capabilities and expanding the collaborative ecosystem

In the field of industrial LLM-aided industrial design, we firmly believe that CAD industrial design data is the most valuable data modality in the industrial field. CAD data not only contains product design details, but also encompasses rich engineering knowledge and experience. By integrating more industrial design-related data, we can significantly improve the design generation capability of industrial LLM, thereby creating greater value in the industrial field. Through technological innovation, we are committed to enabling industrial LLM to better understand and generate high-quality CAD designs, bringing higher efficiency and better user experience to industrial design.

Looking to the future, we will continue to strengthen our cross-domain Synthetic Data technology. Through synthesizing data, we are able to provide richer training materials for models and further optimize the generation effect and performance of large models in both Text-to-CAD and Image-to-CAD. Meanwhile, we will also investigate the direction of CAD-to-Text technology to explore its potential in application scenarios such as CAD review, which can extract key information from CAD designs and present it in text form. This can be used not only for design review, but also for design document generation and management. With this technology, we can increase the efficiency and accuracy of design reviews, minimize human errors and improve design quality.

Based on these technical capabilities, we will actively expand the CAD cooperation ecosystem and initiate in-depth cooperation with more domestic and foreign CAD vendors to establish a strong alliance. Through cooperation, we will jointly carry out technology research and development, product optimization and market promotion, and advance CAD industrial design into the era of large models. We believe that through joint efforts with our partners, we can provide more advanced CAD design solutions for the market and bring new transformation to industrial design.

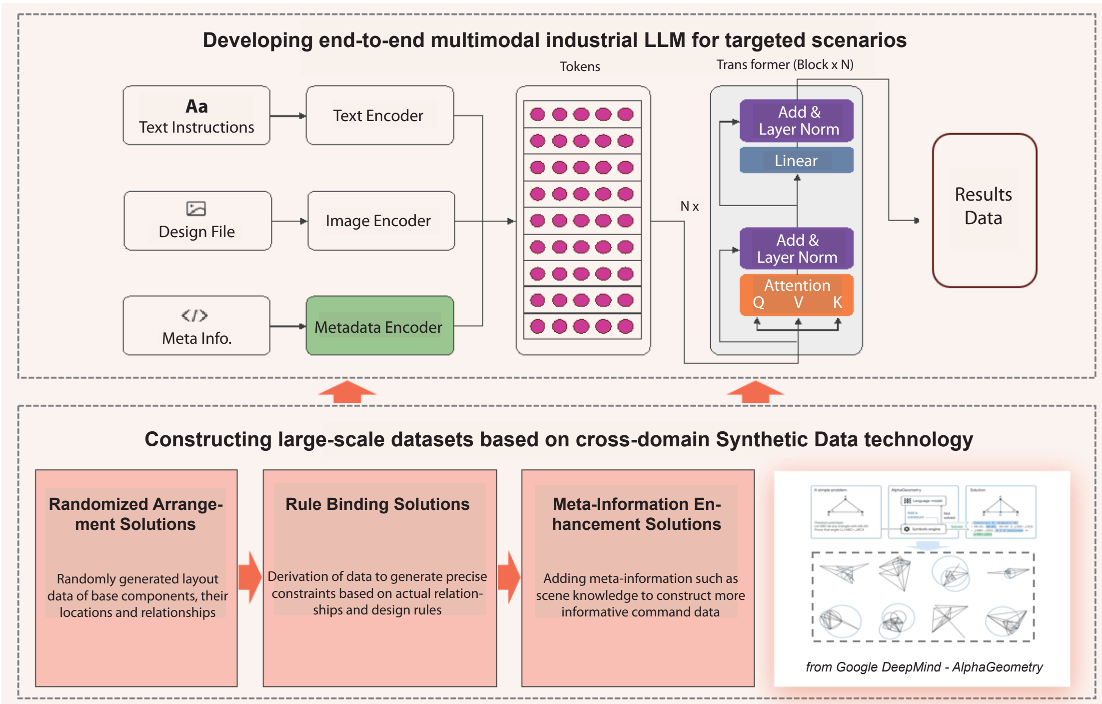


Figure (3) ChatCAD architecture diagram

Continuous optimization of technology and products to ensure competitive advantage

We will continue to optimize our technologies and products with business orientation as the lead. We will continue to improve the standardization of our products to ensure that they can better meet the needs of different users. At the same time, we will continue to conduct in-depth research, application and evaluation of quantization and other technologies to ensure that they can meet the needs of actual business applications at a lower computing cost. We understand that technology optimization and innovation are the keys to maintaining a competitive edge. Therefore, we will continue to explore new technologies and methods to enhance product performance and user experience.

We will adhere to the customer demand-oriented and constantly optimize product features and service quality. Through close cooperation with our customers, we can keep abreast of market dynamics and user needs, and thus quickly adjust the direction of technology development and product strategy. We believe that through continuous technical innovation and product optimization, we can provide customers with more valuable solutions and promote the development of industrial intelligence.

In the future, we will continue to increase technology investment, deepen technology innovation, expand application scenarios and optimize product services. We will work together with our partners to promote the development of industrial intelligence and bring more innovation and change to the industry. We firmly believe that through our efforts, the Company will achieve greater success in the field of industrial intelligence and create more value for society.

Continuous enrichment of AI products and solutions

In 2025, we will maintain our development focus on AI technology-enabled industry. We will focus on developing AI technology-enabled industrial software and robot technology R&D, with the MMOC analytical AI platform and AInnoGC generative AI platform as the technological base, and vigorously promote the industrialization of AI, with the industry needs as the guiding force. We will intensively consolidate and deeply integrate the Group's existing AI technology reserves and software and hardware product matrix. Leveraging existing customer resources and industry understanding, we will accelerate the large model technology and product system to bring business value to customers, thereby comprehensively assisting enterprise customers in their digital and intelligent transformation.

In the field of industrial software, we will further implement the strategy of integrating large model technology with MOM industrial software product system. Particularly for leading enterprises in key market segments such as food & beverage, new material and equipment manufacturing, we will actively promote the in-depth integration of large model technology with different industrial software such as EAM (Enterprise Asset Management), MES (Manufacturing Execution System), EMS (Energy Management System) and QMS (Quality Management System), as well as the commercialization of the customer side. Based on the AI Agent development platform, we will continue to enhance intelligent industrial software that combines industry-specific features with large model capabilities, such as equipment maintenance assistants and manufacturing data analysis assistants. These enhancements will boost their professionalism and maturity, enabling more effective monitoring, analysis and tracing of key indicators and events throughout the production process. In turn, this will support the capture and consolidation of R&D, production and operational knowledge within manufacturing enterprises, ultimately driving more intelligent management. At the same time, with the continuous evolution and improvement of the AI Agent development platform, we are committed to providing our customers with more professional and personalized intelligent solutions. Based on providing an out-of-the-box industrial AI Agents for customers, the development function of the AI Agent platform will gradually open to customers with mature conditions. It not only assists customers in accelerating the iteration of deployed intelligent applications but also in the development of more personalized intelligent applications, so as to further increase the customer stickiness on AI Agent products. In the coming year, we will continue to engage in deep cooperation with external partners in many other fields to build a more intelligent industrial software product system, while joining hands to explore application channels on the customer side and forming a win-win situation. On this basis, combined with the increasingly strong and urgent demand from the industry benchmark customers for digitalization and intelligent transformation, we will closely follow the industry characteristics and production status of the customers, and resolutely implement the business strategies of "1+N" and "1*N", so that we can, on the one hand, further explore the demand of the benchmark customers and shape the intelligent applications in more different scenarios, and, on the other hand, deeply integrate our high-valued intelligent applications and industrial software products, promoting its commercialization of the rest of the customers in niche industries by using the cases of the benchmark customers.

In the field of intelligent equipment, on the basis of continuing to maintain the original productization development principle of upgrading and iterating intelligent equipment based on machine vision technology without changes, we will try to explore the product technology by utilising the large model technology in more intelligent equipment application areas with more open attitude and more courageous spirit of exploration. In the field of panel semiconductor industry, we will continue to utilize the ability of large models of managing, analyzing and concluding data and analysis and judgement of machine learning on the logical management of data in the upper layer of software management of intelligent equipment. At the same time, with the help of large model technology to establish equipment operation and maintenance knowledge base and equipment knowledge base, we will improve hardware operation and maintenance management, troubleshooting and repairment, intelligent management of equipment operating status and the ability to inherit management knowledge. In addition, we will also use the large model technology to empower the robot in the flexible production line of the panel semiconductor industry, and establish a virtualized production line by using the digital twin technology system, and integrate the data generated from the production line, equipment operation data, and output capacity data into the management system, so as to facilitate the production planning and rapid adjustment of the production line by the process and production departments to improve the efficiency of resource scheduling.

In the field of iron and steel metallurgy, we will deeply combine our background of technology with industry Know-How and take general consulting and system simulation as the lead, to build the hard support of independently controllable intelligent equipment and construct the soft strength with deep learning and operation optimization as the core algorithms. We will continue to implement the "1+N" and "1*N" expansion models, strengthen the promotion effort of our products in multiple pipelines and industries, try our best to expand our customer base from domestic steel to overseas, so as to quickly seize the steel market centered on industrial railroad intelligence and port intelligence, and actively explore innovative application scenarios in rail-based locomotive transportation.

In the field of intellectual manufacturing training, we will further expand the boundaries of the application of large model technology, especially in the direction of smart manufacturing practical training. We will implement a localization strategy based on our local smart manufacturing practical training centers to deepen the application of AI technology in educational software, fully considering government policies and the specific needs of the education industry. With the AI Agent development platform as our core technology and product asset, we provide a tool platform that supports teachers and students to conduct large model learning, which helps businesses including teaching preparation, teaching evaluation, knowledge query, and student self-study. In addition, we will simultaneously promote the integration and application of large model technology and practical training robot machines. Combining machine vision technology and large model technology, we focus on the development of intelligent supervision, intelligent examination monitoring, intelligent security maintenance, intelligent learning data analysis and other directions to realize a comprehensive coverage of the education, training, examination, competition and other industry segments in the field of intellectual manufacturing training industry.

Business Overview

In the field of automotive equipment, we will further deepen the whole life cycle intelligent automation solution centered on automotive conveyor lines in 2025. We will continue to optimize the intelligence of the conveyor lines and introduce more advanced AI algorithms to further enhance production efficiency and flexibility. Based on the newly released AInnoGC 2.0 industrial LLM, we will actively explore its richer implementation scenarios in the automotive equipment field. For example, we will apply ChatCAD to the design of automotive parts. Engineers only need to describe the function, size, shape and other requirements of the parts in natural language, and ChatCAD can automatically generate CAD design drawings, which can significantly shorten the design cycle and improve design efficiency. Meanwhile, ChatCAD also plays an important role in the design of fixtures and fittings for automotive production lines and can quickly respond to changes in fixture design for different production needs. We will also work with our customers to explore how robot technology driven by ChatRobot's large model can be used to realize more complex and detailed operations on automotive production lines. For example, in the welding and assembly of automobiles, robots driven by large models can accurately complete various difficult operations based on real-time production conditions and product requirements.

In the financial field, we will make every effort to promote the deep integration of large model technology into the data management field of the financial industry. With the powerful knowledge base intelligent Q&A function of the large model, we can offer financial practitioners with real-time and accurate professional knowledge answers, no matter it is the interpretation of complex financial rules or details of various financial products, we can help customers get the answers quickly and significantly improve their work efficiency. At the same time, we utilize the intelligent analysis capability of large models to conduct deep exploration for massive financial data. We will be able to accurately identify potential risks, market trends and changes in customer behavioral patterns in the data, providing powerful support for financial institutions' risk management and market strategy formulation. Especially importantly, in terms of assisting decision-making, the large model provides scientific and comprehensive decision-making advice to senior managers of financial institutions based on the analysis and learning of a large amount of data. From investment decisions to business development directions, we can make smarter choices based on the analysis results of the large model, helping financial institutions stand out in the fierce market competition and achieve stable and efficient development.

Management Discussion and Analysis

OVERVIEW

Following the national action plan in respect of deepening "AI +" which actively promotes artificial intelligence technology empowering new industrialization and accelerates the deep integration of artificial intelligence technology and the real economy, the relevant technology applies more frequently in the industrial manufacturing field over the past year. As the market leader of "AI + Manufacturing", we keep increasing the investment in artificial intelligence technology research and market expansion, positively cooperating with major manufacturing enterprises to help traditional manufacturing companies in intelligent transformation and leading business to a new trend. At the same time, the Company pays attention to internal optimization, laying a solid foundation for the long-term healthy development of the Company through cost reduction and efficiency improvement and structural adjustment.

REVENUE

Our revenue decreased by 30.2% from RMB1,751.0 million in the fiscal year ended 31 December 2023 to RMB1,221.8 million in the fiscal year ended 31 December 2024. Such decrease was primarily due to our increased focus on revenue streams of high quality and continuous optimization of business structure, which was mainly presented by (i) steady improvement in overall gross margin; and (ii) substantial improvement in net cash used in operating activities. We recorded a year-on-year decrease in revenue, but the conditions in the second half of the year was significantly better than the first half of the year, driven by the overall rebound of manufacturing industry.

In terms of the manufacturing industry, revenue from manufacturing industry decreased by 16.6% from RMB1,176.4 million in the fiscal year ended 31 December 2023 to RMB980.7 million in the fiscal year ended 31 December 2024, accounting for 80.3% of total revenue.

In terms of the financial services industry, revenue from financial services industry decreased by 68.4% from RMB401.8 million in the fiscal year ended 31 December 2023 to RMB127.1 million in the fiscal year ended 31 December 2024, accounting for 10.4% of total revenue.

Our total number of customers increased from 397 in the fiscal year ended 31 December 2023 to 521 in the fiscal year ended 31 December 2024.

COST OF SALES

Our cost of sales decreased by 31.3% from RMB1,162.6 million in the fiscal year ended 31 December 2023 to RMB798.7 million in the fiscal year ended 31 December 2024. Such decrease was primarily due to cost decrease arising from decreased revenue.

In terms of the manufacturing industry, cost of sales from manufacturing industry decreased by 14.1% from RMB720.7 million in the fiscal year ended 31 December 2023 to RMB619.2 million in the fiscal year ended 31 December 2024, primarily due to cost decrease arising from decreased revenue in the manufacturing industry.

In terms of the financial services industry, cost of sales from financial services industry decreased by 69.0% from RMB298.1 million in the fiscal year ended 31 December 2023 to RMB92.3 million in the fiscal year ended 31 December 2024, 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 decreased by 28.1% from RMB588.5 million in the fiscal year ended 31 December 2023 to RMB423.1 million in the fiscal year ended 31 December 2024. In 2023 and 2024, our overall gross margin was 33.6% and 34.6% respectively, primarily due to (i) higher delivery efficiency and our effective control on cost; and (ii) continuous optimization of business structure and increased focus on high-quality business.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses decreased by 10.8% from RMB214.5 million in the fiscal year ended 31 December 2023 to RMB191.4 million in the fiscal year ended 31 December 2024, 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 decreased by 35.0% from RMB406.6 million in the fiscal year ended 31 December 2023 to RMB264.4 million in the fiscal year ended 31 December 2024, 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 decreased by 21.1% from RMB449.8 million in the fiscal year ended 31 December 2023 to RMB355.1 million in the fiscal year ended 31 December 2024, 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

Our net impairment loss on financial assets in the fiscal year ended 31 December 2024 was RMB0.9 million, compared to the net impairment losss of RMB86.8 million in the fiscal year ended 31 December 2023, primarily due to a decrease in the provision for impairment of trade receivables during the Reporting Period.

OTHER INCOME

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

In the fiscal year ended 31 December 2024, our other income was RMB37.5 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.

In the fiscal year ended 31 December 2024, we recorded a net other loss of RMB51.4 million.

OPERATING LOSS

As a result of the foregoing, we recorded an operating loss of RMB630.6 million in the fiscal year ended 31 December 2024, which remained largely comparable in scale to the fiscal year ended 31 December 2023.

FINANCE INCOME

Our finance income decreased from RMB29.1 million in the fiscal year ended 31 December 2023 to RMB13.0 million in the fiscal year ended 31 December 2024, primarily due to a decrease in interest income from bank deposits.

FINANCE COSTS

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

Our finance costs decreased from RMB8.6 million in the fiscal year ended 31 December 2023 to RMB7.4 million in the fiscal year ended 31 December 2024, primarily due to a decrease in interest expenses on our lease liabilities.

LOSS FOR THE YEAR

As a result of the foregoing, our loss for the year increased by 6.8% from a loss of RMB570.3 million in the fiscal year ended 31 December 2023 to RMB608.9 million in the fiscal year ended 31 December 2024.

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, amortization of intangible assets arising from acquisition, impairment loss on goodwill and 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 and contingent considerations.

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 is net loss for the years.

	Year ended 31 December	
	2023	2024
	RMB'000	RMB'000
Reconciliation of net loss to adjusted net loss:		
Loss for the year	(570,272)	**(608,925)**
Add:		
Share-based payment expenses	290,271	**153,815**
Amortization of intangible assets arising from acquisition	36,135	**43,010**
Impairment loss on goodwill and intangible assets arising from acquisition	—	**227,973**
Changes in fair value of financial assets/liabilities at fair value through profit or loss	89,683	**66,862**
Adjusted net loss (Unaudited)	(154,183)	**(117,265)**

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

As at 31 December 2024, cash and cash equivalents of the Group was approximately RMB1,204.9 million, compared to approximately RMB1,344.6 million as at 31 December 2023. The change was mainly due to cash outflows from financing, 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) and lease liabilities less cash and cash equivalents. As of 31 December 2024, the Group had a net cash position and the gearing ratio was not applicable.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this report, for the year ended 31 December 2024, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Disclosure Made pursuant to Rule 14.36B of the Listing Rules

References are made to the announcement of the Company dated 20 May 2022 in relation to the acquisition of 51% equity interest in two target companies.

The Company entered into a share transfer agreement ("**Share Transfer Agreement I**") with three vendors ("**Vendors I**") on 20 May 2022. Pursuant to the Share Transfer Agreement I, the Company has agreed to conditionally purchase, and Vendors I have agreed to conditionally sell, an aggregate of 51% equity interest in AInnovation EHigher (Shanghai) Intelligence Technology Co., Ltd. (浩亞奇智(上海)智能科技股份有限公司) ("**Target Company I**") at the total consideration of RMB153.0 million. The Company entered into another share transfer agreement ("**Share Transfer Agreement II**") with three vendors ("**Vendors II**") on 20 May 2022. Pursuant to the Share Transfer Agreement II, the Company has agreed to conditionally purchase, and Vendors II have agreed to conditionally sell, an aggregate of 51% equity interest in 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) ("**Target Company II**") at the total consideration of RMB122.4 million.

1. Performance commitment of 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 (RMB0'000)	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] (RMB0'000)	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.

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. Based on the actual payments collection status before the Collection Date, the revenue of Target Company I has been adjusted to RMB278.2174 million as of 31 December 2023, while the adjusted net profit (excluding extraordinary gains and losses) (unaudited) is RMB15.7921 million. The calculated financial gross margin meets the annual business guideline of the Company. After taking into consideration the sales gross margin and payments collection status, the performance achievement rate has been calculated to be 100%. Therefore, the Company is obligated to pay all Vendors I a total of RMB25.5 million as the Adjusted Share Transfer Price for the 2023 financial year.

As of the date of this report, the Company has not yet been able to calculate the performance achievement rate of year 2024 after taking into account the collection of payments as the agreed Collection Date of year 2024 is yet pending. Accordingly, the performance commitment of Target Company I for the year ended 31 December 2024 is still in progress and the Company will closely monitor the completion of the said performance commitment.

2. Performance commitment of 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 shareholders' meeting, the board of directors, the board of supervisors and supervisors 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.

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. Based on the actual payments collection status before the Collection Date, the revenue of Target Company II has been adjusted to RMB149.1029 million as of 31 December 2023, while the adjusted net profit (excluding extraordinary gains and losses) (unaudited) is RMB10.9915 million. Both the calculated sales gross margin and financial gross margin meet the annual business guidelines of the Company. After taking into consideration the payments collection status, the performance achievement rate has been calculated to be 91.04%. Therefore, the Company is obligated to pay all Vendors II a total of RMB18.5722 million as the Adjusted Share Transfer Price for the 2023 financial year.

As of the date of this report, the Company has not yet been able to calculate the performance achievement rate of year 2024 after taking into account the collection of payments as the agreed Collection Date of year 2024 is yet pending. Accordingly, the performance commitment of Target Company II for the year ended 31 December 2024 is still in progress and the Company will closely monitor the completion of the said performance commitment.

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

As of 31 December 2024, save as disclosed in this report, we did not have material investments or future plans for other material investments or acquisition of capital assets.

SIGNIFICANT ASSET IMPAIRMENT

Impairment of Goodwill and Intangible Assets

Due to macroeconomic changes and intense industry competition, the operating performance of certain subsidiaries acquired by the Group in previous years fell short of expectations.

As at 31 December 2024, with the assistance of an independent valuer, the Group conducted an impairment assessment of goodwill and intangible assets and recalculated the recoverable amounts of all cash-generating units (CGUs). Among them, the recoverable amounts of the CGUs for AInnovation EHigher (Shanghai) Intelligence Technology Co., Ltd., Shanghai Compass Information Technology Co., Ltd. and Shenzhen AInnovation Eye Technology Co., Ltd. were assessed to be lower than their carrying values. Accordingly, the Group recognized an impairment loss of RMB227,973,000 for the goodwill and intangible assets of these subsidiaries. For details of the impairment and related valuations, please refer to Notes 17 and 18 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

During the fiscal year ended 31 December 2024, the Group mainly operated in the PRC with most of the transactions settled in RMB. The functional currency of our Company and its subsidiaries is RMB. As of 31 December 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 31 December 2024, our business is not exposed to any significant foreign exchange risk.

PLEDGE OF ASSETS

As at 31 December 2024, the Group had no material pledge of assets.

BORROWINGS

As at 31 December 2024, borrowings of the Group were RMB127.7 million (as at 31 December 2023: RMB76.7 million), mainly include short-term borrowings of several subsidiaries.

CONTINGENT LIABILITIES

As at 31 December 2024, we did not have any material contingent liabilities.

SUBSEQUENT EVENT

Save as disclosed in this report, there was no significant event subsequent to the end of the Reporting Period and up to the date of this report.

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 2024, together with the audited consolidated financial statements of the Group for 2024, 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 annual report.

DIRECTORS AND SUPERVISORS

For the year ended 31 December 2024 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

Independent non-executive Directors

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

Supervisors

Ms. Lin Ying
Ms. Duan Chengjin
Mr. Nie Mingming (resigned on 30 January 2024)
Ms. Gao Lingyan (appointed on 30 January 2024)

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 81 to 100 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

The major risks and uncertainties that we face include:

- The AI industries in which we operate are characterized by constant changes, especially in the AIGC areas. 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 a 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 on 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 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.

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. In addition, we are aware of the importance of artificial intelligence ethics to the development of AI, and have gradually established AI ethics-related management responsibilities and review procedures, and are committed to building a more controllable and credible industry development prospect.

FULFILLING SOCIAL RESPONSIBILITY

AInnovation takes responsible operation as the cornerstone, continuously improves the R&D innovation mechanism, enhances the R&D innovation ability, and continuously promotes technological innovation and industrial application. We are committed to the development of socially friendly and environmentally friendly sustainable products. Through high-quality products and excellent services, we provide business support for customers in various industries and sectors, and help them build a more sustainable business and development model. During the Reporting Period, we assisted customers' manufacturing plants to efficiently realize intelligent analysis of illegal wearing behavior, escorted safe production, achieved more accurate energy consumption analysis for customers' R&D and manufacturing bases, and improved the efficiency of their energy use and operation and maintenance work. At the same time, we have established a comprehensive information security management system, and take "the reliable and controllable system, the safe and credible data, the legal and compliant behavior, and the preventable and traceable incident "as the overall policy, and implement a series of security control points and paths to build a strong information security defense line.

For employees, we provide our employees with competitive salaries and benefits, and have established a clear and transparent promotion mechanism and a comprehensive training system to continuously tap the potential of employees and support their growth. For partners, we maintain business relationships with integrity, justice and fairness, and give priority to establishing long-term cooperative relationships with suppliers with a strong sense of corporate social responsibility and green environmental awareness. We also conduct supplier performance assessments from multiple dimensions to help suppliers improve their capabilities and work together to promote sustainable ecological construction of supply chain. In addition, we have carried out strategic cooperation with a number of industry partners, to give full play to the advantages of both parties, jointly explore the commercialization of AIGC technology in various industries, and create a digital and intelligent future by sharing technical advantages.

We continue to help the training of industry talents, and have established the "AInnovation Industrial Robot Innovation Center and High-skilled Talent Cultivation Base" to cultivate and transport high-quality technical talents for the industry. We also do not forget to promote the development of youth education, and provide practical opportunities for young people through the "Youth Artificial Intelligence Education Practice Base", to empower education with innovative cutting-edge technology.

GUARDING THE GREEN ENVIRONMENT

AInnovation actively fulfills its responsibility for environmental protection. We give priority to buildings with green building certification as our office space, and insist on promoting green operations. We actively take measures such as energy conservation, resource recycling, and enhancing employees' environmental awareness in our daily operations to contribute to the green ecological environment. At the same time, we actively respond to the risks and opportunities brought by climate change. In response to extreme weather, we have formulated emergency plans to ensure the safety of employees and property. At the same time, we actively respond to the national "carbon peak, carbon neutral" goal, and use AI technology to help customers cope with climate change-related risks and jointly move forward on the road of green development.

For details, please refer to the 2024 Environmental, Social and Governance Report of 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 most 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 with good quality and the stability of the Company's business through continuous communication.

CONNECTED TRANSACTIONS

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**") (the "**Transaction**"). 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, price, payment method of the services provided 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 fulfilled 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. 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 began to enter into agreements with the Designated Customer in December 2019. Sinovation Ventures was not engaged in any businesses which compete or were likely to compete with the Group as of the Latest Practicable Date.

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 the Transaction, 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 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 2022, 31 December 2023 and 31 December 2024 were approximately RMB5,758,000, RMB749,000 and RMB0, respectively.

In 2023, the Group also started to directly provide image detection technology service to the Designated Customer, the historical transaction amount between the Group and Sinovation Ventures has therefore declined since 2023.

Annual caps

The Company has issued an announcement in relation to the Transaction 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 ended 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 ended 31 December 2024 to a larger extent.

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

Listing Rules implications

As of 31 December 2024, as Sinovation Ventures held approximately 27.33% equity interest in the Company, it is a connected person of the Company. The Transaction 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 ended 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 framework agreement on terms which are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Save as disclosed above, no related party transactions set out in Note 40 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 2024 are set out on pages 31 to 40 in the section headed "Management Discussion and Analysis" of this annual report. The Board does not recommend the payment of a final dividend for the year ended 31 December 2024.

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 of 31 December 2024, the total share capital of the Company was RMB565,050,738, divided into 565,050,738 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 27 to the financial statements.

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

During the Reporting Period and up to 31 March 2025, the Company repurchased a total of 1,722,300 H Shares (the "**Repurchased Shares**") on the Stock Exchange for a total consideration of approximately HK$8,807,382. Details of the Repurchased Shares are as follows:

		Price per share paid		
Month of Repurchase	**Repurchased Number of Shares**	**Highest Price (HKD)**	**Lowest Price (HKD)**	**Total Consideration (HKD)**
2024				
October	600,000	4.74	4.6	2,794,668
November	906,300	5.84	4.75	4,813,380
Subtotal	1,506,300	—	—	7,608,048
2025				
January	216,000	5.58	5.52	1,199,334
Subtotal	216,000	—	—	1,199,334
Total	**1,722,300**	**—**	**—**	**8,807,382**

As at 31 March 2025, the Repurchased Shares have not been cancelled by the Company and the balance of the issued Shares of the Company was 565,050,738 shares (including 216,000 Treasury Shares). The repurchase of the Shares as referred to in the circular of the Company dated 18 April 2024 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.

Save as disclosed above, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities (including sale of Treasury Shares) during the Reporting Period and up to 31 March 2025.

As at 31 December 2024, the Company did not hold Treasury Shares.

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment of the Group for 2024 are set out in Note 15 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, total sales to the five largest customers of the Company accounted for approximately 23.8% of the total revenue for the year, while the total sales to the largest customer accounted for 6.7% of the total revenue for the year.

For the year ended 31 December 2024, the total purchase from the five largest suppliers of the Company accounted for approximately 32.5% of the cost of sales for the year, while the total purchase from the largest supplier accounted for 14.6% of the cost of sales for the year.

For the year ended 31 December 2024, 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 91.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2024, borrowings of the Group were RMB127.7 million (31 December 2023: RMB76.7 million). Details of bank loans and other borrowings of the Group for 2024 are set out in Note 33 to the financial statements.

EXTERNAL DONATION

During the Reporting Period, AInnovation visited and gave comfort to Yanshan Township Central Primary School in Bengshan District, Bengbu City, and donated no more than HK$10,000 of school supplies for left-behind children, children in single-parent families and poor children in abject poverty.

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

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/Supervisory Committee; 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 8 and Note 42 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

During the Reporting Period, the Company has no controlling Shareholders. Save as disclosed under the section headed "Connected Transactions" and paragraphs under note 40 of the Notes to the Financial Statements of this annual 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 the Single Largest Shareholders Group 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 the Company's Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of The Company and Its Associated Corporation" at on pages 60 to 61.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, the Company has no controlling Shareholders. For the year ended 31 December 2024, the Company, or any of its 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 body corporate.

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 2024.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2024.

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 and Short Positions of Substantial Shareholders in the Shares or Underlying Shares" on pages 61 to 63.

PRE-EMPTIVE RIGHT

During the year ended 31 December 2024, the Company had no pre-emptive right. 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 was benefited from any effective permitted indemnity provisions as of 31 December 2024.

DISTRIBUTABLE RESERVES

As at 31 December 2024, 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 29 and Note 41 to the financial statements, respectively.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS BY THE SINGLE LARGEST SHAREHOLDERS GROUP

None of the members of the Single Largest Shareholders Group 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 members of the Single Largest Shareholders Group has entered into the Deed of Non-Competition (as stated below) in favor of the Company.

Each of Sinovation Ventures, Nuosai 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 SHARE PLACING

In order to enhance the financial strength, enhance market competitiveness and comprehensive strength, and promote the long-term healthy and sustainable development of the Company, on 14 June 2023, the Company successfully placed a total of 19,900,000 new H Shares with nominal value of RMB1.00 each to not less than six Placees (who are independent professional, institutional or other investors), who and whose ultimate beneficial owner(s) are Independent Persons and not connected persons of the Company, at the Placing Price of HK$19.70 per H Share (a discount of approximately 16.17% to the closing price of HK$23.50 per H Share quoted on the Stock Exchange on 6 June 2023 (being the date of the Placing Agreement)).

The net proceeds from the Placing amounted to approximately HK$378,856,331. The Company intends to use the net proceeds for the purposes set forth below:

Use	Amount	Amount (RMB)	Percentage	The unutilized net proceeds as of 31 December 2023	The actual use of net proceeds during the Reporting Period	The unutilized net proceeds as of 31 December 2024	Expected timeline for utilization of the unutilized net proceeds
Investment in R&D	Approximately HK$151.5 million	Approximately RMB139.1 million	About 40.0%	Approximately RMB139.1 million	Approximately RMB35.02 million	Approximately RMB104.08 million	On or before 31 December 2027
Investment in sales and marketing	Approximately HK$37.9 million	Approximately RMB34.77 million	About 10.0%	Approximately RMB34.77 million	–	Approximately RMB34.77 million	On or before 31 December 2027
Investment in strategic expansion	Approximately HK$113.7 million	Approximately RMB104.32 million	About 30.0%	Approximately RMB104.32 million	–	Approximately RMB104.32 million	On or before 31 December 2027
Investment in enhancing our internal system and upgrading our IT infrastructure	Approximately HK$37.9 million	Approximately RMB34.77 million	About 10.0%	Approximately RMB34.77 million	–	Approximately RMB34.77 million	On or before 31 December 2027
Working capital	Approximately HK$37.9 million	Approximately RMB34.77 million	About 10.0%	Approximately RMB34.77 million	Approximately RMB27.04 million	Approximately RMB7.73 million	On or before 31 December 2027

The above uses are in line with the Company's use of proceeds from the Placing as previously disclosed. Please refer to the announcements of the Company dated 7 June 2023 and 14 June 2023 for details of the Placing. In addition, after considering the actual use of funds, the useful life of the proceeds from Placing of the Company will be extended from 31 December 2024 to 31 December 2027. For details, please refer to the announcement of the Company dated 26 August 2024. The net proceeds of the Placing were utilized by the Company in accordance with the purposes of the above plan. The unutilized net proceeds of the Placing will be utilized in accordance with the purposes of the above plan.

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 with nominal value 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. The Company currently intends to use such net proceeds for the following purposes:

Uses	Amount	Amount (RMB)	Percentage	The unutilized net proceeds as of 31 December 2023	The actual use of net proceeds during the Reporting Period	The unutilized net proceeds as of 31 December 2024	The unutilized net proceeds after change of use announced on 26 August 2024	Expected timeline for utilization of the unutilized net proceeds
Enhancing our R&D capabilities	Approximately HK$481.6 million	Approximately RMB392.05 million	About 45.0%	Approximately RMB22.80 million	Approximately RMB11.20 million	Approximately RMB11.60 million	Approximately RMB22.80 million	On or before 31 December 2025
Enhancing our commercialization capabilities	Approximately HK$267.5 million	Approximately RMB217.81 million	About 25.0%	Approximately RMB11.30 million	Approximately RMB1.32 million	Approximately RMB9.98 million	Approximately RMB11.30 million	On or before 31 December 2025
Potential strategic investments and acquisitions	Approximately HK$107.0 million	Approximately RMB87.12 million	About 10.0%	Approximately RMB87.12 million	–	–	–	On or before 31 December 2025
Strengthening internal systems and upgrading information infrastructure	Approximately HK$107.0 million	Approximately RMB87.12 million	About 10.0%	Approximately RMB47.24 million	–	Approximately RMB20.24 million	Approximately RMB20.24 million	On or before 31 December 2025
Working capital and general corporate use	Approximately HK$107.0 million	Approximately RMB87.12 million	About 10.0%	Approximately RMB0.47 million	Approximately RMB4.92 million	Approximately RMB109.67 million	Approximately RMB114.59 million	On or before 31 December 2025

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". To improve the efficiency of proceeds, considering the actual use of proceeds, the Company adjusts the use plan and proportion of the remaining proceeds. The useful life of the proceeds will be extended from 31 December 2024 to 31 December 2025. For details, please refer to the announcement of the Company dated 26 August 2024. The Company has utilized the net proceeds from the Global Offering based on plans as previously disclosed, and the unutilised net proceeds from the Global Offering are expected to be utilised in accordance with the intended use as set out in the Prospectus as well as the use upon above changes in the same manner as previously disclosed by the Company.

AUDIT COMMITTEE

The Audit Committee under the Board has reviewed the annual results and the annual report of the Company for 2024 and the audited consolidated financial statements for the year ended 31 December 2024 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 in the past three years.

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, 31 March 2025

Report of the Supervisory Committee

COMPOSITION OF THE SUPERVISORY COMMITTEE

As of 31 December 2024, 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.

As of 31 December 2024, composition of the Supervisory Committee of the Company is set out as follows:

Name	Position	Date of the first appointment as Supervisor[(1)]	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
Ms. Gao Lingyan	Employee Representative Supervisor	30 January 2024	Overseeing our operations and financial activities

(1) In view of the expiry of the first session of the Supervisory Committee in 2024, the Company conducted election of the new session of the Supervisory Committee in the year. As approved by the annual general meeting of the Company held on 10 May 2024, Ms. Lin Ying and Ms. Duan Chengjin were elected as Supervisors of the second session of the Supervisory Committee of the Company. As approved by the staff meeting of the Company held on 10 May 2024, Ms. Gao Lingyan was elected as an employee representative Supervisor of the second session of the Supervisory Committee of the Company.

MAJOR ACTIVITIES UNDERTAKEN BY THE SUPERVISORY COMMITTEE IN 2024

In 2024, 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 2024, the Supervisory Committee convened a total of 3 Supervisory Committee meetings. All Supervisors attended these 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.

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

In 2024, 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 senior 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 2025

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

As of 31 December 2024, the total share capital of the Company was RMB565,050,738 divided into 565,050,738 shares of RMB1.00 each.

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

As at 31 December 2024, the interests and short positions of the Directors, Supervisors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or 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:

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	8.42%
	Interests in controlled corporations	33,600,914	long positions	5.95%
Mr. Wang Hua[1]	Beneficial interests	8,640,000	long positions	1.53%
	Jointly held interests with another person	145,800,000	long positions	25.80%
Mr. Xie Deren	Beneficial interests	20,000	long positions	0.004%

Note:

(1) Sinovation Ventures, Nuosai 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, Nuosai 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 members of our Single Largest Shareholders Group.

Save as disclosed above, as at 31 December 2024, none of the Directors, Supervisors or the chief executives had or was deemed to have any interests and 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) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTERESTS AND 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 2024, the persons (other than Director and 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	23.89%
	Interest held jointly with another person	19,440,000	Long position	3.44%
Nuosai Yucheng[1]	Beneficial interest	8,640,000	Long position	1.53%
	Interest held jointly with another person	145,800,000	Long position	25.80%
Mr. Wang Hua[1]	Beneficial interest	8,640,000	Long position	1.53%
	Interest held jointly with another person	145,800,000	Long position	25.80%
Ms. Tao Ning[1]	Beneficial interest	2,160,000	Long position	0.38%
	Interest held jointly with another person	152,280,000	Long position	26.95%
Ms. Lang Chunhui[1]	Interest held jointly with another person	154,440,000	Long position	27.33%
Mr. Zhang Ying[1]	Interest held jointly with another person	154,440,000	Long position	27.33%
Mr. Xu Hui	Beneficial interest	47,581,290	Long position	8.42%
	Interest in controlled corporation	33,600,914	Long position	5.95%

Changes in Share Capital and Information of Shareholders

Name of shareholder	Nature of interest	Number of ordinary shares held	Long position/ short position	Approximate percentage of the issued shares
SB Global Advisers Capital Markets Limited	Interest in controlled corporation	39,326,630	Long position	6.96%
SB Global Advisers Limited	Interest in controlled corporation	39,326,630	Long position	6.96%
SoftBank Group Corp.	Interest in controlled corporation	39,326,630	Long position	6.96%
SoftBank Group Overseas GK	Interest in controlled corporation	39,326,630	Long position	6.96%
SoftBank Vision Fund II-2 L.P.	Interest in controlled corporation	39,326,630	Long position	6.96%
SVF II Aggregator (Jersey) L.P.	Interest in controlled corporation	39,326,630	Long position	6.96%
SVF II GP (Jersey) Limited	Interest in controlled corporation	39,326,630	Long position	6.96%
SVF II Holdings (DE) LLC	Interest in controlled corporation	39,326,630	Long position	6.96%
SVF II Holdings (Singapore) Pte Ltd.	Interest in controlled corporation	39,326,630	Long position	6.96%
SVF II Investment Holdings (Subco) LLC	Interest in controlled corporation	39,326,630	Long position	6.96%
SVF II Investment Holdings LLC	Interest in controlled corporation	39,326,630	Long position	6.96%
SVF II Zeal Subco (Singapore) Pte. Ltd.	Beneficial interest	39,326,630	Long position	6.96%
China International Capital Corporation Limited (中國國際金融股份有限公司) ("**CICC**")(2)	Interest in controlled corporation	49,897,748 112,000	Long position Short position	8.83% 0.01%
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**")(2)	Executor or administrator	49,785,748	Long position	8.81%
CICC Capital Management Co., Ltd. (中金資本運營有限公司) ("**CICC Capital**")(2)	Interest in controlled corporation	49,785,748	Long position	8.81%

Notes:

(1) Sinovation Ventures, Nuosai 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 Nuosai 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, Nuosai 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, Nuosai 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, Nuosai 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 members of our Single Largest Shareholders Group.

(2) Qingdao CICC ALPHA Chuangzhi Equity Investment Fund (Limited Partnership) (青島甲子創智股權投資基金(有限合夥)) ("**Chuangzhi Fund**"), Ningbo Meishan Free Trade Port Hongxi Equity Investment Partnership (Limited Partnership) (寧波梅山保税港區泓熙股權投資合夥企業(有限合夥)) ("**Hongxi Investment**") and Ningbo Meishan Free Trade Port Hongyue Equity Investment Partnership (Limited Partnership) (寧波梅山保税港區泓越股權投資合夥企業(有限合夥)) ("**Hongyue Investment**") held 26,641,422, 23,133,126 and 11,200 Shares in our Company, respectively. CICC ALPHA is the general partner for each of Chuangzhi Fund, Hongxi Investment and Hongyue Investment. 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, 23,133,126 and 11,200 Shares held by Chuangzhi Fund, Hongxi Investment and Hongyue Investment, respectively.

Save as disclosed above, as at 31 December 2024, 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.

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2024.

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 CG Code 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 during the Reporting Period.

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.

All Directors, Supervisors and relevant employees, having made specific enquiries, confirmed that they have been in compliance with the Model Code during the Reporting Period.

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 Reporting Period.

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 81 to 100 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, Supervisors, and senior management of the Company.

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

Other than regular meetings, the Chairman should hold one meeting with the independent non-executive Directors without the presence of other Directors.

For the year ended 31 December 2024, the Company held 5 Board meetings and two general meetings in total.

All seven Directors (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) attended the five Board meetings. All seven Directors (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) attended the two general meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr. Kai-Fu Lee is the Chairman of the Board and Mr. Xu Hui is the Chief Executive Officer 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 solving potential conflicts of interests. 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. The Board reviews the implementation and effectiveness of the above-mentioned mechanism every year and it has confirmed that such mechanism was effectively operated in 2024.

During the Reporting Period and up to the Latest Practicable Date, 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. Subject to the relevant laws and regulations and regulatory rules in the PRC and the places where the Company is listed, 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 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 its decision for 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 2024, all Directors (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) have attended training on the relevant requirements of the Listing Rules and directors' responsibilities of Hong Kong listed companies.

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.

For the year ended 31 December 2024, four meetings of the Audit Committee were held. All members of the Audit Committee attended these meetings. A summary of work of the Audit Committee during the year is set out below:

- Considered the annual results announcement and annual report of 2023;
- Considered the environmental, social and governance report of 2023;
- Considered the internal control and audit assessment report of 2023;
- Considered the Corporate Governance Report of 2023;
- Considered the financial accounts report of 2023;
- Considered the financial budget report of 2024;
- Considered the interim results announcement and interim report of 2024;
- Considered the audit plan of 2024.

For the year ended 31 December 2024, the Audit Committee also met the external auditor four 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.

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 of the Company; (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.

For the year ended 31 December 2024, two meetings of the Remuneration Committee were held. All members of the Remuneration Committee attended these meetings. 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; 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.

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 2024 is as follows:

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

Details of Directors' emoluments and five highest paid individuals, which are disclosable under Appendix D2 to the Listing Rules, are set out in Note 8 and Note 42 to the audited financial statements of this annual 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 of the People's Republic of China and the Listing Rules, and to recommend the candidates and furnish the relevant information to the Board.

For the year ended 31 December 2024, one meeting of the Nomination Committee was held and all members of the Nomination Committee attended the meeting. A summary of work of the Nomination Committee during the year is set out below:

- Reviewed the qualifications of the Company's senior management ;
- Reviewed the qualifications of the members of the artificial intelligence ethics governance committee;
- Reviewed the structure, size and composition of the Board and the Board diversity policy.

BOARD OF DIRECTORS' INDEPENDENCE EVALUATION

The Company has established a Board Independence Evaluation Mechanism (the "**Mechanism**") which sets out the processes and procedures to ensure a strong independent element on the Board, aiming 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 have completed the Board independence evaluation in 2024 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 and diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee 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 91 in this annual report. As at 31 December 2024, among total employees of the Group (including senior management), approximately 70.5% were male and approximately 29.5% were female. The Group recognizes and embraces the benefits of having a diverse team and promotes diversification whenever practicable. The Group targets to have both genders at all levels of its employees and increase the proportion of female members in all employees (including senior management) to 28%, and the Company has achieved its diversity goals in 2024. 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 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 the Group is willing to take in achieving its strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems for the Group.

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 an authorization and approval mechanism that is suitable for the organizational structure and 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 Department of the Company is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems and simultaneously examining 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 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 2024.

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 2024 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 2024, 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 segments such as recognition of sales revenue, research and development projects management and capital management, and provided specific guidance on issues 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 2025, the Internal Audit Department will complete the planned audit works, and monitor the status of the implementation of the audit recommendations last year to ensure the execution of the relevant improvement plans.

The Company aims to achieve the following overall risk management objectives through comprehensive risk management: (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, particularly that between the Company and the Shareholders, in respect of, among other things, the preparation 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 guarantee the efficiency and effectiveness of business activities, and reduce uncertainty in achieving business objectives; (v) to ensure that the Company establishes crisis management plans upon occurrence of various major risks to protect the Company from significant losses due to catastrophic risks or human errors.

All relevant departments and business units of the Company shall conduct self-examinations and inspection according to implementation plan of risk management work, identify deficiencies and improve them in a timely manner, and proactively report to the Internal Control Department of the Company. The Internal Control Department of the Company will verify the implementation and effectiveness of risk management work of all departments and business units by ways of consultation and examine, evaluate risk management strategies according to relevant management requirements, assess cross-department and business unit risk management solutions and propose adjustments or improvements.

The Company has established 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 developed a comprehensive and appropriate internal process and internal control measures for handling and disclosing information to ensure timely, accurate, and appropriate disclosure of relevant information to Shareholders and regulatory authorities. In addition, the Internal Audit Department of the Company assists in continuously monitoring the implementation of the above policies of the Company, and if serious internal control deficiencies are found, it will promptly report to the Board and the Audit Committee to ensure 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 Articles of Association, 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 2024.

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 its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 101 to 111 in this annual report.

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 2024 is set out below:

Service Category	**Amount (RMB'000)**
Audit Services	5,200
Non-audit Services	1,135
Total	**6,335**

During the Reporting Period, non-audit services mainly comprised tax advisory 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.

COMPANY SECRETARIES

On 30 January 2024, due to personal work arrangement, Mr. Xiao Lei has tendered his resignation as the Joint Company Secretary of the Company, and on the same date, Ms. Lv Hongyu ("**Ms. Lv**") was appointed as the Joint Company Secretary of the Company. Ms. Kwan Sau In ("**Ms. Kwan**") will continue to act as the other Joint Company Secretary. Ms. Kwan is a service manager of Tricor Services Limited (a global professional services firm specializing in providing comprehensive business, corporate, and investor services). The biographical details of Ms. Lv and Ms. Kwan are set out in the section headed "Directors, Supervisors, Senior Management and Employees" on pages 81 to 100 in this annual report. For the year ended 31 December 2024, Ms. Lv 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.

All Directors have access to the advice and services of the Joint Company Secretaries on corporate governance and board practices and matters. Since 30 January 2024, Ms. Lv 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.

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, shareholders who individually or together hold more than 10% of the shares carrying the right to vote in the meeting to be convened can request the Board to convene an extraordinary general meeting or a class meeting and add resolutions to a meeting agenda by signing one or several copies of written requests in the same form and content and stating the motions and resolutions proposed. The Board shall convene the extraordinary general meeting or the class meeting as soon as possible upon receiving such written requests. The shareholdings referred to above shall be calculated as at the date of request made. Where the Board fails to issue a notice of convening a general meeting within 30 days upon receipt of the above-written requests, the shareholders making the request(s) can request the Supervisory Committee to convene an extraordinary general meeting or a class meeting. Where the Supervisory Committee fails to issue a notice of convening a general meeting within 30 days upon receipt of the above written requests, shareholders, for more than 90 consecutive days, individually or collectively holding more than 10% of the shares carrying voting rights at the meeting to be convened may convene the meeting on their own accord within four months upon the Board having received such request. The convening procedures shall, to the extent possible, be identical to procedures according to which general meetings are to be convened by the Board.

Pursuant to Article 65 of the Articles of Association, necessary expenses arising from convening of a shareholders' general meeting by the supervisory committee or shareholders shall be borne by the Company.

Pursuant to Article 67 of the Articles of Association, the shareholders who individually or jointly, hold more than 3% of the total number of voting shares of the Company, have the right to put forward a temporary proposal in written form to the Company and submit it to the convener not less than 10 days before the shareholders' general meeting is held. The convener of the shareholders' general meeting shall, within 2 days after receiving the proposal, issue a supplementary notice of the shareholders' general meeting to inform other shareholders and include the matters which are within the scope of responsibilities of the shareholders' general meeting in the agenda of the meeting and submitted to the shareholders' general meeting for deliberation.

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, 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

Shareholders approved the amendments to the Articles of Association at the annual general meeting held on 10 May 2024 and the extraordinary general meeting held on 30 May 2024. The relevant amendments respectively reflect the changes in the total number of issued Shares and registered capital of the Company after the completion of placement of H Shares, as well as the change of the Company's name. The relevant amendments took effect from 10 May 2024 and 30 May 2024 respectively.

For the full text of the Amended 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 2024. 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 the first appointment as Director [1]
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

(1) In view of the expiry of the first session of the Board in 2024, the Company conducted election of the new session of the Board in the year. As approved by the annual general meeting of the Company held on 10 May 2024, Mr. Xu Hui was elected as an executive Director of the second session of the Board of the Company, Dr. Kai-Fu Lee, Mr. Wang Hua and Mr. Wang Jinqiao were elected as non-executive Directors of the second session of the Board of the Company, and Mr. Xie Deren, Ms. Ko Wing Yan Samantha and Ms. Jin Keyu were elected as independent non-executive Directors of the second session of the Board of the Company.

Mr. Xu Hui (徐輝), aged 51, is the co-founder of our Group and has served as the Chief Executive Officer since our Company's incorporation in February 2018 and an executive Director since April 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 also held directorships in certain subsidiaries.

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 63, 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), from August 2016 to June 2024; 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 47, 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.

Directors, Supervisors, Senior Management and Employees

Mr. Wang Jinqiao (王金橋), aged 46, 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 53, has served as an independent non-executive Director since May 2021. He is currently 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 now a council member of Accounting Society of China (中國會計學會) and the vice Chairman of Enterprise Accounting Standards Committee of Accounting Society of China. He was a member of the 17th Issuance Review Committee of the China Securities Regulatory Commission (中國證監會發行審核委員會) from September 2017 to February 2019. He was a member of the First, Second and Third Advisory Committee for Enterprises Accounting Standards of the Ministry of Finance of the PRC (中國財政部) from August 2016 to August 2023. Mr. Xie has been a member of the Auditing Standards Committee of the Chinese Institute of Certified Public Accountants since December 2023.

Since October 2020, Mr. Xie 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. He has been serving as 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 has been serving as an independent non-executive director, the chairman of audit and risk management committee and a member of remuneration and appraisal committee of China Electronics Engineering Design Institute Co., Ltd. (中國電子工程設計院股份有限公司) since November 2023. In addition, Mr. Xie served 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), from February 2020 to September 2023; and 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.

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 45, 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 senior manager of J.P. Morgan (London) from January 2003 to June 2005; senior manager of Morgan Stanley (Hong Kong) from August 2005 to August 2006; executive general manager in global market — structured credit and fund solutions department of HSBC from September 2006 to July 2009; an executive director of Concord New Energy Group Limited (formerly known as China WindPower Group Limited), a company listed on the Hong Kong Stock Exchange (stock code: 182), from October 2009 to September 2014; an executive director of Yunfeng Financial Group Limited (formerly known as REORIENT 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 Neon Group Limited (formerly known as Cityneon Holdings Limited), a company previously listed on the Singapore Exchange Limited (stock code: 5HJ) since April 2019; and a consultant of OSL Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 863), from January 2020 to December 2023.

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 42, 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 from 2011 to December 2024 in London School of Economics. She currently serves as a professor of economics at The University of Hong Kong and Harvard University.

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 the first appointment as Supervisor[(2)]
Ms. Lin Ying	Supervisor	6 February 2018
Ms. Duan Chengjin	Supervisor	27 September 2022
Mr. Nie Mingming[(1)]	Employee Representative Supervisor	14 May 2021
Ms. Gao Lingyan[(1)]	Employee Representative Supervisor	30 January 2024

(1) Due to job changes, Mr. Nie Mingming resigned as the employee representative Supervisor of the Company with effect from 30 January 2024. Ms. Gao Lingyan has been appointed as the employee representative Supervisor of the Company to replace Mr. Nie Mingming with effect from 30 January 2024. Please refer to the announcement of the Company dated 30 January 2024 for details of change of employee representative Supervisor of the Company.

(2) In view of the expiry of the first session of the Supervisory Committee in 2024, the Company conducted election of the new session of the Supervisory Committee in the year. As approved by the annual general meeting of the Company held on 10 May 2024, Ms. Lin Ying and Ms. Duan Chengjin were elected as Supervisors of the second session of the Supervisory Committee of the Company. As approved by the staff meeting of the Company held on 10 May 2024, Ms. Gao Lingyan was elected as an employee representative Supervisor of the second session of the Supervisory Committee of the Company.

Ms. Lin Ying (林鶯), aged 45, 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 54, 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.

Ms. Gao Lingyan (高淩燕), aged 48, joined the Company in April 2018 and has served as the vice president of the Company since July 2020. Ms. Gao served as the head of marketing for industry markets and innovative products in Greater China of SAP (China) Co., Ltd. from October 2006 to March 2018; she served as the marketing public relations director of Yonyou Network Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600588) from May 2001 to September 2006; before that, she also served as the research and development manager of Beijing Kelihua Network Technology Co., Ltd. (北京科利華網絡技術有限責任公司).

Ms. Gao obtained a bachelor's degree in economics from Beijing Jiaotong University and is studying doctoral degree in DBA management at Golden Gate University in the United States; she was elected as a representative of the Qingdao Municipal People's Congress and a member of the Finance and Economics Committee in January 2022.

SENIOR MANAGEMENT

Name	Position in the Company	Date of the first 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
Ms. Lv Hongyu	Chief Capital Officer, Secretary to the Board and Company Secretary	30 January 2024
Ms. Yu Jin	Chief Financial Officer	30 January 2024

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

Mr. He Tao (何濤), aged 54, has joined the Company and served as the general manager for Western China of the Company 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 served as the chairman and executive director of certain subsidiaries.

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 43, 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 a senior AI engineer in Beijing, and was an Honorary Professor of University of Nottingham Ningbo China (寧波諾丁漢大學). Mr. Zhang Fa'en currently also holds directorships in certain subsidiaries.

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 the University of Chinese Academy of Sciences (中國科學院大学) 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.

Ms. Lv Hongyu (呂虹燏), aged 43, joined the Company in January 2024. From 30 January 2024, she served as the Chief Capital Officer, the Secretary to the Board and the Joint Company Secretary of the Company. From October 2013 to January 2024, Ms. Lv successively served as Director General of Company Secretary Office, the Secretary to the Board and the Company Secretary in Kingsoft Corporation Limited (a company listed on the Hong Kong Stock Exchange, stock code: 3888). From July 2006 to October 2013, she served as legal counsel to AviChina Industry & Technology Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2357). Previously, she also worked in several law firms.

Ms. Lv obtained a bachelor's degree in law and a master's degree in economic law from China University of Political Science and Law. Ms. Lv is a Fellow of both The Chartered Governance Institute and The Hong Kong Chartered Governance Institute, holding Chartered Secretary and Chartered Governance Professional dual designations. She also holds the Chinese legal professional qualification certificate and the board secretary qualification granted by the Shanghai Stock Exchange.

Ms. Yu Jin (余瑾), aged 40, joined the Company in October 2020 and has been an internal control and audit officer of the Company since October 2020, the joint financial officer of the Company since November 2022 and the Chief Financial Officer of the Company since 30 January 2024. Ms. Yu has served in PricewaterhouseCoopers Zhong Tian LLP as the senior manager of audit department from September 2009 to October 2020. As of the Latest Practicable Date, Ms. Yu Jin also served as a director and supervisor of the subsidiaries.

Ms. Yu obtained a Master's degree in International Business and Economics from the University of International Business and Economics in June 2009.

COMPANY SECRETARIES

Ms. Lv Hongyu (呂虹燏) has served as our Joint Company Secretary since 30 January 2024. For the biographical details of Ms. Lv Hongyu, please refer to "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 10 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 master degree in laws (Chinese laws) and a bachelor's degree of business administration in corporate management.

On 31 March 2025, Ms. Kwan tendered her resignation as the Joint Company Secretary of the Company due to work arrangements, and another Joint Company Secretary of the Company, Ms. Lv (who possesses the qualification of a company secretary as required by Rules 3.28 of the Listing Rules), will continue to serve and act as the sole company secretary of the Company.

CHANGES IN THE APPOINTMENT AND RE-ELECTION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Nie Mingming resigned as the employee representative Supervisor of the Company due to job changes and ceased to perform relevant duties with effect from 30 January 2024.

Ms. Gao Lingyan was elected by the Company as the employee representative Supervisor of the Company at the staff meeting held on 30 January 2024.

Mr. Xiao Lei resigned as the Chief Financial Officer, the Secretary of the Board and the Joint Company Secretary of the Company due to his personal work arrangement and ceased to perform the relevant duties with effect from 30 January 2024.

Ms. Lv Hongyu was appointed as the Chief Capital Officer, the Secretary of the Board and the Joint Company Secretary of the Company on 30 January 2024.

Ms. Yu Jin was appointed as the Chief Financial Officer of the Company on 30 January 2024.

In view of the expiry of the first session of the Board and the Supervisory Committee in 2024, the Company conducted an election for the new session of the Board and the Supervisory Committee in the year. As approved by the annual general meeting of the Company held on 10 May 2024, Mr. Xu Hui was elected as an executive Director of the second session of the Board of the Company, Dr. Kai-Fu Lee, Mr. Wang Hua and Mr. Wang Jinqiao were elected as non-executive Directors of the second session of the Board of the Company, and Mr. Xie Deren, Ms. Ko Wing Yan Samantha and Ms. Jin Keyu were elected as independent non-executive Directors of the second session of the Board of the Company. As approved by the annual general meeting of the Company held on 10 May 2024, Ms. Lin Ying and Ms. Duan Chengjin were elected as Supervisors of the second session of the Supervisory Committee of the Company. As approved by the staff meeting of the Company held on 10 May 2024, Ms. Gao Lingyan was elected as an employee representative Supervisor of the second session of the Supervisory Committee of the Company. As approved by the resolution of the first meeting of the second session of the Board of the Company held on 10 May 2024, Dr. Kai-Fu Lee was appointed as Chairman of the second session of the Board of the Company and Mr. Xu Hui was appointed as Chief Executive Officer of the Company. As approved by the resolution of the first meeting of the second session of the Supervisory Committee of the Company held on 10 May 2024, Ms. Lin Ying was appointed as Chairman of the second session of the Supervisory Committee of the Company.

CHANGES TO INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save as disclosed in this annual report, 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 DURING THE REPORTING PERIOD AND AS OF THE LATEST PRACTICABLE DATE

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 2024, the Group had 962 employees in total, of which 678 were male and 284 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 checks and various subsidies.

EMPLOYEE TRAINING

Based on the Company's business goals and employee career development needs, the Group matches the corresponding capacity enhancement resources with employees at all levels and various career development stages. For all employees, we focus on cultivating workplace skills, and help them improve their professional quality and work efficiency through classroom learning and picture and text sharing; for new employees, we focus on cultivating corporate culture and company environment, efficient office and institutional processes, etc., through NEO (New Employee Orientation), partnership system, On Boarding newcomer introduction, etc., to help them successfully integrate in and become qualified Qizhi people (奇智人); for new managers and core employees, we focus on cultivating business ability, initial leadership and management experience, through classroom learning, IDP personal development plan, etc., to stimulate team momentum; for executives, we focus on cultivating business maturity, leadership, capital markets and strategic strength to promote organizational development.

EMPLOYEE INCENTIVE

Employee Incentive Scheme

The Group has adopted the Employee Incentive Scheme ("**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 were selected by the administrator, Mr. Xu Hui, 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. 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 of shares granted but not yet vested as at 1 January 2024 (shares)	Number of shares granted during the Reporting Period (shares)[1]	Number of shares vested during the Reporting Period (shares)	Number of shares cancelled during the Reporting Period (shares)	Number of shares lapsed during the Reporting Period (shares)	Number of shares granted but not yet vested as at 31 December 2024 (shares)	Weighted average closing price of shares vested during the Reporting Period (HKD)
Directors	–	–	–	–	–	–	–	–	–	–
Supervisors Gao Lingyan (高凌燕)	Granted from time to time during the term of the incentive scheme	Vesting periods range from 1 to 4 years and may vary among different participants.	0.056	211,313	0	151,313	–	–	60,000	6.021
Five individuals whose total emoluments were the highest during the Reporting Period (in aggregate)	Granted from time to time during the term of the incentive scheme	Vesting periods range from 1 to 4 years and may vary among different participants.	0.056	8,941,769	0	2,341,204	–	–	6,600,565	5.770
Other employees (in aggregate)	Granted from time to time during the term of the incentive scheme	Vesting periods range from 1 to 4 years and may vary among different participants.	0.056	8,309,394	1,332,000	4,671,952	–	–	3,086,156	6.406
Total	–	–	–	17,462,476	1,332,000	7,164,469	–	–	9,746,721	–

Notes:

1 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, Supervisors and the five individuals whose emoluments were the highest. The closing prices of the shares granted to other people on the trading day before the grant date were as follows:

Name or type of participant	Grant date	Closing prices on the trading day before the grant date (HKD)
Other employees (in aggregate)	22 January 2024	7.610
	1 July 2024	5.170

(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 30 and Note 45.19 to the financial statements.

(4) "Number of shares granted during the Reporting Period (shares)" 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 30 to the financial statements.

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 ("**2023 Directors and Senior Management H Share Incentive Scheme**").

(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 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

Name or type of participant	Vesting period and performance targets	Grant price (HKD/share)	Number of shares granted but not yet vested as at 1 January 2024 (shares)	Number of shares granted during the Reporting Period (shares)	Number of shares vested during the Reporting Period (shares)	Number of shares cancelled during the Reporting Period (shares)	Number of shares lapsed during the Reporting Period (shares)[2]	Number of shares granted but not yet vested as at 31 December 2024 (shares)	Weighted average closing price of shares vested during the Reporting Period (HKD)
Directors Xu Hui	The vesting date is the earlier of: (a) the date of the announcement of the Company's annual results with adjusted net profit or loss being positive, or, for the avoidance of doubt, the date of expiry of 12 months from the granting date if less than 12 months have elapsed from the granting date to the date of the announcement of the Company's annual results with adjusted net profit or loss being positive; (b) the expiry of 36 months from the granting date.	3.056	7,247,585	–	–	–	7,247,585	–	–
Xie Deren		3.056	813,992	–	–	–	813,992	–	–
Supervisors Gao Lingyan (高凌燕)	Same with Directors	3.056	233,793	–	–	–	233,793	–	–
Five individuals whose total emoluments were the highest during the Reporting Period (in aggregate) [1]	Same with Directors	3.056	9,117,932	–	–	–	9,117,932	–	–
Other employees (in aggregate)	Same with Directors	3.056	5,096,583	–	–	–	5,096,583	–	–
Total	–	–	15,262,300	–	–	–	15,262,300	–	–

Notes:

1 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.

2 Considering the Company's performance and market conditions, on 26 August 2024, the Board of the Company approved that those incentive shares awarded to eligible employees who have been awarded incentive shares according to the 2023 Directors and Senior Management H Share Incentive Scheme and remain their labor or service relationship with the Company, were lapsed since the date of the approval by the Board, if participants opt to independently do so. As of 26 August 2024, 13,793,794 incentive shares awarded to eligible employees have all lapsed, including all the incentive shares awarded to Mr. Xu Hui, the chief executive officer of the Company and Mr. Xie Deren, an independent non-executive Director of the Company, that is, 7,247,585 and 813,992 incentive shares held by them were lapsed on an agreed and voluntary basis. In addition, according to the relevant provisions of the 2023 Directors and Senior Management H Share Incentive Scheme, 1,468,506 incentive shares granted but not yet vested to those participants who have been awarded incentive shares according to the 2023 Directors and Senior Management H Share Incentive Scheme and terminated their labor contracts with the Company, would be immediately lapsed upon the termination of their labor contracts. Please refer to the announcement of the Company dated 26 August 2024 for details about the lapse of all incentive shares granted under the 2023 Directors and Senior Management H Share Incentive Scheme.

3 All incentive shares refer to the incentives granted by the Company under the 2023 Directors and Senior Management H Share Incentive Scheme on 28 February 2023 to participants, temporarily in accordance with the upper limit of the incentive scheme.

2024 H Share Incentive Scheme

The Group has adopted the 2024 H Share Incentive Scheme in accordance with the resolution of the general meeting of shareholders on 10 May 2024 ("**2024 H Share Incentive Scheme**").

(1) Purpose

The purposes of the 2024 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 2024 H Share Incentive Scheme include management personnel, including Directors (if any), senior management and other key employees 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 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 2024 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 2024 H Share Incentive Scheme.

(5) The period during which the grantee may exercise the options under the 2024 H Share Incentive Scheme

The 2024 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 2024 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 2024 H Share Incentive Scheme, subject to compliance with all applicable laws, regulations and ordinances. The Board or its authorized person may determine the vesting in batches according to market conditions.

(7) 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 scheme is RMB0.

Therefore, amounts payable for application or acceptance of awards and term of payment or demand notice are not applicable.

(8) Remaining validity period of the 2024 H Share Incentive Scheme

Unless the 2024 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 10 May 2024) 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 2024 H Share Incentive Scheme which have not yet vested, 2024 H Share Incentive Scheme will continue to be extended until the vesting of such incentive shares becomes effective.

(9) Information on the granting of awards

As at the end of the Reporting Period, the Company has not granted any awards to (i) Directors of the Company, (ii) five individuals whose total emoluments were the highest during the Reporting Period, and/or (iii) other grantees, according to the 2024 H Share Incentive Scheme.

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 of 31 December 2024, the Group does not have the matter referred to in paragraph 26(2) of Appendix D2 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 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 AInnovation Technology Group Co., Ltd. (formerly known as Qingdao AInnovation Technology Group Co., Ltd.) (the "Company") and its subsidiaries (the "Group"), which are set out on pages 112 to 220, comprise:

- the consolidated statement of financial position as at 31 December 2024;
- 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, comprising material accounting policy information 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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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 receivables
- Impairment assessment of goodwill and intangible assets arising from business acquisitions

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to Note 6 to the consolidated financial statements. During the year ended 31 December 2024, the Group's revenue represented income from the sales of integrated products and solutions of RMB1,149,467,000 and provision of data solution services of RMB72,301,000. The revenue from 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. The revenue from provision of data solution services are 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 our audit effort in 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.	Our audit procedures performed on revenue recognition for the sale of integrated products and solutions and provision of data solution services included: • We understood and evaluated the relevant controls in respect of revenue recognition for the sales of integrated products and solutions and provision of data solution services, validated the key controls 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 and whether the judgements made in revenue recognition would give rise to indicators of possible management bias; • We tested, on a sample basis, revenue transactions recognized during the year by checking to the key terms of sales contracts, customers' acceptance reports and service settlement reports, delivery documents and underlying sales invoices to determine whether revenue had been recognized in accordance with the Group's revenue recognition policies;

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	• We performed confirmation procedures on trade receivables balances and revenue transactions. The items were selected on a sample basis by considering the amount, nature and characteristic of the customers; and • We tested, on a sample basis, revenue transactions before and after the financial year-end to delivery documents, customers' acceptance reports or service settlement reports 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. 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 evidences that we have gathered.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables Refer to Notes 3.1, 22, 45.10, and 45.12 to the consolidated financial statements. As at 31 December 2024, the Group had gross trade receivables of approximately RMB599,059,000, against which allowance for impairment of approximately RMB157,723,000 was made. Management applied judgement and estimates to measure the expected credit loss allowance. The trade receivables were grouped based on shared credit risk characteristics and aging, 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 the current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. We focused on auditing the impairment of trade receivables because of the magnitude of the trade receivables and the high degree of judgement and 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 receivables included: • We understood and evaluated the relevant controls in respect of its assessment of impairment of trade receivables, validated the key controls and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We performed retrospective review by comparing previous estimates to actual outcome. We evaluated the outcome of prior period assessment of impairment of trade receivables to assess the effectiveness of management's estimation process; • We assessed the appropriateness of the expected credit losses model adopted by management; • We assessed the appropriateness of the assumptions used in the expected credit losses model with reference to historical payment records, ageing analysis and default rates; • We evaluated the reasonableness of the forward-looking information including relevant macroeconomic variables by considering the industry and macroeconomic information obtained from our independent internet search;

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	• We tested, on a sample basis, the accuracy of the aging of trade receivables to respective supporting documents; • We considered whether the judgement made in the grouping of trade 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 receivables in the context of the applicable financial reporting framework. Based upon the above procedures performed, we considered that the expected credit loss model, management's judgement and estimates applied in respect of the impairment of trade receivables were supportable by the evidences that we have gathered.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and intangible assets arising from business acquisitions Refer to Notes 17, 18, 45.8 and 45.9 to the consolidated financial statements. As at 31 December 2024, the Group had goodwill of RMB175,213,000 and intangible assets of RMB204,062,000 in relation to the business acquisitions ("acquisitions") in past years. Impairment losses of RMB157,172,000 and RMB75,801,000 were recognized for goodwill and intangible assets arising from previous acquisitions during the year ended 31 December 2024, respectively. Management assessed goodwill impairment on an annual basis or more frequently if events or changes in circumstances indicate that they might be impaired. Intangible assets arising from acquisitions are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group engaged an independent external valuation expert to assist in the impairment testing of goodwill and intangible assets arising from acquisitions. Management considered each of the acquired entity a separate group of cash generating units ("CGU"). Management assessed the impairment of goodwill and intangible assets arising from acquisition with reference to the recoverable amounts of the CGUs or respective assets which were taken as the higher of the fair value less disposal cost and value-in-use. Significant management judgements and estimates were involved in the impairment assessment, including the adoption of significant assumptions and parameters, which mainly included revenue growth rates, gross profit margins and discount rate.	Our audit procedures performed on impairment assessment of goodwill and intangible assets arising from acquisition included: • We obtained an understanding of the management's internal control and process of impairment assessment of goodwill and intangible assets arising from acquisition and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We assessed the competence, capabilities and objectivity of the external valuation expert who assisted management in impairment assessment; • 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; • We assessed management's future cash flow forecast and calculation of recoverable amount 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 expert; ii) assessing the key assumptions, including the revenue growth rates and gross profit margins by comparing with the historical financial results and future business plans;

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused our audit effort in this area because of the significance of the amounts of goodwill and intangible assets arising from acquisitions, and the estimation of recoverable amount involved high degree of subjectivity and estimation uncertainty.	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 expert; and iv) testing the mathematical accuracy of the discounted cash flows calculation; • We assessed the allocation of impairment losses among goodwill and respective assets comprising the CGUs; • We assessed management's sensitivity analysis to evaluate the assumptions to which the outcome of the discounted cash flows are more sensitive and the degree 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 and intangible assets arising from acquisition in the context of the applicable financial reporting framework. Based upon the above procedures performed, we considered that the methodology, significant assumptions, parameters and management estimates adopted in the impairment assessment of goodwill and intangible assets were supported by available evidence that we have 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 IFRS Accounting Standards 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 is 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.

- 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.

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

- 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 2025

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Revenue	6	**1,221,768**	1,751,045
Cost of sales	7	**(798,697)**	(1,162,560)
Gross profit		**423,071**	588,485
Selling and distribution expenses	7	**(191,385)**	(214,542)
General and administrative expenses	7	**(264,350)**	(406,624)
Research and development expenses	7	**(355,109)**	(449,796)
Net impairment losses on financial assets	3.1	**(905)**	(86,802)
Impairment loss on goodwill and intangible assets arising from acquisition	17, 18	**(227,973)**	—
Share of net losses of investments accounted for using the equity method		**—**	(342)
Other income	9	**37,457**	57,367
Other losses, net	10	**(51,392)**	(87,758)
Operating loss		**(630,586)**	(600,012)
Finance costs	11	**(7,410)**	(8,573)
Finance income	11	**13,010**	29,050
Finance income - net	11	**5,600**	20,477
Loss before income tax		**(624,986)**	(579,535)
Income tax credit	12	**16,061**	9,263
Loss for the year		**(608,925)**	(570,272)
Other comprehensive loss, net of tax			
Items that may be reclassified subsequently to profit or loss			
Currency translation difference		**(94)**	(53)
Other comprehensive loss for the year, net of tax		**(94)**	(53)
Total comprehensive loss for the year		**(609,019)**	(570,325)

Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2024

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Loss for the year attributable to:			
Owners of the Company		**(593,810)**	(582,337)
Non-controlling interests		**(15,115)**	12,065
Loss for the year		**(608,925)**	(570,272)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(593,875)**	(582,372)
Non-controlling interests		**(15,144)**	12,047
Total comprehensive loss for the year		**(609,019)**	(570,325)
Basic and diluted loss per share for loss attributable to the owners of the Company (in RMB)	14	**(1.09)**	(1.05)

The notes on pages 120 to 220 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2024

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**38,957**	56,600
Right-of-use assets	16	**39,643**	65,594
Intangible assets	17	**207,017**	327,031
Goodwill	18	**175,213**	327,385
Deferred income tax assets	32	**5,901**	—
Financial assets at fair value through other comprehensive income	24	**9,000**	9,000
Other non-current assets	19	**12,010**	10,290
Total non-current assets		**487,741**	795,900
Current assets			
Inventories	21	**156,686**	130,629
Trade and notes receivables	22	**477,913**	671,547
Prepayments and other receivables	23	**277,498**	218,904
Financial assets at fair value through other comprehensive income	24	**9,393**	3,203
Financial assets at fair value through profit or loss	25	**2,439**	103,826
Restricted cash	26	**6,583**	20,533
Cash and cash equivalents	26	**1,204,879**	1,344,615
Total current assets		**2,135,391**	2,493,257
Total assets		**2,623,132**	3,289,157
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	**565,051**	565,051
Share premium	27	**2,631,580**	2,631,580
Less: Treasury share	28	**(313,711)**	(264,349)
Other reserves	29	**1,103,042**	949,292
Accumulated losses		**(2,442,062)**	(1,848,252)
		1,543,900	2,033,322
Non-controlling interests		**168,328**	190,823
Total equity		**1,712,228**	2,224,145

The notes on pages 120 to 220 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position (Continued)

As at 31 December 2024

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	**33,406**	56,667
Deferred income tax liabilities	32	**27,546**	40,677
Other non-current liabilities	31	**3,741**	6,636
Financial liabilities at fair value through profit or loss	36	**26,205**	95,565
Total non-current liabilities		**90,898**	199,545
Current liabilities			
Borrowings	33	**127,735**	76,651
Lease liabilities	16	**19,918**	23,069
Trade and notes payables	34	**289,704**	353,707
Contract liabilities	37	**109,242**	121,778
Other payables and accruals	35	**190,335**	210,808
Current income tax liabilities		**3,268**	664
Financial liabilities at fair value through profit or loss	36	**79,804**	78,790
Total current liabilities		**820,006**	865,467
Total liabilities		**910,904**	1,065,012
Total equity and liabilities		**2,623,132**	3,289,157

The notes on pages 120 to 220 are an integral part of these consolidated financial statements.

The consolidated financial statements on page 112 to 220 were approved by the Board of Directors of the Company on 31 March 2025 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 2024

		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 2024		**565,051**	**(264,349)**	**2,631,580**	**949,292**	**(1,848,252)**	**2,033,322**	**190,823**	**2,224,145**
Loss for the year		—	—	—	—	(593,810)	(593,810)	(15,115)	(608,925)
Other comprehensive loss									
– Currency translation differences	29	—	—	—	(65)	—	(65)	(29)	(94)
Total other comprehensive loss for the year		—	—	—	(65)	—	(65)	(29)	(94)
Transactions with owners in their capacity as owners									
– Repurchase of shares	28	—	(49,362)	—	—	—	(49,362)	—	(49,362)
– Share-based payment expenses	30	—	—	—	153,815	—	153,815	—	153,815
– Capital injection by non-controlling interests		—	—	—	—	—	—	10,400	10,400
– Capital withdrawal by non-controlling interests		—	—	—	—	—	—	(17,751)	(17,751)
Total transactions with owners in their capacity as owners		—	(49,362)	—	153,815	—	104,453	(7,351)	97,102
Balance at 31 December 2024		565,051	(313,711)	2,631,580	1,103,042	(2,442,062)	1,543,900	168,328	1,712,228

Consolidated Statement of Changes In Equity (Continued)

For the Year Ended 31 December 2024

		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 2023		559,305	(258,821)	2,562,978	671,882	(1,265,915)	2,269,429	89,546	2,358,975
(Loss)/profit for the year		—	—	—	—	(582,337)	(582,337)	12,065	(570,272)
Other comprehensive loss									
– Currency translation differences	29	—	—	—	(35)	—	(35)	(18)	(53)
Total other comprehensive loss for the year		—	—	—	(35)	—	(35)	(18)	(53)
Transactions with owners in their capacity as owners									
– Placing of new shares		19,900	—	329,182	—	—	349,082	—	349,082
– Shares cancelled		(14,154)	274,734	(260,580)	—	—	—	—	—
– Repurchase of shares	28	—	(280,262)	—	—	—	(280,262)	—	(280,262)
– Share-based payment expenses	30	—	—	—	290,271	—	290,271	—	290,271
– Capital injection by non-controlling interests		—	—	—	—	—	—	20,600	20,600
– Transaction with non-controlling interests		—	—	—	(12,826)	—	(12,826)	2,662	(10,164)
– Non-controlling interests arising on business combination		—	—	—	—	—	—	65,968	65,968
Total transactions with owners in their capacity as owners		5,746	(5,528)	68,602	277,445	—	346,265	89,230	435,495
Balance at 31 December 2023		565,051	(264,349)	2,631,580	949,292	(1,848,252)	2,033,322	190,823	2,224,145

The notes on pages 120 to 220 are an integral part of these consolidated financial statements.

Consolidated Statement Of Cash Flows

For the Year Ended 31 December 2024

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash used in operations	38	**(48,477)**	(206,005)
Interest received		**13,010**	29,050
Income taxes paid		**(321)**	(3,369)
Net cash used in operating activities		**(35,788)**	(180,324)
Cash flows from investing activities			
Payments of property, plant and equipment and intangible assets		**(4,014)**	(6,270)
Proceeds from disposals of property, plant and equipment		**139**	4
Payments of financial assets at fair value through profit or loss		**(1,419,714)**	(559,000)
Proceeds from disposal of financial assets at fair value through profit or loss		**1,468,111**	536,534
Interest received on financial assets at fair value through profit or loss	10	**8,088**	3,847
Payments of financial assets at fair value through other comprehensive income	24	**—**	(9,000)
Acquisition of a subsidiary		**—**	(87,867)
Loans to a related party	40	**(2,012)**	(13,500)
Loans receivables repaid by a related party	40	**2,012**	13,500
Loans to a third party		**(7,970)**	—
Loans receivables repaid by a third party		**7,970**	—
Payments of contingent consideration	36	**(82,322)**	(45,017)
Other investing activities		**—**	(21,930)
Net cash used in investing activities		**(29,712)**	(188,699)

Consolidated Statement Of Cash Flows (Continued)

For the Year Ended 31 December 2024

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Cash flows from financing activities			
Capital injection in subsidiaries from non-controlling interests		**10,400**	20,600
Transactions with non-controlling interests		**(10,400)**	(10,164)
Net proceeds from placing of new shares		**—**	349,082
Proceeds from award of restricted shares under the employee equity incentive scheme	30	**2,204**	67,693
Repayments of award of restricted shares under the employee share incentive scheme	30	**(43,530)**	(26,367)
Proceeds from bank borrowings		**138,832**	93,200
Repayments of bank borrowings		**(85,950)**	(88,248)
Interest paid of bank borrowings		**(3,459)**	(2,624)
Repayments of convertible bond		**—**	(30,000)
Proceeds from a related party borrowing	40	**40,690**	6,900
Repayments of a related party borrowing	40	**(37,476)**	(11,700)
Proceeds from third parties borrowing		**21,940**	—
Repayments of third parties borrowing		**(21,835)**	—
Payments of lease liabilities	16	**(22,227)**	(27,682)
Repurchase of shares		**(63,205)**	(264,864)
Net cash (used)/generated from financing activities		**(74,016)**	75,826
Net decrease in cash and cash equivalents		**(139,516)**	(293,197)
Cash and cash equivalents at beginning of the year	26	**1,344,615**	1,642,665
Exchange losses on cash and cash equivalents		**(220)**	(4,853)
Cash and cash equivalents at the end of the year	26	**1,204,879**	1,344,615

The notes on pages 120 to 220 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 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") mainly 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 Basis of preparation and changes in accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards 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 IFRS Accounting Standards 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 Basis of preparation and changes in accounting policies (continued)

2.2 Changes in accounting policies

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.

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

New and amended standards not yet adopted by the Group

The followings are new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2024 reporting period and have not been early adopted by the Group. These standards, amendments or interpretations, except for IFRS18 which will impact the presentation of statement of profit and loss, are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Standards and amendments	Key requirements	Effective for annual periods beginning on or after
IAS21 (Amendments)	Lack of Exchangeability	1 January 2025
IFRS 9 and IFRS 7 (Amendments)	Classification and Measurement of Financial Instruments	1 January 2026
IFRS 9 and IFRS 7 (Amendments)	Contracts Referencing Nature-dependent Electricity	1 January 2026
	Annual Improvements to IFRS Accounting Standards	1 January 2026
IFRS 18 (Amendments)	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 (Amendments)	Subsidiaries without Public Accountability: Disclosures	1 January 2027
IFRS 10 (Amendments) and IAS28 (Amendments)	Sale or contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group's major exposure to foreign currency risk at 31 December 2024 and 2023, expressed in RMB, was as follows:

	Year ended 31 December					
	2024			2023		
	HKD	SGD	USD	HKD	SGD	USD
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	**9,382**	**7,375**	**1,972**	1	67	1,943
Trade and note receivables	**—**	**—**	**81**	—	—	3,370
Other receivables	**2,203**	**—**	**—**	—	—	—

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Foreign exchange risk (continued)

As at 31 December 2024 and 2023, 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	
	2024	**2023**
	RMB'000	**RMB'000**
HKD strengthened/weakened by 10%	**1,159 lower/higher**	—
SGD strengthened/weakened by 10%	**738 lower/higher**	—
USD strengthened/weakened by 10%	**205 lower/higher**	531 lower/higher

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 fair value through profit and loss ("FVTPL") (Note 36), borrowings (Note 33), cash and cash equivalents (Note 26) and restricted cash (Note 26). Lease liabilities, financial liabilities at FVTPL, 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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents and restricted cash, financial assets at fair value through other comprehensive income ("FVTOCI") 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 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.

(ii) Credit risk of trade receivables

The Group has policies in place to ensure that trade receivables 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 factors, 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 (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	Over 2 years RMB'000	Total RMB'000
31 December 2024						
Trade receivables (Note 22)						
Gross carrying amount	**309,098**	**56,318**	**79,636**	**81,539**	**72,468**	**599,059**
Expected loss rate	**(4.94%)**	**(8.86%)**	**(17.96%)**	**(62.19%)**	**(100.00%)**	**(26.33%)**
Collectively impaired loss allowance	**(15,257)**	**(4,990)**	**(14,299)**	**(41,073)**	**(68,850)**	**(144,469)**
Individually impaired loss allowance	**—**	**—**	**—**	**(9,636)**	**(3,618)**	**(13,254)**
Total loss allowance	**(15,257)**	**(4,990)**	**(14,299)**	**(50,709)**	**(72,468)**	**(157,723)**

	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	Over 2 years RMB'000	Total RMB'000
31 December 2023						
Trade receivables (Note 22)						
Gross carrying amount	323,794	101,583	202,717	143,794	17,624	789,512
Expected loss rate	(4.80%)	(7.89%)	(20.15%)	(60.51%)	(100.00%)	(21.41%)
Collectively impaired loss allowance	(15,557)	(8,014)	(40,788)	(73,950)	(17,624)	(155,933)
Individually impaired loss allowance	—	—	(64)	(13,066)	—	(13,130)
Total loss allowance	(15,557)	(8,014)	(40,852)	(87,016)	(17,624)	(169,063)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Credit risk (continued)

(iii) Credit risk of notes receivables and other receivables

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 and other receivables. 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.

Notes receivables are mostly settled by state-owned banks or other reputable banks therefore the management considers that they will not expose the Group to any significant credit risk. The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for notes receivables.

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)

The movement of loss allowance for trade receivables and other receivables during the year ended 31 December 2024 and 2023 are as below:

	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
As at 1 January 2023	**88,432**	**2,305**	**90,737**
Acquisition of a subsidiary	**1,551**	**—**	**1,551**
Provisions	**81,493**	**10,620**	**92,113**
Written off as uncollectible	**(2,413)**	**(687)**	**(3,100)**
As at 31 December 2023	**169,063**	**12,238**	**181,301**
As at 1 January 2024	169,063	12,238	181,301
Provisions	1,951	(1,046)	905
Written off as uncollectible	(13,291)	—	(13,291)
As at 31 December 2024	157,723	11,192	168,915

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 2024				
Trade and notes payables	289,704	—	—	289,704
Other payables and accruals (excluding payroll and welfare payables, warranty and other tax payables)	82,664	—	—	82,664
Borrowings	129,948	—	—	129,948
Financial liabilities at FVTPL	86,861	38,250	—	125,111
Lease liabilities	21,312	14,197	21,386	56,895
	610,489	52,447	21,386	684,322

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 2023				
Trade and notes payables	353,707	—	—	353,707
Other payables and accruals (excluding payroll and welfare payables, warranty and other tax payables)	120,809	—	—	120,809
Borrowings	78,121	—	—	78,121
Financial liabilities at FVTPL	85,033	84,150	38,250	207,433
Lease liabilities	26,217	29,398	30,176	85,791
	663,887	113,548	68,426	845,861

3 Financial risk management (continued)

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.

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 and lease liabilities less cash and cash equivalents. The net debt equity ratios of 31 December 2024 and 2023 were as follows:

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Borrowings (including related party borrowing)	**144,777**	91,221
Lease liabilities	**53,324**	79,736
Less: Cash and cash equivalents	**(1,204,879)**	(1,344,615)
Net debt	**(1,006,778)**	(1,173,658)
Total equity	**1,712,228**	2,224,145
Net debt equity ratio	**N/A**	N/A

3 Financial risk management (continued)

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).

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 2024				
Assets				
Financial assets at FVTOCI				
– Notes receivables	—	—	9,393	9,393
– Unlisted equity investment	—	—	9,000	9,000
	—	—	18,393	18,393
Financial assets at FVTPL				
– Listed equity securities	2,439	—	—	2,439
Liabilities				
Financial liabilities at FVTPL				
– Contingent considerations	—	—	106,009	106,009

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2023				
Assets				
Financial assets at FVTOCI				
– Notes receivables	—	—	3,203	3,203
– Unlisted equity investment	—	—	9,000	9,000
	—	—	12,203	12,203
Financial assets at FVTPL				
– Wealth management products	—	14,500	—	14,500
– Investment fund	—	—	48,481	48,481
– Listed equity securities	2,438	—	—	2,438
– Other financial investment instrument	—	38,407	—	38,407
	2,438	52,907	48,481	103,826
Liabilities				
Financial liabilities at FVTPL				
– Contingent considerations	—	—	174,355	174,355

There were no transfers between level 1, 2 and 3 during the years ended 31 December 2024 and 2023.

The fair value of financial instruments that are not traded in an active market (Level 2 and Level 3) is determined 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.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

As at 31 December 2024, the discounted cash flow method was used to determine the fair value of notes receivables and contingent liabilities. The key assumption under the discounted cash flow method is discount rate (2.07% - 14.00%). The net asset value method was used to determine the fair value of investment fund and unlisted equity investment and no key assumption is applicable for the net asset value method.

The following table presents the changes in level 3 items for the years ended 31 December 2024 and 2023:

	Financial assets at FVTPL RMB'000	**Financial assets at FVTOCI RMB'000**	**Financial liabilities at FVTPL RMB'000**
Opening balance as at 1 January 2023	69,260	5,310	147,537
Acquisition of subsidiaries	—	—	86,743
Additions	18,000	119,445	—
Disposals/paid	—	(112,552)	(75,017)
Change in fair value	(38,779)	—	15,092
Closing balance as at 31 December 2023	48,481	12,203	174,355
Additions	—	81,824	—
Disposals/paid	(21,915)	(75,634)	(82,322)
Change in fair value	(26,566)	—	13,976
Closing Balance as at 31 December 2024	—	18,393	106,009
includes unrealised gains/(losses) recognized in profit or loss attributable to balances held for year ended 31 December 2024	(26,566)	—	12,113
includes unrealised gains/(losses) recognized in profit or loss attributable to balances held for year ended 31 December 2023	(38,779)	—	14,446

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
	2024 RMB'000	2023 RMB'000		2024	2023	
Notes receivables	**9,393**	3,203	Discount rates	**2.07%**	3.05%	An increase/decrease in the discount rate by 50 basis points (bps) would decrease/increase the fair value by approximately RMB15,000 and RMB15,000 respectively (31 December 2023: RMB5,000 and RMB5,000).
Unlisted equity investment	**9,000**	9,000	Net asset value	**N/A**	N/A	The higher the net asset value, the higher the fair value.
Private equity fund investment	**—**	48,481	Net asset value	**N/A**	N/A	The higher the net asset value, the higher the fair value.
Contingent considerations	**106,009**	174,355	Discount rates	**14%**	14%	An increase/decrease in the discount rate by 50 bps would decrease/increase the fair value by approximately RMB384,000 and RMB388,000 respectively (31 December 2023: RMB978,000 and RMB989,000).

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) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2024 and 2023 reporting periods, the recoverable amount of cash-generating units (CGUs) was determined based the higher of the fair value less disposal cost and value-in-use calculated based on the discounted cash flow forecast. 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.

(b) Impairment of trade 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 receivables are disclosed in Note 22.

4 Critical estimates and judgements (continued)

(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.

(d) Share-based payments

As disclosed in Note 30, the Company granted equity-settled share options and restricted share units ("RSUs") 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.

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.

No individual customer contributed over 10% of the total revenue of the Group for the year ended 31 December 2024 and 2023.

6 Revenue

An analysis of revenue is as follows:

	Year ended 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Point in time		
– Sales of integrated products and solutions	**1,065,383**	1,586,403
Over time		
– Sales of integrated products and solutions	**84,084**	45,955
– Services of data solutions	**72,301**	118,687
	1,221,768	1,751,045

The total sales of integrated products and solutions are RMB1,149,467,000 for the year ended 31 December 2024 (2023: RMB1,632,358,000).

(i) 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
- 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.

6 Revenue (continued)

(i) Revenue recognition (continued)

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 goods or service; (b) whether the entity has inventory risk before the specified goods or 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.

6 Revenue (continued)

(i) 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 are 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.

7 Expenses by nature

Expenses included in cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses were analysed as follows:

	Year ended 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Employee benefit expenses (Note 8)	**471,181**	576,983
Materials costs	**456,357**	720,974
Subcontracting costs	**435,985**	665,509
Amortisation of intangible assets (Note 17)	**44,336**	37,636
Professional service and other consulting fees	**37,715**	42,435
Depreciation of property, plant and equipment (Note 15)	**24,175**	30,093
Depreciation of right-of-use assets (Note 16)	**22,805**	24,846
Marketing expenses	**22,627**	37,004
Travelling expenses	**13,575**	16,424
Rental and property management expenses	**7,619**	6,920
Auditors' remuneration – audit services	**5,200**	5,350
– non-audit services	**1,135**	1,300
Recruiting and training expenses	**5,080**	6,878
Other expenses	**61,751**	61,170
	1,609,541	2,233,522

8 Employee benefit expenses

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Wages, salaries and bonuses	**267,410**	228,989
Pension costs-defined contribution plans	**22,641**	19,615
Other social security and housing fund	**21,724**	19,320
Share-based payment expenses	**153,815**	290,271
Other employee benefits	**5,591**	18,788
	471,181	576,983

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2024 and 2023 included 1 director and 1 director, respectively, whose emoluments are reflected in the analysis presented in Note 42. The emoluments paid or payable to the remaining individuals during the reporting periods are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Wages, salaries and bonuses	**3,560**	5,676
Pension costs-defined contribution plans	**244**	262
Other social security and housing fund	**246**	255
Share-based payment expenses	**57,596**	90,498
	61,646	96,691

8 Employee benefit expenses (continued)

The emoluments of the five highest paid individuals except for the director, whose emoluments have been disclosed in Note 42, fell within the following bands:

	Year ended 31 December	
	2024	**2023**
HKD 7,500,001 to HKD 8,000,000	**1**	—
HKD 17,500,001 to HKD 18,000,000	**2**	—
HKD 18,000,001 to HKD 18,500,000	**—**	1
HKD 23,000,001 to HKD 23,500,000	**1**	—
HKD 24,000,001 to HKD 24,500,000	**—**	2
HKD 40,000,001 to HKD 40,500,000	**—**	1
	4	4

9 Other income

	Year ended 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Government grants	**37,457**	57,367

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

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income (Note 31) and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

10 Other losses, net

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Interests received on financial assets at FVTPL	**8,088**	3,847
Gains on disposal of property, plant and equipment and right-of-use assets	**5,620**	1,851
Foreign exchange gains/(losses)	**111**	(5,273)
Fair value losses on financial assets and liabilities at FVTPL	**(66,862)**	(89,683)
Others	**1,651**	1,500
	(51,392)	(87,758)

11 Finance income/(costs)

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Finance income:		
Interest income from bank deposits	**13,010**	29,050
Finance costs:		
Interest expenses on lease liabilities (Note 16)	**(3,951)**	(4,188)
Interest expenses on bank borrowings	**(3,459)**	(2,842)
Interest expenses on convertible bond	**—**	(1,543)
	(7,410)	(8,573)
Finance income, net	**5,600**	20,477

12 Income tax credit

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

	Year ended 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Current tax on profits for the year	**2,971**	818
Deferred income tax (Note 32)	**(19,032)**	(10,081)
Income tax credit	**(16,061)**	(9,263)

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:

	Year ended 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Loss before taxation	**(624,986)**	(579,535)
Tax calculated at tax rates applicable to profits of the respective subsidiaries	**(156,249)**	(144,884)
Preferential tax of certain subsidiaries	**68,878**	50,682
Expenses not deductible for tax purposes	**45,958**	43,139
Super deductions from research and development expenditures	**(27,509)**	(33,230)
Utilisation of the tax losses unrecognized deferred income tax previously	**(4,260)**	(2,077)
Temporary difference for which no deferred tax asset was recognized	**(19,761)**	13,738
Tax losses for which no deferred tax asset was recognized	**76,882**	63,369
Income tax credit	**(16,061)**	(9,263)

12 Income tax credit (continued)

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 or kept the status as High and New Technology Enterprises in 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%.

The Group mainly operates within Mainland China. It is within the scope of the OECD Pillar Two model rules. As of the reporting date, there is no public announcement in Mainland China.

Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exemption to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in July 2023.

In addition, since the Pillar Two legislation in the jurisdictions that the Group operates in was not enacted or substantively enacted as at the reporting date, and due to the uncertainty of the announcement of the legislation and the complexities in applying the legislation and calculating GloBE income, the Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect.

13 Dividends

The Board does not recommend a final dividend for the year ended 31 December 2024 (2023:Nil).

14 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 year ended 31 December 2024 and 2023.

	Year ended 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Loss from continuing operation attributable to the owners of the Company	**(593,810)**	(582,337)
Weighted average number of ordinary shares in issue ('000)	**546,571**	556,283
Basic loss per share (RMB)	**(1.09)**	(1.05)

(b) Diluted loss per share

As the Group incurred losses for the year ended 31 December 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 year ended 31 December 2024 and 2023 are the same as basic loss per share of the respective year.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

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 2024								
Opening net book amount	34,805	6,397	3,455	3,100	7,872	971	—	56,600
Additions	—	5,251	134	136	—	—	1,171	6,692
Disposals	—	(58)	(46)	(56)	—	—	—	(160)
Depreciation (Note 7)	(16,006)	(4,609)	(1,578)	(1,156)	(758)	(68)	—	(24,175)
Transfers	1,171	—	—	—	—	—	(1,171)	—
Net book amount	19,970	6,981	1,965	2,024	7,114	903	—	38,957
As at 31 December 2024								
Cost	106,025	21,391	6,117	3,936	9,021	1,078	—	147,568
Accumulated depreciation	(86,055)	(14,410)	(4,152)	(1,912)	(1,907)	(175)	—	(108,611)
Net book amount	19,970	6,981	1,965	2,024	7,114	903	—	38,957

15 Property, plant and equipment (continued)

	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 2023								
Opening net book amount	53,807	9,413	4,876	4,148	8,660	1,039	—	81,943
Additions	—	2,179	322	—	—	—	4,071	6,572
Acquisition of a subsidiary	—	356	—	—	—	—	—	356
Disposals	(1,844)	(177)	(52)	(105)	—	—	—	(2,178)
Depreciation (Note 7)	(20,825)	(5,374)	(1,691)	(1,347)	(788)	(68)	—	(30,093)
Transfers	3,667	—	—	404	—	—	(4,071)	—
Net book amount	34,805	6,397	3,455	3,100	7,872	971	—	56,600
As at 31 December 2023								
Cost	115,485	17,287	6,318	4,926	9,021	1,078	—	154,115
Accumulated depreciation	(80,680)	(10,890)	(2,863)	(1,826)	(1,149)	(107)	—	(97,515)
Net book amount	34,805	6,397	3,455	3,100	7,872	971	—	56,600

Depreciation of the Group's property, plant and equipment has been recognized as follows:

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
Cost of sales	**294**	329
General and administrative expenses	**7,722**	11,039
Research and development expenses	**12,343**	14,351
Selling expenses	**3,816**	4,374
	24,175	30,093

15 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	3 years, or over lease term, whichever is the shorter
Electronic equipment	1 - 3 years
Office equipment	5 years
Transportation equipment and vehicles	4 - 10 years
Production equipment	5 - 10 years
Buildings	20 years

16 Leases

(i) Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Right-of-use assets		
Offices	**38,325**	59,996
Plants	**1,318**	5,598
	39,643	65,594
Lease liabilities		
Current	**19,918**	23,069
Non-current	**33,406**	56,667
	53,324	79,736

Additions to the right-of-use assets during the years ended 31 December 2024 were RMB20,167,000 (2023: RMB25,879,000).

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	
	2024	**2023**
	RMB'000	**RMB'000**
Depreciation charge of right-of-use assets (Note 7)		
Offices	**19,893**	21,578
Plants	**2,912**	3,268
	22,805	24,846
Interest expense (included in finance costs)	**3,951**	4,188

The total cash outflow for leases presented as financing activities of the years ended 31 December 2024 were RMB22,227,000 (2023: RMB27,682,000).

The total cash outflow short-term leases presented as operating activities of the years ended 31 December 2024 were RMB5,057,000 (2023: RMB3,912,000).

(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 10 years with extension options in some of the Group's companies. 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 equipment.

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 relationship RMB'000	Technology RMB'000	Total RMB'000
Year ended 31 December 2024				
Opening net book amount	**4,158**	**274,057**	**48,816**	**327,031**
Additions	**123**	**—**	**—**	**123**
Impairment charge	**—**	**(64,734)**	**(11,067)**	**(75,801)**
Amortisation charge (Note 7)	**(1,326)**	**(30,412)**	**(12,598)**	**(44,336)**
Net book amount	**2,955**	**178,911**	**25,151**	**207,017**
As at 31 December 2024				
Cost	**11,962**	**309,400**	**63,900**	**385,262**
Accumulated amortisation	**(9,007)**	**(65,755)**	**(27,682)**	**(102,444)**
Impairment charge	**—**	**(64,734)**	**(11,067)**	**(75,801)**
Net book amount	**2,955**	**178,911**	**25,151**	**207,017**
Year ended 31 December 2023				
Opening net book amount	4,612	167,489	34,519	206,620
Additions	206	—	—	206
Acquisition of subsidiaries	841	132,000	25,000	157,841
Amortisation charge (Note 7)	(1,501)	(25,432)	(10,703)	(37,636)
Net book amount	4,158	274,057	48,816	327,031
As at 31 December 2023				
Cost	11,839	309,400	63,900	385,139
Accumulated amortisation	(7,681)	(35,343)	(15,084)	(58,108)
Net book amount	4,158	274,057	48,816	327,031

As at 31 December 2024 and 2023, the Group had intangible assets arising from acquisition of RMB204,062,000 and RMB322,873,000 respectively, which included customer relationship and technology.

17 Intangible assets (continued)

Amortisation of the intangible assets has been recognized as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
General and administrative expenses	**965**	1,167
Research and development expenses	**12,959**	11,037
Selling and distribution expenses	**30,412**	25,432
	44,336	37,636

(i) Amortisation methods and periods

The group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Software	3-5 years
Customer relationship	10 years
Technology	5 years

(a) 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.

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.

17 Intangible assets (continued)

(i) Amortisation methods and periods (continued)

(b) Customer relationship and technology

Customer relationship and technology is acquired through business combinations. They are initially recognized and measured at estimated fair value and are amortized using the straight-line method.

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.

Intangible assets impairment

Customer relationship and technology are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. During year ended 31 December 2024, the revenue and profit generated by AInnovation EHigher (Shanghai) Intelligence Technology Co., Ltd. ("Shanghai EHigher") and Shenzhen AInnovation Eye Technology Co., Ltd. ("Shenzhen Huiyan") decreased significantly due to market downturn. Therefore, the management assessed the impairment of customer relationship and technology with reference to the recoverable amounts of the CGUs.

Customer relationship and technology impairment assessment is based on recoverable amounts which are determined based on the higher of the fair value less disposal cost and value-in-use calculations. Customer relationship and technology cannot generate cash separately, accordingly, they are included in a CGU which contains other non-current assets and goodwill for impairment assessment. The carrying amounts of the CGUs of Shanghai EHigher and Shenzhen Huiyan exceeded their recoverable amounts by RMB162,244,000 and RMB19,580,000, respectively, which resulted in impairment losses on goodwill and other non-current assets of Shanghai EHigher and Shenzhen Huiyan. As a result, the goodwill attributable to Shanghai EHigher and Shenzhen Huiyan of RMB96,377,000 and RMB9,646,000 respectively were fully impaired, and the customer relationship and technology of Shanghai EHigher and Shenzhen Huiyan were also provided for an impairment of RMB65,867,000 and RMB9,934,000, respectively. See Note 18 for more details.

As at 31 December 2024, apart from the impairment for the customer relationship and technology owned by Shanghai EHigher and Shenzhen Huiyan, no other impairment loss is considered necessary.

17 Intangible assets (continued)

(i) Amortisation methods and periods (continued)

(c) 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.

18 Goodwill

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Cost	**327,385**	327,385
Accumulated impairment	**(152,172)**	—
Net carrying amount	**175,213**	327,385

A summary of the goodwill allocation by CGU is presented below:

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Shanghai Compass Information Technology Co., Ltd. ("**Shanghai Compass**")	**86,684**	132,833
Qingdao Aolipu Qizhi Intelligent Industrial Technology Co., Ltd. ("**Qingdao Aolipu Qizhi**")	**88,529**	88,529
Shanghai EHigher	**—**	96,377
Shenzhen Huiyan	**—**	9,646
	175,213	327,385

The goodwill arising from acquisition of impairment losses of RMB9,646,000, RMB96,377,000, RMB46,149,000 were recognized for Shenzhen Huiyan, Shanghai EHigher and Shanghai Compass respectively during the year ended 31 December 2024.

18 Goodwill (continued)

Shanghai Compass is mainly engaged in data governance and data platform products for the financial industries in the PRC. Shanghai EHigher 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 in the PRC. Shenzhen Huiyan is a system integrator providing hardware components development, agency services and software for manufacturing businesses in the PRC.

(i) Impairment tests for CGUs containing goodwill

The Group carries out annual impairment test on goodwill by comparing the recoverable amounts of CGUs to the carrying amounts. Goodwill arising from the acquisition of Shanghai EHigher, Qingdao Aolipu Qizhi, Shenzhen Huiyan and Shanghai Compass was monitored separately and assessed as separate CGUs for the purpose of impairment testing.

The Group assesses the impairment of goodwill with reference to the recoverable amounts of the CGUs which are taken as the higher of the fair value less disposal cost and value-in-use of the respective CGUs. Based on the result of impairment assessment, the recoverable amount of the CGUs of Shanghai Ehigher, Shanghai Compass, Qingdao Aolipu Qizhi and Shenzhen Huiyan was determined based on fair value less disposal cost as of 31 December 2024, and the recoverable amount of the above CGUs was determined based on value-in-use as of 31 December 2023. 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 following table sets out the key assumptions:

	Shanghai EHigher	Qingdao Aolipu Qizhi	Shanghai Compass	Shenzhen Huiyan
2024				
Revenue growth rate	**0.2%~3.8%**	**-10.4%~13.3%**	**2.0%~17.9%**	**2.0%~29.0%**
Gross profit margin	**21.0%~22.2%**	**49.3%~51.0%**	**44.4%~45.0%**	**29.6%~35.2%**
Post-tax discount rate	**14.0%**	**14.0%**	**14.0%**	**14.0%**
2023				
Revenue growth rate	2.2%-21.6%	2.2%~18.7%	2.2%~29.3%	2.2%~23.8%
Gross profit margin	32.0%	43.8%~44.3%	47.2%~47.6%	36.4%~36.9%
Pre-tax discount rate	15.4%	15.4%	15.4%	16.4%

* The revenue growth rate and gross profit margin listed above are both projected from 2025 to the perpetual period.

18 Goodwill (continued)

(i) 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 growth rate	Annual growth rate over the five-year forecast period; based on current industry trends, past performance and management's expectations for the future.
Gross profit margin	Historic performance and management's expectations for the future.
Discount rate	Specific risks relating to the relevant segments and the country in which they operate.

Due to macroeconomic changes and the impact of price wars in the automotive industry, orders on hand of Shanghai Ehigher as of 31 December 2024 have declined significantly compared to those as of 31 December 2023, which had a significant impact on Shanghai Ehigher revenue growth and gross profit margin. The management has therefore recalculated the recoverable amount of the CGU and thus a full impairment loss of RMB96,377,000 was recognized for the goodwill during the year ended 31 December 2024.

Due to the fierce competition in the financial industry, the market share of Shanghai Compass has declined. Considering the actual revenue and revenue growth rate achieved in 2024, the management concluded Shanghai Compass was unable to achieve the revenue growth rate as expected. The management has therefore recalculated the recoverable amount of the CGU and thus an impairment loss of RMB46,149,000 was recognized for the goodwill during the year ended 31 December 2024.

During year ended 31 December 2024, the revenue and profit generated by Shenzhen Huiyan decreased significantly due to market downturn. The management has therefore recalculated the recoverable amount of the CGU and thus a full impairment loss of RMB9,646,000 was recognized for the goodwill during the year ended 31 December 2024.

18 Goodwill (continued)

(ii) Impact of possible changes in key assumptions

Qingdao Aolipu Qizhi

The recoverable amount of this CGU is estimated to exceed the carrying amount of the CGU at 31 December 2024 by RMB40,715,000 (2023: RMB26,320,000).

The recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change separately as follows:

	As at 31 December 2024	
	From	**To**
Revenue (% annual growth rate)	**-10.4%~13.3%**	-11.5%~12.2%
Budgeted gross margin	**49.3%~51.0%**	47.0%~48.7%
Post-tax discount rate	**14.0%**	15.8%

The Directors and management have considered and assessed reasonably possible changes for other key assumptions, and they have not identified any instances that could cause the carrying amount of this CGU to exceed its recoverable amount.

Shanghai Compass

If the budgeted gross margin used in the recoverable amount calculation for Shanghai Compass had been 1% lower than management's estimates at 31 December 2024, the impairment charge of goodwill would be increased to RMB60,109,000.

If the annual growth rate of revenue for a five-year period used in the recoverable amount calculation for Shanghai Compass had been 3% lower than management's estimates at 31 December 2024, the impairment charge of goodwill would be increased to RMB112,431,000.

If the post-tax discount rate used in the recoverable amount calculation of Shanghai Compass had been 0.5% higher than management's estimates, the impairment charge of goodwill would be increased to RMB52,215,000.

19 Other non-current assets

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Deposits	**12,010**	9,144
Prepayments (non-current portion)	**—**	1,146
	12,010	10,290

20 Financial instruments by category

	Note	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Financial assets at fair value:			
Financial assets at FVTOCI	24	**18,393**	12,203
Financial assets at FVTPL	25	**2,439**	103,826
		20,832	116,029
Financial assets at amortised cost:			
Other non-current assets	19	**12,010**	9,144
Trade and notes receivables	22	**477,913**	671,547
Other receivables	23	**30,031**	18,607
Restricted cash	26	**6,583**	20,533
Cash and cash equivalents	26	**1,204,879**	1,344,615
		1,731,416	2,064,446
		1,752,248	2,180,475

20 Financial instruments by category (continued)

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
Financial liabilities at fair value:			
Financial liabilities at FVTPL	36	**106,009**	174,355
Financial liabilities at amortised cost:			
Trade and notes payables	34	**289,704**	353,707
Other payables and accruals (excluding other tax payables, payroll and welfare payables and warranty)	35	**82,664**	120,809
Lease liabilities	16	**53,324**	79,736
Borrowings	33	**127,735**	76,651
		553,427	630,903
		659,436	805,258

21 Inventories

	As at 31 December 2024 RMB'000	2023 RMB'000
Raw materials	**40,403**	32,857
Work in progress	**117,167**	96,296
Finished goods	**598**	2,994
	158,168	132,147
Less: allowance for impairment of inventories	**(1,482)**	(1,518)
	156,686	130,629

The cost of inventories recognized as expenses and included in cost of sales amounted to RMB798,697,000 and RMB1,162,560,000 for the years ended 31 December 2024 and 2023 respectively.

22 Trade and notes receivables

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Trade receivable	**599,059**	789,512
Less: Provision for impairment	**(157,723)**	(169,063)
	441,336	620,449
Notes receivables	**36,577**	51,098
	477,913	671,547

As at 31 December 2024 and 2023, 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. As at 31 December 2024 and 2023, 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	
	2024	**2023**
	RMB'000	**RMB'000**
Trade receivable		
Less than 3 months	**309,098**	323,794
3 months to 6 months	**56,318**	101,583
6 months to 12 months	**79,636**	202,717
1 year to 2 years	**81,539**	143,794
Over 2 years	**72,468**	17,624
	599,059	789,512

22 Trade and notes receivables (continued)

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	
	2024	**2023**
	RMB'000	**RMB'000**
RMB	**635,426**	837,156
USD	**81**	3,370
EUR	**129**	84
	635,636	840,610

23 Prepayments and other receivables

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Other receivables		
– Deposits for share repurchase	**14,247**	515
– Deposits	**12,272**	12,658
– Staff advances	**2,120**	2,011
– Others	**12,584**	15,661
Other receivables, gross	**41,223**	30,845
Provision for impairment	**(11,192)**	(12,238)
Other receivables, net	**30,031**	18,607
Prepayments to vendors	**50,805**	48,460
Recoverable value–added tax ("VAT")	**195,999**	151,142
Recoverable income tax	**663**	695
	277,498	218,904

The carrying amounts of the Group's other receivables, excluding provision for impairment, are denominated in the following currencies:

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
RMB	**39,020**	30,845
HKD	**2,203**	—
	41,223	30,845

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

24 Financial assets at fair value through other comprehensive income

The financial assets at FVTOCI comprise:

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Current		
Debt investments		
– Notes receivables aged less than six months	**9,393**	3,203
Non-Current		
Equity investments		
– Beijing Tongwei Private Equity Management Co., Ltd.	**9,000**	9,000
	18,393	12,203

The Group made investment in a private equity management company with amount of RMB9,000,000 in August 2023 and designated above investments at fair value through other comprehensive income, as the investment are held for strategic purpose.

25 Financial assets at fair value through profit or loss

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Investment fund	**—**	48,481
Wealth management products	**—**	14,500
Listed equity securities (a)	**2,439**	2,438
Other financial investment instrument	**—**	38,407
	2,439	103,826

(a) The listed equity securities are listed stocks purchased in the public secondary market. The fair values of the listed securities were determined based on the closing price quoted in active markets.

26 Cash and cash equivalents and restricted cash

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Cash at bank and in hand	**1,211,462**	1,365,148
Less: Restricted cash	**(6,583)**	(20,533)
Cash and cash equivalents	**1,204,879**	1,344,615

The breakdown of restricted cash by nature as at 31 December 2024 and 2023 is as follows:

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Deposits for issue of letters of guarantee (i)	**4,813**	3,107
Deposits for issue of bank acceptance notes payable	**1,768**	13,923
Deposits for borrowing	**—**	2,003
Deposits for issuing letters of credit	**—**	1,000
Other restricted cash	**2**	500
	6,583	20,533

(i) There are no material contingent liabilities relating to issue of letters of guarantee.

26 Cash and cash equivalents and restricted cash (continued)

Cash at bank and in hand are denominated in the following currencies:

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
RMB	**1,192,254**	1,362,587
HKD	**9,382**	1
SGD	**7,375**	67
USD	**1,972**	1,943
EUR	**479**	550
	1,211,462	1,365,148

27 Share capital and share premium

The movements in share capital and share premium are set out below:

	Number of issued and fully paid shares	**Share capital RMB'000**	**Share premium RMB'000**	**Total RMB'000**
As at 31 December 2022	559,304,838	559,305	2,562,978	3,122,283
Issuance of ordinary shares (i)	19,900,000	19,900	329,182	349,082
Shares cancelled (ii)	(14,154,100)	(14,154)	(260,580)	(274,734)
As at 31 December 2023 and 2024	**565,050,738**	**565,051**	**2,631,580**	**3,196,631**

27 Share capital and share premium (continued)

(i) On 6 June 2023, the Company entered into the placing agreement for the placing of up to 19,900,000 new shares at the placing price of HK$19.7 per share. The issuance of 19,900,000 shares, net of underwriting commission and other issuance cost, led to an increase of share capital and share premium by approximately RMB19,900,000 and RMB329,182,000, respectively.

(ii) On 22 May 2023, the cumulative shares repurchased by the Company of 14,154,100 shares were cancelled (Note 28).

28 Treasury shares

	For the year ended 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
At the beginning of the year	**264,349**	258,821
Shares repurchased under Share Repurchase Mandate (i)	**7,015**	15,913
Shares repurchased through a trustee (ii)	**42,347**	264,349
Shares cancelled (iii)	**—**	(274,734)
At the end of the year	**313,711**	264,349

(i) 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 up to 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$315,000,000, during the repurchase period from 10 May 2022 to the end of the 2022 annual general meeting.

For the year ended 31 December 2023, the number of shares repurchased by the Company totalled 833,700 shares with total consideration amounting to approximately HK$18,175,000 (equivalent to approximately RMB15,913,000).

Pursuant to the resolution passed by the shareholders of the Company at the annual general meeting convened on 10 May 2024, the Board of Directors of the Company was granted a general mandate (the "2024 Share Repurchase Mandate") to repurchase the shares of the Company up to not 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 25 October 2024, the Board of the Company duly resolved to exercise the 2024 Share Repurchase Mandate to repurchase the shares of the Company in the open market from time to time for a maximum amount not exceeding HK$100,000,000.

For the year ended 31 December 2024, the number of shares repurchased by the Company totalled 1,506,300 shares with total consideration amounting to approximately HK$7,608,000 (equivalent to approximately RMB7,015,000).

(ii) During the year ended 31 December 2024 and 2023, the Company, through a trustee, repurchased 11,010,000 and 15,262,300 shares at a total cash consideration of approximately HK$46,274,000 and HK$353,049,000 (equivalent to approximately RMB42,347,000 and RMB264,349,000) on the Hong Kong Stock Exchange. The repurchased shares were recognized as treasury shares and will be fully used as awards shares, see Note 30 for more details.

(iii) For the year ended 31 December 2023, the number of shares cancelled by the Company totalled 14,154,100 shares with total consideration amounting to approximately HK$314,349,000 (equivalent to approximately RMB274,734,000).

29 Other reserves

Other reserves of the Group during the reporting periods comprises changes in the fair value of certain investments in equity securities at fair value through other comprehensive income, deduction arising from transactions with non-controlling interests, share-based payment reserve, and currency translation differences.

	Share-based payment reserve RMB'000	Currency translation differences RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 31 December 2022	790,580	98	(118,796)	671,882
Share-based payment expenses (Note 30)	290,271	—	—	290,271
Currency translation differences	—	(35)	—	(35)
Transactions with non-controlling interests	—	—	(12,826)	(12,826)
Balance at 31 December 2023	1,080,851	63	(131,622)	949,292
Share-based payment expenses (Note 30)	153,815	—	—	153,815
Currency translation differences	—	(65)	—	(65)
Balance at 31 December 2024	**1,234,666**	**(2)**	**(131,622)**	**1,103,042**

30 Share-based payments

(a) Old Employee Incentive Scheme

The Group has adopted the Employee Incentive Scheme since 2018 and 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 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 during the year ended 31 December 2021.

The following table summarizes the Group's RSU activities:

	Year ended 31 December	
	2024	**2023**
	Number of RSUs	**Number of RSUs**
	'000	**'000**
Granted but not yet vested at the beginning of the year	**9,701**	19,459
Granted during the year	**740**	1,383
Forfeited during the year	**(1,046)**	(4,000)
Vested during the year	**(3,980)**	(7,141)
Granted but not yet vested at the end of the year	**5,415**	9,701

The share-based payment expenses in relation to 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.

30 Share-based payments (continued)

(a) Old Employee Incentive Scheme (continued)

The inputs into the model

The fair values of RSUs granted to certain directors, senior management, employees and consultants during the reporting years were as follows:

	Year ended 31 December	
	2024	2023
	RMB	RMB
Fair value of one RSU	**8.49~12.47**	29.54~38.36

(b) 2023 Employee Incentive Scheme

At the extraordinary general meeting of shareholders on 13 January 2023, the Company adopted a directors and management equity incentive scheme ("the 2023 Scheme") for the purpose to encourage, motivate and retain directors and management personnel who contribute to the Group's continued operation, development and long-term growth, to enhance the Company's appeal for new talents, and to send positive signals to the market and boost market confidence.

All shares granted are subject to a vesting period of 36 months or less commencing from the grant date. The vesting date of the restricted shares granted under the 2023 Scheme is the earlier of (i) the date of the announcement of the Company's annual results with adjusted net profit or loss being positive, or, for the avoidance of doubt, the date of expiry of 12 months from the granting date if less than 12 months have elapsed from the granting date to the date of the announcement of the Company's annual results with adjusted net profit or loss being positive; or (ii) the expiry of 36 months from the granting date. As at the vesting date, the participants will be entitled to the related shares provided that the participants are still in employment with the Company unless otherwise specified in the granting notice approved by the Board or its authorised persons.

30 Share-based payments (continued)

(b) 2023 Employee Incentive Scheme (continued)

On 28 February 2023, 25,000,000 restricted shares were granted at the grant price of HK$3.056 per share (equivalent to approximately RMB2.71 per share). The fair value of restricted shares granted was determined at HK$15.28 per share (equivalent to approximately RMB13.54 per share) based on the closing price of Company's share as at the grant date.

Having considered the Company's current results and market condition, the Board of the Company has approved that, for the qualified employees who have been granted incentive shares under the 2023 Scheme and who still have labour 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.

In December 2024, 15,262,300 restricted shares were revoked by the Group (2023: 9,737,700). The Group accounted for the revocation as an acceleration of vesting, and therefore recognize share-based payment expenses immediately with the amount of RMB83,000,000 (2023: RMB79,101,000) that otherwise would have been recognized for services received over the remainder of the vesting period. As at 31 December 2024, all the Shares granted under the 2023 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 Scheme in the future.

	Year ended 31 December	
	2024	**2023**
	Number of restricted shares granted	**Number of restricted shares granted**
	'000	**'000**
Granted at the beginning of the year	**15,262**	—
Granted during the year	**—**	25,000
Revoked during the year	**(15,262)**	(9,738)
Granted at the end of the year	**—**	15,262

30 Share-based payments (continued)

(b) 2023 Employee Incentive Scheme (continued)

The details of shares revoked are set out below:

	Year ended 31 December	
	2024	2023
	Number of restricted shares granted	Number of restricted shares granted
	'000	'000
Directors	**8,062**	2,272
The five individuals whose emoluments were the highest in the Group (excluding Mr. Xu Hui)	**1,870**	2,865
Other employees	**5,330**	4,601
	15,262	9,738

In order to operate the 2023 Scheme, the Company entrusted a qualified agent, an independent third party, to act as the trustee for the restricted shares of the Company granted under the 2023 Scheme, and the trustee will further acquire shares of the Company through open market transactions at the prevailing market price as the source of award shares. The Company instructed the trustee to purchase and/or dispose shares under the 2023 Scheme, thus the financial statements of the 2023 Scheme are consolidated in the consolidated financial statements of the Group.

For the year ended 31 December 2023, the Company repurchased 15,262,300 shares at a total cash consideration of approximately HK$353,049,000 (equivalent to approximately RMB264,349,000) on the Hong Kong Stock Exchange through the trustee (Note 28). The repurchased shares were recognized as treasury shares and will be fully used as awards shares under the 2023 Scheme.

30 Share-based payments (continued)

(b) 2023 Employee Incentive Scheme (continued)

Shares held by the trustee under the 2023 Scheme are shown below:

	As at 31 December	
	Number of shares 2024 '000	Number of shares 2023 '000
Shares held under the 2023 Scheme	**15,262**	15,262

During the year ended 31 December 2024 and 2023, amount of RMB2,204,000 and RMB41,326,000, respectively, were received from the participants of the 2023 Scheme and were fully refund to the participants during the year ended 31 December 2024.

(c) 2024 H Share Equity Incentive Scheme

In order to improve the Company's incentive mechanism, motivate the Company's Directors, senior management and employees to continue to innovate, retain key personnel, enhance the Company's ability to attract new talents, achieve sustainable development for the Company's business, and balance long-term growth and short-term performance goals, the Board of the Company proposed to adopt the 2024 H Share Equity Incentive Scheme ("the 2024 Scheme").

The granting price of the incentive shares under the 2024 Scheme is nil, unless otherwise determined by the Board or its authorized persons or otherwise specified in the granting notice approved by them.

30 Share-based payments (continued)

(c) 2024 H Share Equity Incentive Scheme (continued)

The maximum cap for the 2024 Scheme is the maximum number of H Shares that will be acquired by the Trustee through on-market transactions from time to time at prevailing market price with funds in the amount of not more than RMB300,000,000. For the year ended 31 December 2024, the Company repurchased 11,010,000 shares at a total cash consideration of approximately HK$46,274,000.00 (equivalent to approximately RMB42,347,000) on the Hong Kong Stock Exchange through the trustee (Note 28). The repurchased shares were recognized as treasury shares and will be fully used as awards shares under the 2024 Scheme. As at 31 December 2024, there was no incentive shares have been granted under the 2024 Scheme.

Shares held by the trustee under the 2024 Scheme are shown below:

	As at 31 December 2024 Number of shares ’000
Shares held under the 2024 Scheme	**11,010**

Share-based payment expenses of RMB153,815,000 have been recognized in profit or loss for the year ended 31 December 2024 (2023: RMB290,271,000).

31 Other non-current liabilities

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Government grants	**3,741**	6,636

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 9.

32 Deferred income tax

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Deferred income tax assets:		
– to be recovered after more than 12 months	**121**	124
– to be recovered within 12 months	**9,393**	9,486
Offset by deferred tax liabilities	**(3,613)**	(9,610)
	5,901	—
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**(26,292)**	(43,109)
– to be recovered within 12 months	**(4,867)**	(7,178)
Offset by deferred tax assets	**3,613**	9,610
	(27,546)	(40,677)

32 Deferred income tax (continued)

(i) Deferred tax assets

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
Provision for impairment of inventories and loss allowance of trade receivables	**7,739**	7,461
Accrued employee benefits	**1,089**	1,389
Fair value change on financial liabilities at FVTPL	**425**	309
Lease liabilities	**261**	451
Total deferred tax assets	**9,514**	9,610

32 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 FVTPL RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2024	**7,461**	**1,389**	**309**	**451**	**9,610**
(Charged)/credit to profit or loss	**278**	**(300)**	**116**	**(190)**	**(96)**
At 31 December 2024	**7,739**	**1,089**	**425**	**261**	**9,514**
At 1 January 2023	3,608	647	296	17	4,568
Acquisition of a subsidiary	233	—	—	5	238
Credited to profit or loss	3,620	742	13	429	4,804
At 31 December 2023	7,461	1,389	309	451	9,610

32 Deferred income tax (continued)

(ii) Deferred tax liabilities

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
The balance comprises temporary differences attributable to:		
Intangible assets	**(30,622)**	(49,505)
Right-of-use assets	**(465)**	(704)
Property, plant and equipment	**(72)**	(78)
Total deferred tax liabilities	**(31,159)**	(50,287)

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 2024	**(704)**	**(49,505)**	**(78)**	**—**	**(50,287)**
Credit to profit or loss	**239**	**18,883**	**6**	**—**	**19,128**
At 31 December 2024	**(465)**	**(30,622)**	**(72)**	**—**	**(31,159)**
At 1 January 2023	(297)	(31,510)	(83)	—	(31,890)
Acquisition of a subsidiary	—	(23,552)	—	(122)	(23,674)
(Charged)/credit to profit or loss	(407)	5,557	5	122	5,277
At 31 December 2023	(704)	(49,505)	(78)	—	(50,287)

32 Deferred income tax (continued)

(iii) Unrecognized deferred income tax

The information of the expiration of tax losses carried forward for which deferred income tax assets is not recognized is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Tax losses expiring within 1 year	**3,866**	5,733
Tax losses expiring between 1-2 years	**22,716**	19,266
Tax losses expiring between 2-3 years	**35,928**	33,664
Tax losses expiring between 3-4 years	**114,435**	54,160
Tax losses expiring between 4-5 years	**297,827**	158,364
Tax losses expiring between 5-6 years	**156,249**	179,762
Tax losses expiring between 6-7 years	**170,144**	148,178
Tax losses expiring between 7-8 years	**238,432**	178,386
Tax losses expiring between 8-9 years	**187,580**	218,573
Tax losses expiring between 9-10 years	**432,795**	266,547
	1,659,972	1,262,633

Unrecognized temporary differences are as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Temporary difference for which no deferred tax asset was recognized:		
– Provisions for impairment	**118,958**	133,389
– Accrued expenses and others	**111,555**	149,455
	230,513	282,844

33 Borrowings

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Current		
– Borrowings in relation to discounting notes receivable (i)	**735**	1,251
– Bank loans, secured	**—**	6,000
– Bank loans, guaranteed (ii)	**106,000**	57,400
– Bank loans, unsecured	**21,000**	12,000
	127,735	76,651

(i) As at 31 December 2024, borrowings in relation to discounting notes receivable with aggregated amount of RMB735,000 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 31 December 2024, the bank loans with aggregated amount of RMB106,000,000 were guaranteed by: 1) Mr. Chen Hong,the director and non-controlling shareholder of Shanghai EHigher, to the extent of RMB28,000,000; 2) Mr. Chen Hong and Ms. Liao Lu, the non-controlling shareholder of Shanghai EHigher, and the patent right of Shanghai EHigher, to the extent of RMB22,000,000; 3) Mr. Li Weiguo, the director and non-controlling shareholder of Qingdao Aolipu Qizhi, to the extent of RMB21,000,000; 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, his spouse, to the extent of RMB10,000,000; 6) Mr. Chen Hong and Ms. Liao Lu to the extent of RMB8,000,000; 7) Mr. Chen Hong and Ms. Liao Lu, and a guarantee company to the extent of RMB7,000,000.

For the year ended 31 December 2024, the interest rates relating to the Group's borrowings ranged from 2.75% to 3.85% per annum (31 December 2023: 2.90% to 4.50% per annum). The borrowings of the Group are all loans denominated in RMB.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

34 Trade and notes payables

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Accounts payable	**287,006**	317,711
Notes payable	**2,698**	35,996
	289,704	353,707

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

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Within 3 months	**146,321**	211,437
Between 3 months and 6 months	**36,158**	66,653
Between 6 months and 1 year	**46,541**	31,963
Between 1 year and 2 years	**37,234**	33,550
Between 2 years and 3 years	**23,450**	10,104
	289,704	353,707

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

35 Other payables and accruals

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Payroll and welfare payables	**74,080**	60,951
Accruals and other payables	**55,817**	55,108
Other taxes payable	**30,934**	27,427
Other payables to related parties	**17,571**	15,099
Interest payable on convertible bond	**9,276**	9,276
Warranty	**2,657**	1,621
Repurchase obligation of the employee equity incentive scheme (Note 30)	**—**	41,326
	190,335	210,808

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

36 Financial liabilities at fair value through profit or loss

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Contingent considerations (a)	**106,009**	174,355

(a) In May 2022 and 2023, the Company entered into transfer agreements 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 commitments of the three companies. 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 (Note 3.3).

36 Financial liabilities at fair value through profit or loss (continued)

The movements of contingent considerations for the year ended 31 December 2023 and 2024 are set out below:

	Contingent considerations RMB'000
Opening balance as at 1 January 2023	117,606
Acquisition of a subsidiary	86,743
Payments of contingent considerations	(45,017)
Change in fair value	15,023
Closing balance as at 31 December 2023	174,355
Payments of contingent considerations	(82,322)
Change in fair value	13,976
Closing balance as at 31 December 2024	106,009

37 Contract liabilities

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Contract liabilities		
– Sales of products and solutions	**109,242**	121,778

37 Contract liabilities (continued)

(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	
	2024	**2023**
	RMB'000	**RMB'000**
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year	**96,273**	77,905

(ii) Unsatisfied performance obligations

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Sales of products and solutions, to be recognized:		
– Within 1 year	**538,460**	509,589
– After 1 year but less than 3 years	**110,323**	88,850
	648,783	598,439

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.

38 Cash flow information

(a) Cash used in operations

The reconciliation from loss before income tax to cash used in operations is as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Loss before income tax	**(624,986)**	(579,535)
Adjustment for:		
Depreciation of property, plant, and equipment and right-of-use assets and amortisation of intangible asset	**91,316**	92,575
Gains on disposal of property, plant and equipment and right-of-use assets	**(5,620)**	(1,851)
Fair value losses on financial assets and liabilities at FVTPL	**66,862**	89,683
Interests received on financial assets at FVTPL	**(8,088)**	(3,847)
Interest expenses on lease liabilities	**3,951**	4,188
Interest income	**(13,010)**	(29,050)
Provision of inventories	**—**	(18)
Impairment loss on goodwill	**152,172**	—
Impairment loss on intangible assets arising from acquisition	**75,801**	—
Net impairment losses on financial assets	**905**	86,802
Share-based payment expenses	**153,815**	290,271
Share of loss of investments accounted for using the equity method	**—**	342
Interest expenses on bank borrowings	**3,459**	2,842
Interest expenses on convertible bond	**—**	1,543
Net foreign exchange losses	**(658)**	5,208
Operating loss before changes in working capital	**(104,081)**	(40,847)
Changes in working capital:		
Increase in inventories	**(26,021)**	(10,246)
Decrease/(increase) in trade and notes receivables	**183,695**	(168,079)
Increase in prepayments and other receivables	**(43,848)**	(45,467)
Decrease in other operating assets	**12,230**	3,865
(Decrease)/increase in trade and notes payables	**(64,003)**	72,886
Decrease in contract liabilities	**(12,536)**	(349)
Increase/(decrease) in other operating liabilities	**6,087**	(17,768)
Cash used in operations	**(48,477)**	(206,005)

38 Cash flow information (continued)

(b) Major non-cash transaction

For the year ended 31 December 2024, the Group endorsed bank notes receivables to suppliers for purchase of goods amounting to approximately RMB45,268,000 (2023: RMB113,218,000).

(c) Net debt reconciliation

	Cash and cash equivalents RMB'000	Lease liabilities RMB'000	Borrowings (including related party borrowing) RMB'000	Convertible bond RMB'000	Total RMB'000
Net debt as at 31 December 2022	1,642,665	(90,111)	(76,960)	(29,931)	1,445,663
Cash flows	(293,197)	27,682	(152)	30,000	(235,667)
Acquisitions and other non-cash movement	(4,853)	(17,307)	(14,109)	(69)	(36,338)
Net debt as at 31 December 2023	1,344,615	(79,736)	(91,221)	—	1,173,658
Cash flows	(139,516)	22,227	(56,096)	—	(173,385)
Acquisitions and other non-cash movement	(220)	4,185	2,540	—	6,505
Net debt as at 31 December 2024	**1,204,879**	**(53,324)**	**(144,777)**	**—**	**1,006,778**

39 Capital commitments

As at 31 December 2024 and 2023, the Group had the following capital commitments:

	As at 31 December 2024 RMB'000	2023 RMB'000
Contracted but not provided for – Leasehold improvement	**1,184**	377

40 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 transactions 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 (Chongqing) Information Technology Co., Ltd. ("CISDI Information")	Non-controlling shareholder of a subsidiary
CISDI Group Co., Ltd.	The parent company of CISDI Information
CISDI Engineering Co., Ltd.	Controlled by CISDI Group Co., Ltd.
Chongqing CISDI Engineering Consulting Co., Ltd. ("CISDI Engineering Consulting")	Controlled by CISDI Group Co., Ltd.
Shanghai Desmart Information Technology Co., Ltd. ("Shanghai Desmart")	Controlled by a non-controlling shareholder of a subsidiary
Mr. Li Weiguo	Director and non-controlling shareholder of a subsidiary
Qingdao Channell Filtration & Purification Equipment Co., Ltd. ("Qingdao Channell")	Controlled by Mr. Li Weiguo
Mr. Liu Qian	Director and non-controlling shareholder of a subsidiary
Mr. Ma Li	Director and non-controlling shareholder of a subsidiary
Qingdao Shupu Intelligent Interconnection Technology Co., Ltd. ("Qingdao Shupu")	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 period.

40 Related party transactions (continued)

(b) Transactions with related parties

Significant related party transactions of the Group are listed as follows:

		Year ended 31 December	
		2024	2023
		RMB'000	RMB'000
(i)	**Sales and services to related parties**		
	Shanghai Desmart	—	20,882
	CISDI Group Co., Ltd. and its subsidiaries	**6,237**	6,285
	Sinovation Ventures	**1,386**	749
		7,623	27,916
(ii)	**Services provided by a related party**		
	Qingdao Shupu	**1,387**	—
(iii)	**Loans to related parties**		
	Qingdao Shupu	**2,012**	—
	Mr. Liu Qian	—	13,500
		2,012	13,500
(iv)	**Repayment of loans from related parties**		
	Qingdao Shupu	**2,012**	—
	Mr. Liu Qian	—	13,500
		2,012	13,500
(v)	**Received loans from related parties**		
	Mr. Li Weiguo and a company controlled by him	**39,800**	6,900
	Mr. Ma Li	**890**	—
		40,690	6,900
(vi)	**Repayment of loans to related parties**		
	Mr. Li Weiguo and a company controlled by him	**37,328**	11,700
	Mr. Ma Li	**890**	—
		38,218	11,700

40 Related party transactions (continued)

(c) Balances with related parties

		As at 31 December	
		2024	2023
		RMB'000	RMB'000
(i)	Receivables from related parties		
	Trade		
	Trade receivable		
	– CISDI Group Co., Ltd. and its subsidiaries	**11,066**	14,296
	– Shanghai Desmart	**—**	7,800
	– Sinovation Ventures	**—**	334
		11,066	22,430
	Provisions	**(3,603)**	(6,350)
		7,463	16,080

		As at 31 December	
		2024	2023
		RMB'000	RMB'000
(ii)	Payables to a related party		
	Non-Trade		
	Other payables and accruals		
	– Mr. Li Weiguo	**17,571**	15,099

(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	
	2024	**2023**
	RMB'000	**RMB'000**
Salaries, bonus and other welfare	**8,976**	10,674
Share-based payment expenses	**77,642**	107,351
	86,618	118,025

41 Balance sheet and reserve movement of the Company

(a) Balance sheet of the Company

	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
ASSETS		
Non-current assets		
Investment in subsidiaries	**1,064,704**	1,169,275
Property, plant and equipment	**10,406**	17,246
Right-of-use assets	**801**	857
Intangible assets	**571**	1,173
Other non-current assets	**—**	1,146
	1,076,482	1,189,697
Current asset		
Inventories	**4,598**	307
Prepayments and other receivables	**1,244,255**	1,214,522
Trade and notes receivables	**267,597**	353,044
Financial assets at fair value through other comprehensive income	**577**	—
Financial assets at fair value through profit or loss	**—**	101,388
Restricted cash	**161**	—
Cash and cash equivalents	**1,024,151**	1,200,920
	2,541,339	2,870,181
Total assets	**3,617,821**	4,059,878

41 Balance sheet and reserve movement of the Company (continued)

(a) Balance sheet of the Company (continued)

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
EQUITY		
Equity attributable to owners of the Company		
Share capital	**565,051**	565,051
Share premium	**2,631,580**	2,631,580
Less: Treasury share	**(7,015)**	—
Other reserves	**1,234,666**	1,080,851
Accumulated losses	**(1,397,142)**	(837,840)
Total equity	**3,027,140**	3,439,642
LIABILITIES		
Non-current liabilities		
Lease liabilities	**507**	48
Financial liabilities at fair value through profit or loss	**—**	37,307
	507	37,355
Current liabilities		
Lease liabilities	**310**	662
Trade and notes payables	**189,546**	220,595
Contract liabilities	**13,910**	3,839
Other payables and accruals	**342,051**	314,437
Financial liabilities at fair value through profit or loss	**44,357**	43,348
	590,174	582,881
Total liabilities	**590,681**	620,236
Total equity and liabilities	**3,617,821**	4,059,878

The balance sheet of the Company was approved by the Board of directors of the Company on 31 March 2025 and was signed on its behalf by:

Xu Hui
Director

Wang Hua
Director

41 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 2022	790,580	(530,042)	260,538
Loss for the year	—	(307,798)	(307,798)
Transactions with owners in their capacity as owners			
– Share-based payment expenses (Note 30)	290,271	—	290,271
Balance at 31 December 2023	1,080,851	(837,840)	243,011
Loss for the year	—	(559,302)	(559,302)
Transactions with owners in their capacity as owners			
– Share-based payment expenses (Note 30)	153,815	—	153,815
Balance at 31 December 2024	**1,234,666**	**(1,397,142)**	**(162,476)**

42 Benefits and interests of directors

(a) Directors' and the chief executive officer's emoluments

For the year ended 31 December 2024:

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	Total RMB'000
Chairman:					
Dr. Kai-Fu Lee	—	—	—	—	—
Chief executive officer:					
Mr. Xu Hui (i)	—	1,637	71	65	1,773
Directors:					
Mr. Wang Hua	—	—	—	—	—
Mr. Wang Jinqiao	370	—	—	—	370
Mr. Xie Deren (i)	463	—	—	—	463
Ms. Jin Keyu	370	—	—	—	370
Ms. Ko Wing Yan Samantha	370	—	—	—	370
Supervisor:					
Ms. Lin Ying	—	—	—	—	—
Ms. Duan Chengjin	—	—	—	—	—
Mr. Nie Mingming*	—	21	3	3	27
Ms. Gao Lingyan (i)**	—	656	66	64	786
Total:	1,573	2,314	140	132	4,159

* Mr. Nie Mingming resigned as supervisor in January 2024.

** Ms. Gao Lingyan was appointed as supervisor in January 2024.

(i) Apart from the directors' and the chief executive officer's emoluments listed above, during the year ended 31 December 2024, share-based payment expenses relating to Mr. Xu Hui, Mr. Xie Deren and Ms. Gao Lingyan are RMB56,693,000, RMB6,367,000 and RMB3,418,000 respectively under the 2023 Scheme. As at 31 December 2024, all the shares granted under the 2023 Scheme have been cancelled or lapsed by the Board of the Company after considering the Company's current results and market condition(Note 30).

42 Benefits and interests of directors (continued)

(a) Directors' and the chief executive officer's emoluments (continued)

For the year ended 31 December 2023:

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	Total RMB'000
Chairman:					
Dr. Kai-Fu Lee	—	—	—	—	—
Chief executive officer:					
Mr. Xu Hui (i)	—	2,461	68	66	2,595
Directors:					
Mr. Wang Hua	—	—	—	—	—
Mr. Wang Jinqiao	363	—	—	—	363
Mr. Xie Deren (i)	454	—	—	—	454
Ms. Jin Keyu	363	—	—	—	363
Ms. Ko Wing Yan Samantha	363	—	—	—	363
Supervisor:					
Ms. Lin Ying	—	—	—	—	—
Mr. Nie Mingming	—	443	41	34	518
Ms. Duan Chengjin	—	—	—	—	—
Total:	1,543	2,904	109	100	4,656

(i) Apart from the directors' and the chief executive officer's emoluments listed above, during the year ended 31 December 2023, share-based payment expenses relating to Mr. Xu Hui and Mr. Xie Deren were RMB43,562,000 and RMB8,074,000 respectively. Among which RMB40,785,000 and RMB8,074,000 respectively derived from the 2023 Scheme. As at 31 December 2023, a total of 9,737,700 restricted shares under the 2023 Scheme were revoked by the Group (Note 30).

42 Benefits and interests of directors (continued)

(a) Directors' and the chief executive officer's emoluments (continued)

(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.

43 Subsidiaries

As at 31 December 2024, 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) (i)	Limited liability company	The PRC 24 April 2018	RMB 35,400	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	100.00	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 50,000	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)	Limited liability company	The PRC 14 June 2019	RMB 164,750	100.00	Technology and software development, artificial intelligence research and product development, in the PRC

43 Subsidiaries (continued)

As at 31 December 2024, 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 (Shanghai) Technology Co., Ltd. (創新奇智(上海)科技有限公司) (i)	Limited liability company	The PRC 30 September 2019	RMB 19,870	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
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
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 (Bengbu) Technology Co., Ltd. (創新奇智(蚌埠)科技有限公司)	Limited liability company	The PRC 16 January 2023	RMB 2,000	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)	Limited liability company	The PRC 9 December 2022	RMB 1,000	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)	Limited liability company	The PRC 26 January 2022	RMB 10,010	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
AInnovation Technology Pte. Ltd.	Limited liability company	Singapore 10 April 2023	Nil paid	100.00	Technology and software development, artificial intelligence research and product development, in Singapore
Chengdu AInnovation Caeri Technology Co., Ltd. (成都凱瑞奇智科技有限公司)	Limited liability company	The PRC 24 May 2023	RMB 4,000	100.00	Technology and software development, artificial intelligence research and product development, in the PRC

43 Subsidiaries (continued)

As at 31 December 2024, 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
Chengdu AInnovation Huacheng Technology Co., Ltd. (成都華成奇智科技有限公司)	Limited liability company	The PRC 18 September 2023	RMB 5,000	80.00	Technology and software development, artificial intelligence research and product development, in the PRC
AInnovation EHigher (Shanghai) Intelligence Technology Co., Ltd. (浩亞奇智(上海)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
Shenzhen AInnovation Eye Technology Co., Ltd. (深圳慧眼奇智科技有限公司)	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) (iv)	Limited liability company	The PRC 30 November 2022	RMB 5,000	51.00	Technology and software development, artificial intelligence research and product development, in the PRC
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 50,000	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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2024

43 Subsidiaries (continued)

As at 31 December 2024, 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 EHigher (Qingdao) Intelligence Technology Co., Ltd. (浩亞奇智(青島)智能科技有限公司)	Limited liability company	The PRC 22 December 2023	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)	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
Shanghai Compass Information Technology Co., Ltd. (上海羅盤信息科技有限公司)	Limited liability company	The PRC 2 September 2002	RMB 10,000	51.00	Technology and software development, artificial intelligence research and product development, in the PRC
Manstro AInnovation (Qingdao) Information Technology Co., Ltd. (萬洲奇智(青島)信息科技有限公司) (ii)	Limited liability company	The PRC 19 April 2024	RMB 10,200	51.00	Technology and software development, artificial intelligence research and product development, in the PRC

43 Subsidiaries (continued)

(i) As at 31 December 2024, the paid-in capital of AInnovation (Beijing) Technology Co., Ltd. and AInnovation (Shanghai) Technology Co., Ltd. was increased by RMB10,000,000 and RMB10,000,000 to RMB35,400,000 and RMB19,870,000, respectively.

(ii) A subsidiary, Manstro AInnovation (Qingdao) Information Technology Co., Ltd. was established under the laws of the PRC with limited liability on 19 April 2024, with the paid-in capital of amount RMB10,200,000 as at 31 December 2024.

(iii) China Railway Qizhi (Hefei) Technology Co., Ltd.,Jiangsu Haimaike Intelligent Technology Development Co., Ltd. and RewinCloud Pte. Ltd. were deregistered on 31 January 2024, 8 February 2024 and 6 May 2024, respectively.

(iv) The paid-in capital of AInnovition Anlian (Anhui) Technology Co., Ltd. was decreased by RMB15,000,000 to RMB5,000,000 in 2024.

(v) Shanghai Jiaqian Construction Engineering Co., Ltd. was accounted for as a subsidiary of the Group as they were controlled by Shanghai EHigher, a 51% owned subsidiary of the Group.

Except for the changes above, there were no changes to the equity interests held by the Company in these subsidiaries since 31 December 2024 as of the date of this report.

* 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 AInnovation EHigher (Shanghai) Intelligence Technology Co., Ltd. and its subsidiaries that has non-controlling interests that are material to the Group. The amounts disclosed for Shanghai EHigher are before inter-company eliminations.

Summarized balance sheet	**Shanghai EHigher**	
	As at 31 December	
	2024	**2023**
	RMB'000	**RMB'000**
Current assets	**279,230**	337,423
Current liabilities	**(236,112)**	(311,910)
Current net assets	**43,118**	25,513
Non-current assets	**19,426**	94,024
Non-current liabilities	**(959)**	(4,679)
Non-current net assets	**18,467**	89,345
Net assets	**61,585**	114,858
Accumulated NCI	**32,441**	59,555

43 Subsidiaries (continued)

Non-controlling interests (NCI) (continued)

Summarized statement of comprehensive income	Shanghai EHigher	
	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue	**300,224**	389,182
(Loss)/profit for the year	**(53,208)**	23,693
Other comprehensive loss	**(65)**	(36)
Total comprehensive (loss)/income	**(53,273)**	23,657
(Loss)/profit allocated to NCI	**(27,114)**	11,689
Dividends paid to NCI	**—**	—

Summarized cash flows	Shanghai EHigher	
	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cash flows from operating activities	**23,408**	(10,911)
Cash flows from investing activities	**(343)**	(402)
Cash flows from financing activities	**(1,936)**	4,832
Increase/(decrease) in cash and cash equivalents	**21,129**	(6,481)

44 Subsequent events

The Group had no significant events after the reporting period and up to the date of the approval of the audited consolidated financial statements.

45 Summary of other potentially material accounting policies

45.1 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.

45.2 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.

45 Summary of other potentially material accounting policies (continued)

45.2 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.

45.3 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.

45 Summary of other potentially material accounting policies (continued)

45.3 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.

45.4 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.

45 Summary of other potentially material accounting policies (continued)

45.5 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.

45.6 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.

45 Summary of other potentially material accounting policies (continued)

45.6 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.

45.7 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.

45 Summary of other potentially material accounting policies (continued)

45.7 Property, plant and equipment (continued)

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 45.9).

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.

45.8 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.

45 Summary of other potentially material accounting policies (continued)

45.9 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.

45.10 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.

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.

45 Summary of other potentially material accounting policies (continued)

45.10 Financial assets (continued)

(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.

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.

45 Summary of other potentially material accounting policies (continued)

45.10 Financial assets (continued)

(iii) Measurement (continued)

Debt instruments (continued)

- Financial assets at FVTOCI: 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 FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI 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.

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

45 Summary of other potentially material accounting policies (continued)

45.10 Financial assets (continued)

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVTOCI. 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.

45.11 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.

45.12 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 22 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

45 Summary of other potentially material accounting policies (continued)

45.13 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.

45.14 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.

45.15 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.

45 Summary of other potentially material accounting policies (continued)

45.16 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.

45.17 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.

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.

45 Summary of other potentially material accounting policies (continued)

45.17 Current and deferred income tax (continued)

Deferred income tax

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.

45.18 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.

45 Summary of other potentially material accounting policies (continued)

45.18 Employee benefits (continued)

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.

45.19 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 30, during the reporting periods, equity-settled share options and restricted stock unit 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.

45 Summary of other potentially material accounting policies (continued)

45.19 Share-based payments (continued)

(a) (continued)

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).

(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.

45 Summary of other potentially material accounting policies (continued)

45.20 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.

45.21 Interest income

Interest income from financial assets at FVTPL is included in other losses, net (Note 10). 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.

45.22 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.

45 Summary of other potentially material accounting policies (continued)

45.22 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.

45.23 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.

45 Summary of other potentially material accounting policies (continued)

45.23 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 equipment.

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.

45 Summary of other potentially material accounting policies (continued)

45.24 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, at the end of the reporting period, the group has a right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the group is required to comply with after the reporting period do not affect the classification at the reporting date.

45.25 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.

45 Summary of other potentially material accounting policies (continued)

45.26 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 the group will comply with all attached conditions.

Note 9 provides further information on how the group accounts for government grants.

45.27 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.

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