

2022

INTERIM REPORT

中期報告



创新奇智

Alnnovation

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

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

(於中華人民共和國註冊成立的股份有限公司)

Stock Code 股份代號: 2121



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Corporate Information

Below is the basic information of the Company:

COMPANY'S LEGAL NAME

青島創新奇智科技集團股份有限公司

COMPANY'S ENGLISH NAME

Qingdao AInnovation Technology Group Co., Ltd

BOARD OF DIRECTORS

Executive Director

Mr. Xu Hui (*Chief Executive Officer*)

Non-Executive Directors

Dr. Kai-Fu Lee (*Chairman*)

Mr. Wang Hua

Independent Non-Executive Directors

Mr. Xie Deren

Ms. Ko Wing Yan Samantha

Ms. Jin Keyu

AUDIT COMMITTEE

Mr. Xie Deren (*Chairman*)

Mr. Wang Hua

Ms. Ko Wing Yan Samantha

REMUNERATION COMMITTEE

Ms. Ko Wing Yan Samantha (*Chairwoman*)

Mr. Xie Deren

NOMINATION COMMITTEE

Dr. Kai-Fu Lee (*Chairman*)

Ms. Ko Wing Yan Samantha

Ms. Jin Keyu

SUPERVISORY COMMITTEE

Ms. Lin Ying

Mr. Gu Xuan Richard

Mr. Nie Mingming

JOINT COMPANY SECRETARIES

Mr. Xiao Lei

Ms. Lam Nim Chi

AUTHORIZED REPRESENTATIVES

Mr. Xu Hui

Mr. Xiao Lei

REGISTERED OFFICE AND HEADQUARTER

Room 501

Block A, Haier International Plaza

No. 939 Zhenwu Road, Economic Development Zone

Jimo District, Qingdao

Shandong, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place

348 Kwun Tong Road, Kowloon

Hong Kong

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants and Registered

Public Interest Entity Auditor

22/F, Prince's Building

Central

Hong Kong



LEGAL ADVISORS

As to Hong Kong Law

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

As to PRC Law

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

COMPLIANCE ADVISER

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

H SHARE REGISTRAR

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

PRINCIPAL BANK

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

STOCK CODE

2121

COMPANY'S WEBSITE

<https://www.ainnovation.com>

INVESTOR RELATIONSHIP

Telephone: (86) 01082169566

Email: ir@ainnovation.com



Definition

"Articles of Association"	the articles of association of the Company, as amended, modified or supplemented from time to time
"Audit Committee"	audit committee of the Board
"Board" or "Board of Directors"	the board of directors of our Company
"China" or "PRC"	the People's Republic of China, but for the purpose of this report only, do not apply to Hong Kong, the Special Administrative Region of Macau and Taiwan
"CISDI Engineering"	CISDI Engineering Co., Ltd. (中冶賽迪工程技術股份有限公司), is a subsidiary of CISDI Group, the holding company of CISDI Information, and constitutes the connected person of the Company at the subsidiary level
"CISAI Tech"	Chongqing CISAI Technology Co., Ltd. (重慶賽迪奇智人工智能科技有限公司), held as to 51% and 49% by the Company and CISDI Information respectively, and also a subsidiary of the Company
"Company" or "our Company" or "AlInnovation"	Qingdao AlInnovation 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
"Director(s)"	the director(s) of our Company
"Group" or "our Group" or "we" or "us"	our Company and our subsidiaries
"H Share(s)"	overseas-listed shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are to be traded in Hong Kong Dollars and are listed and traded on the Stock Exchange
"HK\$" or "Hong Kong Dollars"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	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"	23 September 2022, being the latest practicable date for ascertaining certain information in this report before its publication
"Listing Date"	the date, on which the H Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange, i.e. 27 January 2022
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented, or otherwise modified from time to time
"Nomination Committee"	nomination committee of the Board
"Prospectus"	the prospectus of the Company dated 17 January 2022
"Remuneration Committee"	remuneration committee of the Board
"Reporting Period"	the six months ended 30 June 2022
"RMB" or "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)"	the ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Shares
"Share Transfer Agreement I"	the share transfer agreement entered into between the Company and Chen Hong, Liao Lu, and He Li on 20 May 2022, pursuant to which the Company has agreed to conditionally purchase, and Chen Hong, Liao Lu, and He Li have agreed to conditionally sell, an aggregate of 51% interest in Target Company I at the total consideration of RMB153.0 million



Definition

"Share Transfer Agreement II"	the share transfer agreement entered into between the Company and Li Weiguo, Li Junhong, and Zhou Changbin on 20 May 2022, pursuant to which the Company has agreed to conditionally purchase, and Li Weiguo, Li Junhong, and Zhou Changbin have agreed to conditionally sell, an aggregate of 51% interest in Target Company II at the total consideration of RMB122.4 million
"Single Largest Shareholders Group"	a group of entities and individuals collectively holding approximately 27.61% of the equity interest in the share capital of our Company, namely Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying
"Sinovation Ventures"	Sinovation Ventures (Beijing) Enterprise Management Limited (創新工場(北京)企業管理股份有限公司), a company incorporated under the laws of the PRC on 2 November 2010, and a member of our Single Largest Shareholders Group
"Sinovation Ventures Yucheng"	Beijing Sinovation Ventures Yucheng Management Consulting Co., Ltd. (北京創新工場育成管理諮詢有限公司), a company incorporated under the laws of the PRC on 13 July 2015, and a member of our Single Largest Shareholders Group
"Supervisor(s)"	the supervisor(s) of our Company
"%"	per cent

Financial Summary



	For the six months ended 30 June	
	2022	2021
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue	645,616	366,611
Gross profit	205,664	113,144
Operating loss	(241,340)	(249,063)
Loss for the period	(230,159)	(283,919)
Add:		
Share-based payment expenses	142,945	165,863
Finance cost of financial liabilities of redeemable shares	—	34,877
Listing expenses	26,457	22,195
Amortization of intangible assets arising from acquisition	2,008	—
Fair value gains of financial assets at fair value through profit or loss	(379)	—
Adjusted net loss (Unaudited)	(59,128)	(60,984)

Revenue-By Type of Products/Services

	For the six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
Sales of products and solutions	630,584	97.7	360,259	98.3
Services of data solutions	15,032	2.3	6,352	1.7
Total	645,616	100.0	366,611	100.0



Financial Summary

Revenue-By Customer Type

	For the six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
System integrators	420,610	65.1	299,227	81.6
End-users	225,006	34.9	67,384	18.4
Total	645,616	100.0	366,611	100.0

Revenue-By Industry Verticals

	For the six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
Manufacturing	336,756	52.2	183,258	50.0
Automotive equipment	121,373	18.8	75,201	20.5
3C high-tech	9,693	1.5	48,324	13.2
OLED panel semiconductors manufacturing	51,070	7.9	6,302	1.7
Iron and steel metallurgy	31,069	4.8	1,024	0.3
Energy and power	41,138	6.4	3,443	0.9
Engineering and construction	31,153	4.8	1,480	0.4
Others	51,260	8.0	47,484	13.0
Financial services	219,365	34.0	123,064	33.6
Banking	154,682	24.0	65,090	17.8
Insurance	8,075	1.2	8,314	2.3
Others	56,608	8.8	49,660	13.5
Other industries	89,495	13.8	60,289	16.4
Total	645,616	100.0	366,611	100.0



PART I: BUSINESS REVIEW

Alnovation is a fast-growing enterprise-level artificial intelligence solution provider in China, providing full-stack AI-based products and solutions to customers in the manufacturing and financial services industries. In the first half of 2022, the Company was successfully listed on the Main Board of the Stock Exchange on 27 January and accessed the international capital markets, which provided capital guarantee and development opportunities for the Company's long-term development, the details of which are set out in the Prospectus. In the new stage of development, continuing to implement the "focus" strategy and developing the "specialized and new" route in the industry, we have devoted strenuous efforts in vertical sub-sectors such as iron and steel metallurgy, energy and power, automotive equipment, panel semiconductor, 3C high-tech, engineering and construction, banking and insurance.

In the first half of 2022, despite the resurgence of the COVID-19 pandemic, benefitting from the stabilization and recovery of the manufacturing economy as well as strong demand from customers for digital transformation, we achieved remarkable business results in the first half of the year as demonstrated by the following key indicators:

- As of 30 June 2022, the Group's revenue reached RMB645.6 million, representing a year-on-year increase of 76.1%; its gross profit reached RMB205.7 million, representing a year-on-year increase of 81.8%; its gross profit margin was 31.9%, representing an increase of 1 percentage point as compared with the same period of last year; its loss for the period was RMB230.2 million, representing a year-on-year decrease of 18.9%; its adjusted net loss was RMB59.1 million, representing a year-on-year decrease of 3.0%; its adjusted net loss margin was narrowed by 44.9% year-on-year to 9.2%.
- Continuous innovation in technology research and development. As of 30 June 2022, we have cumulatively applied for 697 patents, in which the invention patents accounted for approximately 90%; received the authorisation for registration of 160 patents, including 100 invention patents, with 63 new patent applications being made in the first half of 2022. Meanwhile, we have proposed a dual attention mechanism for the few-shot learning technique which has been accepted as the Main Track paper by AAAI 2022, the world-renowned conference for artificial intelligence. This technology will be used for few-shot fine-grained image recognition tasks in manufacturing scenes. We have further consolidated the MMOC artificial intelligence platform strategy which made platform functions more advanced and open.

We continued to focus on in-depth industry development and AI application. In the first half of 2022, the revenue of our "AI + Manufacturing" business amounted to RMB336.8 million, accounting for 52.2% of the total revenue. Benefitting from the prosperity of core intelligent manufacturing industry in China, we have registered strong business revenue in various sub-sectors of the manufacturing industry, among which: revenue from automotive equipment business amounted to RMB121.4 million, accounting for 18.8% of the total revenue; revenue from panel semiconductors business amounted to RMB51.1 million, accounting for 7.9% of the total revenue; revenue from energy and power business amounted to RMB41.1 million, accounting for 6.4% of the total revenue; and revenue from iron and steel metallurgy business amounted to RMB31.1 million, accounting for 4.8% of the total revenue.



Business Overview

While pursuing continuous business growth, we also attached great importance to the iteration and development of technologies and products. We continuously pushed forward the accelerated penetration and effective implementation of AI technology in diverse industry scenarios, and further promoted the expansion and transformation of our business structure from providing customers with intelligent solutions for enhancement of operation efficiency to intelligent solutions for information management. In the first half of 2022, our AInnovation Intelligent Manufacturing System (AIMS) with the MMOC technology platform as the core has become more functional, while embracing the implementation of more AI-based products and solutions, the representative achievements of which are as follows:

- In the field of automotive equipment, we continued to expand the application of vision technology in various scenarios such as automotive sunroof gluing, interior and exterior trim inspection, rain test for quality inspection and safety production, which gradually formed an overall vision application solution in the field of automotive equipment.
- In the field of panel semiconductors, we have successfully offered panel glass defect detection solutions for batch replication to leading panel manufacturers, and further improved the robustness of the detection algorithm for different detection targets and detection environments, as well as the high configurability of software functions during the replication process, thereby significantly enhancing the efficiency and speed of delivery on the customer side. Meanwhile, our self-developed quality inspection solution for silicon wafers has been successfully implemented in leading semiconductor material enterprises in China, thus further enriching our solution portfolio in panel semiconductor sub-sectors.
- In the field of energy and power, we have further expanded our business to the flexible transformation of thermal power plants so as to facilitate the participation of these plants in power grid scheduling and realize the in-depth peak-shaving of thermal power units. In particular, the quality improvement and renovation of the self-developed peak-shaving and reheating system of thermal power plants together with the safety monitoring system has enabled flexible peak shaving, and safe and low-pollution operation of the units based on our Orion Distributed Machine Learning Platform, while achieving real-time safety monitoring of the entire unit with our MatrixVision Intelligent Edge Video Platform. It is expected that this solution can enhance the peak-shaving revenue by 5-10% for the customers, while reducing the operation and maintenance costs by 5-8%.
- In the field of iron and steel metallurgy, we have continued to push forward the launch of the intelligent molten iron transportation system and the iron-steel interface intelligent management and control system in various large iron and steel enterprises, and realized the proprietary technology replacement of various key components such as in-car AI controllers, in-car sensing kits, and active safety devices. On the basis of the existing unmanned locomotive technology, we have actively expanded the unmanned systems of the four major coking-operation vehicles to realize the systematic unmanned transformation and upgrade of the whole process of coke tanker transportation and the operational information management of the four major coking-operation vehicles. Meanwhile, on the basis of intelligent metallographic analysis, we have carried out more technological research and development on defect detection, including low-magnification metal structure inspection, visual and thermal inspection for continuously cast slab and others, thereby using machine vision technology to improve the product quality inspection capability of iron and steel enterprises.



- In the area of financial services industry, we have also continued to enhance our IT and infrastructure intelligent operation and maintenance solutions for data center through iteration, and focused on helping customers improve the operation and maintenance efficiency of data center assets. In respect of the increasing demand for AI computing power from customers in the financial industry, we have made a major technical update to the GPU pooling technology of the Orion platform to further boost the flexibility of GPU computing power resource scheduling, and integrated this new technology into intelligent cloud management solutions to help certain potential customers improve their effective computing power resources. Based on the data automation center DAC and automated machine learning AML of the Orion platform, we have also provided enterprise-featured platform construction solutions to help financial industry clients efficiently refine data features related to the construction of common intelligent applications from massive multi-source heterogeneous data, and accumulated the features in a unified feature platform to realize the sharing and reuse of enterprise-level data feature assets.

In addition to realizing strong organic growth, in the first half of 2022, through investment, merger and acquisition of Qingdao Aolipu Automation Control System Co., Ltd. (青島奧利普自動化控制系統有限公司) (now renamed as 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)) ("**Aolipu Qizhi**"), a leading integrated manufacturing operations management (MOM) solution provider in the PRC, and Shanghai Higher Mechanical & Electrical Co., Ltd. (上海浩亞智能科技股份有限公司) ("**Shanghai Higher**"), an integrated solution provider of industrial automation systems which has been deeply involved in the field of automotive equipment for many years, we have acquired 51% equity interests in each of the two companies and achieved external growth. These acquisitions will further improve our "AI + Manufacturing" footprint, enable us to expand into scenarios of various processes of core manufacturing businesses with critical values, and acquire more extensive sources of industry knowledge for iteration of AI-based products and solutions, thereby enhancing our comprehensive competitiveness in the field of intelligent manufacturing.

In recent years, the "specialized and new" approach has gained increasing attention, and has been elevated to the national strategic level. In 2022, the "specialized and new" approach was included in the government work report for the first time, which pointed out that we should "focus on cultivating specialized and new enterprises, and giving strong support in terms of capital, talents and the establishment of incubation platforms so as to promote the construction of a strong country of quality and advance the industry towards the medium-to-high end". As of the first half of 2022, the Company and 4 of its subsidiaries have been recognized as "specialized and new" enterprises at the provincial/municipal level. Our Company, Chongqing CISA Technology Co., Ltd., Aolipu Qizhi, AlInnovation (Nanjing) Technology Co., Ltd. and Shanghai Higher have been selected as the 2022 "specialized and new" enterprise in Shandong Province, the 2022 "specialized and new" small and medium-sized enterprise in Chongqing, the 2022 "specialized and new" small and medium-sized enterprise in Qingdao, the 2019 little giant firm in Jiangsu Province and the 2019 "specialized and new" enterprise in Shanghai, respectively. The Company has been awarded the recognition as the specialized and new "little giant" firm at the national level again in August 2022. This is a recognition of the Company's achievements in the field of "AI + Manufacturing" by government agencies, and also a recognition of its comprehensive corporate strength.



Business Overview

Continuing to explore artificial intelligence technology to empower the digital transformation of the industry, Ainnovation has not only earned the trust of a wide range of customers and the recognition of the government, but has also been repeatedly recognized by internationally renowned research institutions, with its specific performance highlighted as follows: (i) becoming the only enterprise to be ranked among the top 4 computer vision and top 4 machine learning platforms in IDC 2021 H2 (data source: "China AI Software and Application Market Research Report, 2021 H2" by IDC); (ii) selected in Gartner's 2022 China Market Guide for AI Software (data source: Gartner: Market Guide for AI Software, China); (iii) listed as one of the "Medium Manufacturers in the AI System Market of China" by Forrester (data source: "Now Tech: AI Systems In China, Q1 2022" by Forrester).

PART II: FUTURE PROSPECTS

According to the statistics from the Ministry of Industry and Information Technology, the size of China's AI core industry currently exceeds RMB400 billion. From 2012 to 2021, the added value of China's manufacturing industry has increased from RMB16.98 trillion to RMB31.4 trillion in ten years, and its proportion in the world has increased from approximately 20% to nearly 30%. In addition, according to the data of National Bureau of Statistics, despite the resurgence of the COVID-19 pandemic, the added value of the manufacturing industry above the scale in the first half of 2022 increased by 2.8% year-on-year, while the proportion of the added value of the manufacturing industry to GDP reached 28.8%, representing an increase of 1.4 percentage points from 2021.

From the above data, it can be seen that the manufacturing industry has strong resilience and incremental scale in the Chinese market. The digitization of the manufacturing industry is inseparable from artificial intelligence technology. In the field of intelligent manufacturing, the application of intelligent technology has significantly enhanced the efficiency of product inspection and equipment utilization. However, the manufacturing industrial chain, which was far more complicated than that of other industries, placed more emphasis on the enabler's background knowledge of the industry, which has led to higher threshold, greater difficulty and correspondingly higher incremental value for AI empowerment in the manufacturing industry as compared to other industries. Although artificial intelligence technology has been applied to a certain extent in some stages and processes of the manufacturing industry, the overall penetration rate remained at a relatively low level, and therefore we considered that "AI + manufacturing" will have a very substantial market size and room for growth during a relatively long period of time.



Going forward, we will follow the direction for long-term development set out in the Prospectus, namely: (i) continuing to optimize our AI platforms and strengthen our R&D capabilities; (ii) continuing to grow and enrich our solution offerings; (iii) continuing to enhance our commercialization capabilities; (iv) continuing to broaden our customer base and deepen the partnership with customers; and (v) continuing to pursue strategic investments and acquisitions that can strengthen our market position. On this basis, we will put forward “three pillars of adherence” in combination with the internal and external environment, namely adherence to industrial specialization and innovation, adherence to growth and improvement of profitability, and adherence to value creation and sharing, and the detailed actions will be implemented as follows:

- **Improve technological innovation and R&D efficiency:** promote the upgrade and iteration of the MMOC artificial intelligence platform.

MMOC is an end-to-end platform that supports innovation, R&D and delivery of AI solutions.

ManuVision Intelligent Machine Vision Platform: We will continue to enhance our ManuVision Intelligent Machine Vision Platform with intensified efforts in the R&D of general-purpose deep-learning models and continuous iteration of few-shot training technology, so as to complement the traditional imagery processing capabilities and hence deliver a comprehensive coverage of industrial vision. We will also step up our efforts in the R&D of Designer components of the platform and release ManuVision3.2 version, which will feature 6 types of over 40 built-in underlying image operators that are able to support customized visual inspection for flexible designs of industrial inspection solutions under different scenarios.

MatrixVision Intelligent Edge Video Platform: We will continue to devote more resources to the R&D of MatrixVision Intelligent Edge Video Platform and release MatrixVision2.2 version. In addition to support algorithm model under more general-purpose scenarios, MatrixVision2.2 version will also provide stronger support for domestic edge accelerator chips, including support for mainstream products such as microchips of Rockchip and chips under the Ascend series. The new version will also provide licensing assurance for Graph encapsulation-based deep-learning algorithm models, which will better facilitate the reuse of assets and licensing management on the platform.

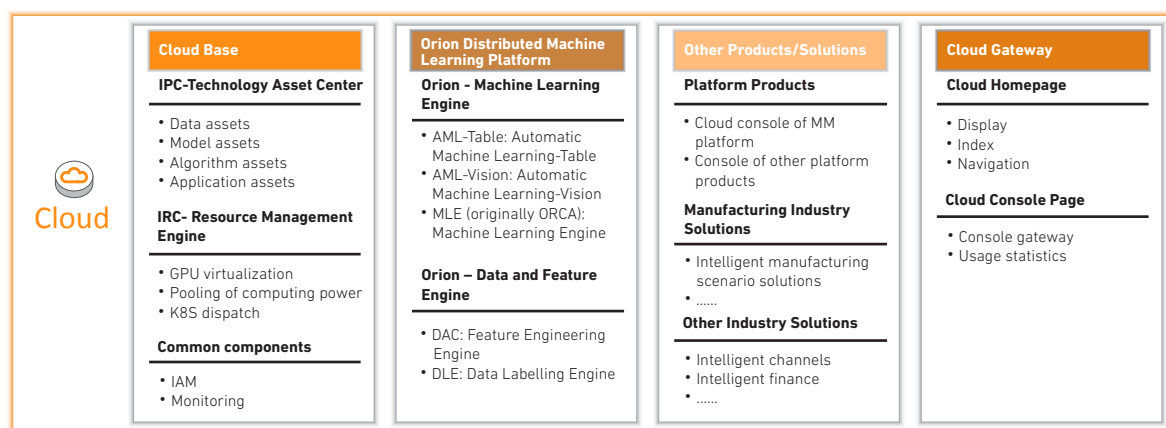


Diagram (1) Structure of Orion and Cloud platforms



Business Overview

Orion and Cloud platforms are cloud platforms with machine learning ability that provide unified base and gateway for ManuVision, MatrixVision and AI solutions.

In the first half of 2022, we comprehensively implemented the MMOC platform strategy for Orion and Cloud platforms, and completed the definition of production structure and rationalization of key execution pathways as shown in Diagram (1) above. The R&D of Orion and Cloud platforms progressed steadily in all aspects and become increasingly mature. In particular, major sub-products and new products such as Orion AML-Vision, Orion DLE, Orion DAC and Cloud have achieved preliminary breakthroughs.

Orion Distributed Machine Learning Platform: In the first half of the year, we continued to enrich the data processing and AI development capabilities with a view to enhancing the maturity level of products. 1) Release the first major version of Orion AML-Vision. On the basis of automatic machine learning of table data, AML has initially added to the structure the low-threshold deep-learning ability for machine vision. Based on the actual needs of our business, AML-Vision is featured 6 built-in training production lines for industry scenario-based deep-learning models, which are scalable as necessary. Offering strong visual modelling productivity, AML-Vision realised closed-loop functions from training production to application of AI models for vision when used in combination with the two major vision platforms, namely ManuVision and MatrixVision. 2) Drawing on Alnnovation's own experience in machine visual labelling over the years, Orion DLE Labelling Engine has completed the design and materialization of Alnnovation's labelling system. As the carrier of the accumulation of the Company's labelling-related knowledge, the labelling system sorted out all imagery data of the Company with index in a systematic manner from multiple dimensions ranging from industries to scenarios, covering over 10 million images with over 10,000 labels applied. Data research and reuse of labels by using the labelling system will further improve the efficiency and lower the cost of AI development. 3) In the next stage, we will continue to put greater efforts in, and accelerate the R&D on, the optimization of industrial large-model technology, scenario-oriented modelling capability, end-to-end MLOps functions of Orion and accelerate the R&D works in these areas, with a view to developing the product matrix for our industry-leading distributed machine learning platform with industry characteristics.

Cloud Platform: We completed the definition, development, launch and commencement of invitation-only test-run of the major version of Alnnovation Cloud 1.0, the unified base for infrastructure platforms, marking our ground-breaking achievement that further reinforced Alnnovation's MMOC platform strategy. Adhering to the cloud native principle and the "One Core Two Wings" top-level design, i.e. the privatization plan of cloud native technology stacks and public cloud service, the Cloud platform will then ensure its leading position in terms of technology and realization of values therefrom. On the basis of the existing Orion On Cloud, we will promote cloud migration of more PAAS/SAAS products, including cloud migration of products of our newly acquired subsidiaries (the cloud migration of MI, the intelligent manufacturing BI platform of Aolipu Qizhi, our newly acquired subsidiary will be completed in the third quarter). Through a series of cloud migration practices, we have refined our products and improved product maturity, which are now scheduled to complete the invitation-only test-run and official launch of Alnnovation Cloud to the public in the third quarter.



Intelligent Cloud Management Platform: With the growing importance of AI in corporate IT technology, GPU-oriented intelligent computing power has become key computing resources for modern enterprises, and to fully utilize and effectively manage intelligent computing power have become the major tasks of corporate users. We will take the management, operation and maintenance of intelligent computing power as the major direction of our R&D efforts. Leveraging our intelligent cloud management platform, we will further develop the technological capability of the platform in respect of management, operation and maintenance of intelligent computing power, in an endeavor to providing users with GPU cluster collaborative computing ability that is user-friendly and low-maintenance. With the GPU virtualization technology independently developed by the Company, we will be able to realise single-card-multiple-use and multi-card-integration as well as pooling management capability of remote scheduling of GPU resources. Based on the needs of users and the condition of intelligent computing power, computing power resources will be allocated in an intelligent and efficient manner, thereby enhancing the utilization efficiency of GPU resources. On the other hand, on the basis of AIOPS technology, we will design the operation and maintenance solution oriented with the characteristics of the GPU resources, so as to realize safety management and intelligent maintenance of the pool of GPU resources. By enhancing the technology of the intelligent cloud management platform, we will be able to comprehensively improve the utilization rate, user friendliness and safety level of the intelligent computing resources of our clients.

Edge defect detection system for liquid crystal panel: Panel manufacturers in China continued to grow in recent years, while some of the major manufacturers in Japan and Korea have successively announced their exit from the panel industry. Among panel devices, detection devices have been taken as an important breakthrough for substitution with domestic product, which has immense market potential. At present, the self-developed edge defect detection system for liquid crystal panel is based on the ManuVision platform and deep learning AI technology. In comparison with the traditional vision technology of Japan and Korea, our detection registered a notably higher accuracy. With respect to the manufacturing processes of Array, Cell and Module for panel glass, we can detect the types of edge defect arising from the production processes, which, among others, include chipping, crack, distortion, scratch and dirt. With a detection accuracy of not lower than 99.9%, the system is capable of detecting the types of defects and displaying the defects in real time. Users may look for the inspection result in the record history and precisely locate the defects. Meanwhile, the real-time communication between the system and the main equipment of the production line enables the system to issue alert and shut down immediately once a defect or failure is identified, hence allowing the user to resolve it in a timely manner. There is a great market potential for future development of liquid crystal panel inspection with the notable trend of domestic substitution. Currently, multiple production lines from a particular leading liquid crystal panel manufacturer have been delivered and are in operation, through which we will offer defect inspection for one, two and four edges of liquid crystal panel to end-users. Subsequently, we will continue to upgrade the comprehensive inspection function.



Business Overview

- **Expand and enrich product and solution offerings:** We will progressively develop a systematic portfolio of products and solutions in the key segments, while pushing forward the 1xN replication of mature products and solutions in full swing. In the panel semiconductor segment, we will continue to replicate the panel glass inspection solution of leading panel enterprises and further improve our quality inspection solution for silicon chips, at the same time realizing replication of production lines of existing customers. In the automotive equipment sector, we will, on one hand, fully promote the replication of integrated vision application solution, and on the other hand, facilitate the organic integration of such solution with the MOM system of the automotive equipment industry as well as the solutions of Shanghai Higher in the areas of automotive equipment automation and control, with a view to providing a full range of solutions with expanded coverage of intelligent operation and intelligent information to customers in the automotive equipment sector. In the iron and steel metallurgy sector, we will leverage the intelligent molten iron transportation solution as the technological basis for the continuous expansion of unmanned automobile application scenario and establishment of a whole-process smart factory logistics system that runs around the clock and is driven by industrial AI. At the same time, we will further diversify and optimize the quality inspection solution for steel products and promote such solutions among leading manufacturers. In the sector of energy and power, we will continue to focus on developing the flexibility upgrade solution, explore customer needs and enhance the degree of standardisation, in a bid to deliver more well-structured solutions. In the financial service industry, we will make every effort to promote the management of AI computing power resources within data centers of major financial enterprises. Meanwhile, we will further improve the enterprise-featured platform solution through cooperation with existing customers, thereby helping financial enterprises to build intelligent application in an efficient manner.
- **Further enhance the leading position in “AI + Manufacturing” sector:** By stepping up our investment in the manufacturing sector, we will stay committed to the development of 6 segments, including iron and steel metallurgy, energy and power, automotive equipment, panel semiconductor, 3C high-tech and engineering construction, with an aim to develop “specialized and new” benchmark projects. Besides, we will optimize the corporate governance structure to give full play to the synergies of various manufacturing subsidiaries, including CISAI Tech, Aolipu Qizhi, Shanghai Higher and China Railway Qizhi, hence fostering a powerful competitive strength with significant industrial influence by forging ahead together as a “group alliance”. Although organic growth of business is expected to be achieved mainly leveraging the intrinsic values, we will not rule out the possibility of acquiring further quality assets and businesses in manufacturing-related sector so as to strengthen our value propositions to customers in the manufacturing industry.



Management Discussion and Analysis

OVERVIEW

We are a fast-growing enterprise AI solutions provider in China. We focus on providing full-stack AI-based products and solutions for the manufacturing and financial services industries, which consist of AI platforms, algorithms, software and AI-empowered devices, with a view to improving operational efficiency and increasing business values of the customers, hence facilitating industrial upgrade and digital transformation.

In four years since our inception, we have built up our market presence in enterprise AI solutions market in China, and established a leading advantage in the AI-empowered manufacturing segment in particular. In the first half of 2022, with a record-high market share in the AI application market in China, we were ranked as the fourth largest computer vision enterprise and the fourth largest machine learning platform enterprise by IDC China, and received a number of specialized and new enterprise accreditations at the provincial and municipal level.

REVENUE

Our revenue for the six months ended 30 June 2022 was RMB645.6 million, representing an increase of 76.1% as compared with RMB366.6 million for the six months ended 30 June 2021. The increase was primarily attributable to the increase in revenue realized from manufacturing industry and financial services industry, and the revenue growth resulted from the expansion of the Company's scope of business through the acquisition of two new subsidiaries during the period.

In terms of manufacturing industry, revenue for the six months ended 30 June 2022 was RMB336.8 million, representing an increase of 83.8% as compared with RMB183.3 million for the six months ended 30 June 2021.

In terms of financial services industry, revenue for the six months ended 30 June 2022 was RMB219.4 million, representing an increase of 78.3% as compared with RMB123.1 million for the six months ended 30 June 2021.

COST OF SALES

Our cost of sales for the six months ended 30 June 2022 was RMB440.0 million, representing an increase of 73.6% as compared with RMB253.5 million for the six months ended 30 June 2021. The increase was caused by business expansion in manufacturing industry and financial services industry, and the increase in cost resulted from the expansion of the Company's scope of business through the acquisition of two new subsidiaries during the period.

In terms of manufacturing industry, cost of sales for the six months ended 30 June 2022 was RMB212.9 million, representing an increase of 75.5% as compared with RMB121.3 million for the six months ended 30 June 2021, primarily due to the increase of the revenue from manufacturing industry from RMB183.3 million for the six months ended 30 June 2021 to RMB336.8 million for the six months ended 30 June 2022.



Management Discussion and Analysis

In terms of financial services industry, cost of sales for the six months ended 30 June 2022 was RMB167.7 million, representing an increase of 87.6% as compared with RMB89.4 million for the six months ended 30 June 2021, primarily due to the increase of the revenue from financial services industry from RMB123.1 million for the six months ended 30 June 2021 to RMB219.4 million for the six months ended 30 June 2022.

GROSS PROFIT AND GROSS MARGIN

As a result of foregoing, our overall gross profit for the six months ended 30 June 2022 was RMB205.7 million, representing an increase of 81.8% as compared with RMB113.1 million for the six months ended 30 June 2021. Our overall gross margin was 31.9% and 30.9% respectively. This was primarily attributable to (i) economies of scales; (ii) increased pricing power; (iii) more standardized products and solutions with more technology assets accumulated upon our platforms.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses for the six months ended 30 June 2022 were RMB56.5 million, representing an increase of 4.6% as compared with RMB54.0 million for the six months ended 30 June 2021, primarily due to (i) the increase in labor costs due to expansion of business; (ii) amortization of intangible assets arising from acquisition.

Selling and distribution expenses as a percentage of revenue for the six months ended 30 June 2022 was 8.7%, representing a decrease of 6% as compared with 14.7% for the six months ended 30 June 2021.

For the six months ended 30 June 2022, selling and distribution expenses (excluding share-based payment and amortization of intangible assets arising from acquisition) as a percentage of revenue was 6.1%, representing a decrease of 2.4% as compared with 8.5% for the six months ended 30 June 2021, as we grew our revenue at a much faster rate.

GENERAL AND ADMINISTRATIVE EXPENSES

Our general and administrative expenses for the six months ended 30 June 2022 were RMB189.2 million, which remained relatively stable as compared with RMB189.4 million for the six months ended 30 June 2021.

General and administrative expenses as a percentage of revenue for the six months ended 30 June 2022 was 29.3%, representing a decrease of 22.4% as compared with 51.7% for the six months ended 30 June 2021.

For the six months ended 30 June 2022, general and administrative expenses (excluding share-based payment and listing expenses) as a percentage of revenue was 10.7%, representing a decrease of 3.1% as compared with 13.8% for the six months ended 30 June 2021, as we grew our revenue at a much faster rate.



Management Discussion and Analysis

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses for the six months ended 30 June 2022 were RMB217.8 million, representing an increase of 82.8% as compared with RMB119.2 million for the six months ended 30 June 2021, primarily due to (i) the increase in remuneration attributable to the growing number of R&D staff; (ii) the increase of overall investment in R&D due to business expansion.

Research and development expenses as percentages of revenue for the six months ended 30 June 2022 and the six months ended 30 June 2021 remained relatively stable, with 33.7% and 32.5% respectively.

Research and development expenses (excluding share-based payment and amortization of intangible assets arising from acquisition) as a percentage of revenue for the six months ended 30 June 2022 was 28.4%, representing an increase of 3.1% as compared with 25.3% for the six months ended 30 June 2021.

NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

We had a net impairment loss of RMB22.1 million for the six months ended 30 June 2022 compared to a net impairment loss of RMB8.5 million for the six months ended 30 June 2021, primarily because we increased our provision on the trade receivables increased in the Reporting Period.

OTHER INCOME

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

We recorded other income of RMB39.5 million for the six months ended 30 June 2022, as compared to that of RMB11.3 million for the six months ended 30 June 2021, primarily due to increase in the government grants.

OTHER LOSSES, NET

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

Our other losses, net recorded RMB0.8 million for the six months ended 30 June 2022, as compared to that of RMB2.4 million for the six months ended 30 June 2021, primarily due to a decrease in foreign exchange losses.



Management Discussion and Analysis

OPERATING LOSS

As a result of the foregoing, we had an operating loss of RMB241.3 million for the six months ended 30 June 2022, compared to an operating loss of RMB249.1 million for the six months ended 30 June 2021, primarily due to an increase in revenue and gross profit.

FINANCE INCOME

Our finance income for the six months ended 30 June 2022 was RMB16.1 million, as compared to that of RMB5.8 million for the six months ended 30 June 2021, primarily due to an increase in interest income from bank deposits.

FINANCE COSTS

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

Our finance costs for the six months ended 30 June 2022 were RMB2.0 million, as compared to that of RMB35.2 million for the six months ended 30 June 2021, primarily due to a decrease in finance costs of financial liabilities of redeemable shares.

LOSS FOR THE PERIOD

We reported a loss of approximately RMB230.2 million for the six months ended 30 June 2022, representing a decrease of RMB53.8 million as compared to the loss of approximately RMB283.9 million for the six months ended 30 June 2021, primarily due to the increase in revenue and gross profit.

NON-IFRS MEASURES

Adjusted Net Loss

We define adjusted net loss as net loss for the period as adjusted by adding back share-based payment expenses, listing expenses, amortization of intangible assets arising from acquisition and fair value loss/(gain) of financial assets at fair value through profit or loss. Among which, the fair value loss/(gain) of financial assets at fair value through profit or loss mainly include fair value changes of fund investments and other financial investments.



Management Discussion and Analysis

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

	For the six months ended 30 June	
	2022	2021
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Reconciliation of net loss to adjusted net loss:		
Loss for the period	(230,159)	(283,919)
Add:		
Share-based payment expenses	142,945	165,863
Finance cost of financial liabilities of redeemable shares	—	34,877
Listing expenses	26,457	22,195
Amortization of intangible assets arising from acquisition	2,008	—
Fair value gains of financial assets at fair value through profit or loss	(379)	—
Adjusted net loss (Unaudited)	(59,128)	(60,984)

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

As at 30 June 2022, cash and cash equivalents of the Group was approximately RMB1,637.6 million, compared to approximately RMB1,553.2 million as at 31 December 2021. The increase was mainly due to the proceeds we received from our pre-IPO and IPO fund-raising 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 liabilities which are considered as borrowings less cash and cash equivalents. As of 30 June 2022 and 31 December 2021, the Group had a net cash position and the gearing ratio was not applicable.

MATERIAL ACQUISITIONS AND DISPOSALS

The Acquisition of 51% Equity Interest in Two Target Companies



Management Discussion and Analysis

Share Transfer Agreement I

Date:

20 May 2022

Contracting Parties:

The Company, as the Purchaser;

Chen Hong, as the Vendor;

Liao Lu, as the Vendor;

He Li, as the Vendor;

Shanghai Higher ("**Target Company I**");

Shanghai Haochen Business Development Partnership Enterprise (Limited Partnership)(上海浩臣企業發展合夥企業(有限合夥)) ("**Shanghai Haochen**"); and

Shanghai Xiyao Business Management Consulting Partnership Enterprise (Limited Partnership)(上海翕耀企業管理諮詢合夥企業(有限合夥)) ("**Shanghai Xiyao**").

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

Subject Matters and Contract Consideration:

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



Share Transfer Agreement II

Date:

20 May 2022

Contracting Parties:

The Company, as the Purchaser;

Li Weiguo, as the Vendor;

Li Junhong, as the Vendor;

Zhou Changbin, as the Vendor;

Aolipu Qizhi ("**Target Company II**");

Qingdao Aolizhiyuan Business Management Service Partnership Enterprise (Limited Partnership) (青島奧利志遠企業管理服務合夥企業(有限合夥)) ("**Qingdao Aolizhiyuan**"); and

Qingdao Aoliruiyuan Business Management Service Partnership Enterprise (Limited Partnership) (青島奧利睿遠企業管理服務合夥企業(有限合夥)) ("**Qingdao Aoliruiyuan**").

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

Subject Matters and Contract Consideration:

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



Management Discussion and Analysis

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

- (1) the consideration is determined mainly based on the projected revenue of Target Company II in 2022 amounting to RMB105 million. The financial data of Target Company II as of 31 December 2021 as set out in the announcement by the Company is unable to reflect the latest financial position of Target Company II. In consideration of the booming potential business opportunities arising from the adequate existing orders of Target Company II and high customer repurchase rate, it is likely to achieve breakthroughs in results performance with a total revenue amounting to RMB105 million in 2022;
- (2) immediately prior to the entering into of Share Transfer Agreement II, the former shareholders of Target Company II have fully paid their respective subscribed registered capital of Target Company II and a capital injection of RMB27.64 million was made by the largest shareholder to Target Company II with an intention to reduce the debt level of Target Company II, and the financial position of Target Company II saw significant improvement immediately following the closing;
- (3) after years of technology improvement and accumulation, Target Company II enhanced its project implementation efficiency and reduced costs, hence it is foreseeable that the profit of Target Company II will increase in 2022;
- (4) Target Company II is engaged in the industrial software industry which has immense potential and is strongly supported by national policies. Therefore, the Board is optimistic on the future business prospect of Target Company II and considers the Acquisition II as a good investment opportunity to increase the Group's investment return;
- (5) the revenue of Target Company II is expected to increase in the next few years, with its amount being basically at the same level of the amount of consideration. Even if Target Company II fails to deliver the expected growth rate of revenue in the future, the consideration to be actually paid by the Company will be adjusted accordingly based on the performance of Target Company II as the acquisition introduced a performance commitment mechanism. As such, the Board believes that the performance commitment mechanism in the Acquisition II can effectively ensure the consideration to be paid by the Company will match the actual value of Target Company II, and mitigate the risks arising from improper operation of Target Company II which may cause damages to the Company.

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

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the six months ended 30 June 2022.



Management Discussion and Analysis

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSET

Save as disclosed in this report and the Prospectus, as of 30 June 2022, we had no future plan for material investments or capital asset.

FOREIGN EXCHANGE EXPOSURE

During the six months ended 30 June 2022, the Group mainly operated in China with most of the transactions settled in RMB. The functional currency of our Company and the subsidiaries is RMB. As of 30 June 2022, our balance of the cash and cash equivalents was mainly denominated in RMB and Hong Kong Dollars. The Group manages its foreign exchange risk by closely monitoring the movement of the exchange rates and will consider hedging significant foreign currency exposure if necessary. As of 30 June 2022, our business is not exposed to any significant foreign exchange risk.

PLEDGE OF ASSETS

As at 30 June 2022, the Group had no material pledge of assets.

BORROWING

As at 30 June 2022, borrowings of the Group were RMB59.6 million (31 December 2021: nil), mainly include financing obtained through undue discounted bills with recourse and short-term borrowings of subsidiaries acquired during the period.

CONTINGENT LIABILITIES

As at 30 June 2022, we did not have any material contingent liabilities.

SUBSEQUENT EVENT

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



Corporate Governance and Other Matters

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.

COMPLIANCE WITH THE CG CODE

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

During the period from the Listing Date to 30 June 2022, the Company has complied with all applicable code provisions set out in the CG Code, and adopted most of the recommended best practices set out therein.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and Supervisors of our Company. Having made specific enquiries with all Directors and Supervisors by the Company, all Directors and Supervisors confirmed that they have been in compliance with the required standards set out in the Model Code during the period from the Listing Date to 30 June 2022.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the amendments for the Articles of Association were approved by the Shareholders at the 2021 annual general meeting of the Company held on 10 May 2022. The relevant amendments mainly reflected the change in the total issued Shares and registered capital of the Company upon the completion of the initial public offering and listing of the Company.

For the full text of the amended and restated Articles of Association, please refer to the website of Hong Kong Stock Exchange at <https://www.hkexnews.hk> and the website of the Company at <https://www.ainnovation.com>.



CHANGES OF POSITIONS HELD BY DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

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

CHANGES TO THE INFORMATION OF DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

During the Reporting Period, there has been no change in the information of the Directors, Supervisors and members of senior management as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had a total of 744 employees. The compensation plan of the Group is determined through integrating human resources strategy with job classification, with reference to the market levels, the performance of employees and contributions. Bonuses are also distributed based on the performance of employees. The Group also provides its employees with a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to the employees' needs.

EMPLOYEE TRAINING

The Group provides specific trainings to employees at different departments according to their needs. Staff training includes induction training for new employees, job-specific skills training, professional aptitude training, compliance training, etc. Training programmes will be arranged for new employees upon their induction according to their job positions, and instructors will be assigned to provide supervision. In-service staff may take part in trainings and sharing activities organised by the Group based on their respective job requirements and capabilities, or conduct online and offline self-learning based on their personal career planning.

EMPLOYEE INCENTIVE

To incentivize the management team, retain talents and promote long-term sustainable development of the Company, the Group has adopted an employee incentive scheme by a resolution of the Shareholders' general meeting on 31 March 2021 as an amendment, restatement and consolidation of the previous rounds of employee Share incentive schemes adopted by the Group since 2018. As of 30 June 2022, 88,271,298 Shares were held by the Employee Incentive Platforms and 88,264,098 Shares were granted.



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 at an offer price of HK\$26.3 per Share. The net proceeds received by the Company from the global offering, after deducting underwriting commissions and other estimated expenses payable by the Company, amounted to approximately HK\$1,070.1 million. The Company intends to use the net proceeds for the purposes set forth below:

Use	Amount	Percentage	Expected timeline for utilization of the unutilized net proceeds
Enhancing our R&D capabilities	Approximately HK\$481.6 million	Approximately 45.0%	On or before 31 December 2024
Enhancing our commercialization capabilities	Approximately HK\$267.5 million	Approximately 25.0%	On or before 31 December 2024
For potential strategic investments and acquisitions	Approximately HK\$107.0 million	Approximately 10.0%	On or before 31 December 2023
Enhancing our internal system and upgrading our information infrastructure	Approximately HK\$107.0 million	Approximately 10.0%	On or before 31 December 2024
For working capital and general corporate use	Approximately HK\$107.0 million	Approximately 10.0%	On or before 31 December 2023

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”.

During the Reporting Period, the Company totally used approximately HK\$93.4 million from the net proceeds of the global offering, among which approximately HK\$6.4 million were used for enhancing R&D capabilities; the remaining amount of the proceeds to be used for enhancing R&D capabilities was HK\$475.2 million as at 30 June 2022; except for those applied towards investment in R&D, proceeds to be applied towards other uses have not been utilized during the current period; in order to improve the fund operation efficiency, approximately HK\$87 million were used for purchasing wealth management products. The Company intends to use the net proceeds of the global offering as set out in the Prospectus and according to the above changed purposes.



Corporate Governance and Other Matters

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

During the Reporting Period and up to the Latest Practicable Date, the Company repurchased a total of 8,634,100 Shares of the Company on the Stock Exchange, of which had not yet been cancelled up to the Latest Practicable Date. Details of the repurchased Shares are as follows:

Month of repurchase	Number of Shares repurchased	Price paid per Share		Aggregate consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
May	1,394,300	23.3	23.5	32,241,430
June	6,415,600	23.95	19.76	143,580,922
July	824,200	20.7	16.84	16,292,468
August	0	/	/	0
September	0	/	/	0
Total	8,634,100			192,114,820

Save as disclosed above, the Company and the Group did not purchase, sell or redeem any of the Company's listed securities during the Reporting Period.

CONNECTED TRANSACTION

CONTRACT FOR CUSTOM-MADE UNDERTAKING AND PROCUREMENT OF TECHNICAL SERVICES

Date:

20 April 2022

Contracting Parties:

CISDI Engineering, as the Customizer;

CISAI Tech, as the Contractor.



Corporate Governance and Other Matters

Subject Matter and Contract Consideration:

CISAI Tech will provide the agreed products and technical services to CISDI Engineering for a consideration of RMB69,934,100.

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

ISSUED SHARE CAPITAL

As of 30 June 2022, the total share capital of the Company was RMB559,304,838, divided into 559,304,838 Shares of RMB1.00 per each. Details of the movement of the share capital of the Company during the Reporting Period are set out in Note 19 to the financial statements.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022.

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The members of the Audit Committee of the Company consist of Mr. Xie Deren (Chairman of the Committee), Mr. Wang Hua and Ms. Ko Wing Yan Samantha. The interim results announcement for the six months ended 30 June 2022, 2022 interim report and the unaudited interim financial statements for the six months ended 30 June 2022 of the Group, which were prepared in accordance with the requirements under the International Financial Reporting Standards, have been reviewed and confirmed by Audit Committee of the Company.



Changes in Share Capital and Information of Shareholders

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

As at 30 June 2022, the interests and short positions of the Directors, Supervisors or the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code are set out below:

(i) Interest in the Shares of the Company

Name of Director, Supervisor and chief executive of the Company	Nature of interest	Number of ordinary shares held	Long/short position	Approximate percentage of the issued Shares
Mr. Xu Hui	Beneficial Interest	47,581,290	Long positions	8.51%
	Interest in controlled corporation	9,503,712	Long positions	1.70%
Mr. Wang Hua ⁽¹⁾	Beneficial Interest	8,640,000	Long positions	1.54%
	Interest held jointly with other persons	145,800,000	Long positions	26.07%

Note:

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



Changes in Share Capital and Information of Shareholders

(ii) Interest in associated corporations of the Company

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

Note:

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

Save as disclosed above, as at 30 June 2022, none of the Directors, Supervisors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.



Changes in Share Capital and Information of Shareholders

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

So far as known to any Director or chief executives of the Company, as at 30 June 2022, the persons (other than Director or chief executives of the Company) or corporations who had interest or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Nature of interest	Number of ordinary shares held	Long position/short position	Approximate percentage of the issued shares
Sinovation Ventures ⁽¹⁾	Beneficial interest	135,000,000	Long position	24.14%
	Interest held jointly with other persons	19,440,000	Long position	3.47%
Sinovation Ventures Yucheng ⁽¹⁾	Beneficial interest	8,640,000	Long position	1.54%
	Interest held jointly with other persons	145,800,000	Long position	26.07%
Mr. Wang Hua ⁽¹⁾	Beneficial interest	8,640,000	Long position	1.54%
	Interest held jointly with other persons	145,800,000	Long position	26.07%
Ms. Tao Ning ⁽¹⁾	Beneficial interest	2,160,000	Long position	0.39%
	Interest held jointly with other persons	152,280,000	Long position	27.22%
Ms. Lang Chunhui ⁽¹⁾	Interest held jointly with other persons	154,440,000	Long position	27.61%
Mr. Zhang Ying ⁽¹⁾	Interest held jointly with other persons	154,440,000	Long position	27.61%
Beijing Financial Street Xicheng Equity Investment Fund (Limited Partnership) (北京金融街熙誠股權投資基金(有限合伙)) ("Xicheng Fund") ⁽²⁾	Interest in controlled corporation	59,327,262	Long position	10.61%
Mr. Lu Yin ⁽²⁾	Interest in controlled corporation	59,327,262	Long position	10.61%
Mr. Yin Xiaobin ⁽²⁾	Interest in controlled corporation	59,327,262	Long position	10.61%
Zhongjin Xicheng (Beijing) Investment Co., Ltd. (仲金熙誠(北京)投資有限公司) ("Zhongjin Xicheng") ⁽²⁾	Investment manager	59,327,262	Long position	10.61%
Mr. Xu Hui ⁽³⁾	Beneficial interest	47,581,290	Long position	8.51%
	Interest in controlled corporation	9,503,712	Long position	1.70%



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



Changes in Share Capital and Information of Shareholders

Notes:

- (1) Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua and Ms. Tao Ning directly held 135,000,000, 8,640,000, 8,640,000 and 2,160,000 Shares in our Company, respectively. Sinovation Ventures and Sinovation Ventures Yucheng are collectively controlled by Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying pursuant to a concert party agreement among themselves. Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua and Ms. Tao Ning, have been acting in concert and will continue to act in concert in the Company's Shareholders meetings and Board meetings pursuant to a concert party agreement among themselves. As a result, Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying form our Single Largest Shareholders Group. As such, each of Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying is deemed to be interested in the Shares held by other member of our Single Largest Shareholders Group.
- (2) Hongxi Investment, Hongyue Investment and Honger Investment held 23,824,026, 17,751,924 and 17,751,312 Shares in our Company, respectively. Zhongjin Xicheng is the general partner for each of Hongxi Investment, Hongyue Investment and Honger Investment, meanwhile Xicheng Fund is their sole limited partner with almost 100% of partnership interest whose administrator is CICC ALPHA (Beijing) Private Equity Investment Fund Management Co., Ltd. (中金甲子(北京)私募投資基金管理有限公司) ("**CICC ALPHA**"). CICC ALPHA is held as to 51% by CICC Capital Management Co., Ltd. (中金資本運營公司) ("**CICC Capital**"), which is wholly owned by CICC. Therefore, each of Xicheng Fund, CICC ALPHA, CICC Capital and CICC is deemed to be interested in 23,824,026, 17,751,924 and 17,751,312 Shares held by Hongxi Investment, Hongyue Investment and Honger Investment, respectively. Chuangzhi Fund held 26,641,422 Shares in our Company whose administrator and general partner is CICC ALPHA. CICC ALPHA is held as to 51% by CICC Capital, which is wholly owned by CICC. Therefore, each of CICC ALPHA, CICC Capital and CICC is deemed to be interested in 26,641,422 Shares held by Chuangzhi Fund.
- (3) Innovation Zhicheng held 6,621,912 Shares in our Company and is beneficially owned by Mr. Xu Hui. Therefore, Mr. Xu Hui is deemed to be interested in the 6,621,912 Shares held by Innovation Zhicheng for purpose of Part XV of the SFO. Qingdao Xinda held 2,881,800 Shares in our Company, whose general partner is Qingdao Xinnuo Zhicheng Technology Co., Ltd. (青島新諾智成科技有限公司) ("**Qingdao Xinnuo**"), which is wholly owned by Mr. Xu Hui. Therefore, each of Qingdao Xinnuo and Mr. Xu Hui is deemed to be interested in the 2,881,800 Shares held by Qingdao Xinda for the purpose of Part XV of the SFO.
- (4) Qingdao Xinhui, Qingdao Xinqi and Qingdao Xinyun, our Employee Incentive Platforms, collectively directly held 47,097,864 Shares in our Company whose general partner is Xinhui Zhiqi, which is wholly owned by Mr. Lu Yiming. Therefore, each of Xinhui Zhiqi and Mr. Lu Yiming is deemed to be interested in the 47,097,864 Shares held by Qingdao Xinhui, Qingdao Xinqi and Qingdao Xinyun for purpose of Part XV of the SFO.
- (5) Xinnuo Zhiqi directly held 38,291,634 Shares in our Company whose general partner is Xinnuo Zhihe, which is wholly owned by Mr. He Tao. Therefore, each of Xinnuo Zhihe and Mr. He Tao is deemed to be interested in the 38,291,634 Shares held by Xinnuo Zhiqi for purpose of Part XV of the SFO.

Save as disclosed above, as at 30 June 2022, the Directors, the Supervisors and the chief executives of the Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.



Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF QINGDAO AINNOVATION TECHNOLOGY GROUP CO., LTD.

Introduction

We have reviewed the interim financial information set out on pages 38 to 80, which comprises the interim condensed consolidated statement of financial position of Qingdao Alnnovation Technology Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2022 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Report on Review of Interim Financial Information

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

Other Matter

The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2021. The comparative information for the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the six-month period ended 30 June 2021 has not been audited or reviewed.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 31 August 2022



Interim Condensed Consolidated Statement of Comprehensive Income

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

	Note	Six months ended 30 June	
		2022	2021
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue	7	645,616	366,611
Cost of sales	9	(439,952)	(253,467)
Gross profit		205,664	113,144
Selling and distribution expenses	9	(56,484)	(54,010)
General and administrative expenses	9	(189,199)	(189,436)
Research and development expenses	9	(217,832)	(119,177)
Net impairment losses on financial assets		(22,103)	(8,490)
Share of net losses of investments accounted for using the equity method		(66)	—
Other income	8	39,493	11,317
Other losses, net		(813)	(2,411)
Operating loss		(241,340)	(249,063)
Finance costs	10	(2,044)	(35,189)
Finance income	10	16,103	5,829
Loss before income tax		(227,281)	(278,423)
Income tax expense	11	(2,878)	(5,496)
Loss for the period		(230,159)	(283,919)
Loss for the period attributable to:			
Owners of the Company		(233,377)	(281,234)
Non-controlling interests		3,218	(2,685)
		(230,159)	(283,919)



Interim Condensed Consolidated Statement of Comprehensive Income (Continued)

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

	Note	Six months ended 30 June	
		2022	2021
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
Other comprehensive income/(loss), net of tax			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Currency translation differences		238	—
Changes in the fair value of equity investments at fair value through other comprehensive income		—	22
Other comprehensive income for the period, net of tax		238	22
Total comprehensive loss for the period, net of tax		(229,921)	(283,897)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(233,256)	(281,212)
Non-controlling interests		3,335	(2,685)
Total comprehensive loss for the period		(229,921)	(283,897)
Basic and diluted loss per share for loss attributable to the owners of the Company (in RMB)	13	(0.42)	(0.75)

The notes on pages 46 to 80 are an integral part of this interim condensed consolidated financial information.



Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	84,389	79,212
Right-of-use assets	14	82,697	87,072
Intangible assets	14	207,293	5,672
Goodwill	14	184,906	—
Deferred income tax assets		2,051	—
Investments accounted for using the equity method		964	—
Other non-current assets		20,790	11,810
Total non-current assets		583,090	183,766
Current assets			
Inventories		148,031	71,723
Prepayments and other receivables	16	315,241	54,032
Trade and notes receivables	15	486,493	362,000
Financial assets at fair value through profit or loss	17	237,010	—
Financial assets at fair value through other comprehensive income	18	34,388	34,333
Amounts due from related parties	27	11,864	3,206
Restricted cash		6,145	2,697
Cash and cash equivalents		1,637,583	1,553,150
Total current assets		2,876,755	2,081,141
Total assets		3,459,845	2,264,907

The notes on pages 46 to 80 are an integral part of this interim condensed consolidated financial information.



Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		71,292	78,289
Deferred income tax liabilities		30,426	—
Deferred income		23,500	26,579
Financial liabilities at fair value through profit or loss	24	98,094	—
Total non-current liabilities		223,312	104,868
Current liabilities			
Borrowings	21	59,583	—
Lease liabilities		20,376	9,282
Trade and notes payables	22	266,514	227,719
Contract liabilities		149,362	43,649
Other payables and accruals	23	117,159	83,873
Amounts due to related parties	27	20,604	—
Current income tax liabilities		2,462	208
Financial liabilities at fair value through profit or loss	24	41,245	—
Total current liabilities		677,305	364,731
Total liabilities		900,617	469,599

The notes on pages 46 to 80 are an integral part of this interim condensed consolidated financial information.



Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	559,305	514,560
Share premium		2,562,978	1,674,871
Less: Treasury share	20	(149,978)	—
Other reserves		641,556	498,490
Accumulated losses		(1,136,250)	(902,873)
		2,477,611	1,785,048
Non-controlling interests		81,617	10,260
Total equity		2,559,228	1,795,308
Total equity and liabilities		3,459,845	2,264,907

The notes on pages 46 to 80 are an integral part of this interim condensed consolidated financial information.

On behalf of the Board:

Xu Hui

Director

Wang Hua

Director



Interim Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

		(Unaudited)							
		Attributable to owners of the Company							
Note		Less:					Non-		
	Share capital	Treasury share	Share premium	Other reserves	Accumulated losses	Total	controlling interests	Total equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2022		514,560	—	1,674,871	498,490	(902,873)	1,785,048	10,260	1,795,308
Loss for the period		—	—	—	—	(233,377)	(233,377)	3,218	(230,159)
Other comprehensive income									
— Currency translation differences		—	—	—	121	—	121	117	238
Total comprehensive income for the period		—	—	—	121	(233,377)	(233,256)	3,335	(229,921)
Transactions with owners in their capacity as owners									
— Repurchase of shares 20		—	(149,978)	—	—	—	(149,978)	—	(149,978)
— Share-based payment expenses		—	—	—	142,945	—	142,945	—	142,945
— Dividends of a subsidiary distributed to non-controlling interests		—	—	—	—	—	—	(539)	(539)
— Issuance of shares by initial public offering, net of attributable transaction costs		44,745	—	888,107	—	—	932,852	—	932,852
— Non controlling interests arising on business combination 26		—	—	—	—	—	—	68,561	68,561
Total transactions with owners in their capacity as owners		44,745	(149,978)	888,107	142,945	—	925,819	68,022	993,841
Balance at 30 June 2022		559,305	(149,978)	2,562,978	641,556	(1,136,250)	2,477,611	81,617	2,559,228

The notes on pages 46 to 80 are an integral part of this interim condensed consolidated financial information.



Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

		(Unaudited)								
		Attributable to owners of the Company								
	Note	Share capital	Paid-in capital	Share premium	Capital reserve	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021		—	24,105	—	44,741	89,129	(675,887)	(517,912)	3,885	(514,027)
Loss for the period		—	—	—	—	—	(281,234)	(281,234)	(2,685)	(283,919)
Other comprehensive income										
— Changes in the fair value of equity investments at fair value through other comprehensive income		—	—	—	—	22	—	22	—	22
Total comprehensive income for the period		—	—	—	—	22	(281,234)	(281,212)	(2,685)	(283,897)
Transactions with owners in their capacity as owners										
— Capital injection		2,035	2,446	734,309	99,689	—	—	838,479	—	838,479
— Obligation related to redeemable rights of shares		—	—	—	(100,000)	—	—	(100,000)	—	(100,000)
— Transfer from financial liabilities at amortised cost due to cancellation of redeemable rights		—	—	—	1,794,091	—	—	1,794,091	—	1,794,091
— Conversion into a joint stock company		26,551	(26,551)	1,426,536	(1,838,521)	—	411,985	—	—	—
— Conversion of share premium into share capital		485,974	—	(485,974)	—	—	—	—	—	—
— Share-based payment expenses		—	—	—	—	165,863	—	165,863	—	165,863
— Capital injection by non-controlling interests		—	—	—	—	—	—	—	4,900	4,900
— Disposal of financial assets at fair value through other comprehensive income		—	—	—	—	2,372	(2,372)	—	—	—
Total transactions with owners in their capacity as owners		514,560	(24,105)	1,674,871	(44,741)	168,235	409,613	2,698,433	4,900	2,703,333
Balance at 30 June 2021		514,560	—	1,674,871	—	257,386	(547,508)	1,899,309	6,100	1,905,409

The notes on pages 46 to 80 are an integral part of this interim condensed consolidated financial information.



Interim Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

	Note	Six months ended 30 June	
		2022	2021
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations		(267,069)	(93,416)
Interest received		16,103	5,829
Income taxes paid		(524)	(2,004)
Net cash used in operating activities		(251,490)	(89,591)
Cash flows from investing activities			
Payments of property, plant and equipment and intangible assets		(6,051)	(25,450)
Proceeds from disposal of financial assets at fair value through profit or loss		3,370	100,000
Payments of financial assets at fair value through profit or loss		(233,810)	(1,100,000)
Acquisition of subsidiaries	26	(120,682)	—
Proceeds from disposal of financial assets at fair value through other comprehensive income		—	128
Interest received on financial assets at fair value through profit or loss		5	1,629
Net cash used in investing activities		(357,168)	(1,023,693)
Cash flows from financing activities			
Capital injection from shareholders		—	838,479
Capital injection of a subsidiary from non-controlling interests		—	4,900
Proceeds from share issuance upon listing		957,462	—
Proceeds from bank borrowings		21,933	—
Repayments of bank borrowings		(19,053)	—
Proceeds from a related party borrowing		19,370	—
Payments of lease liabilities		(2,207)	(3,436)
Payment for listing expenses		(14,002)	(9,991)
Dividends paid to non-controlling interests		(539)	—
Share repurchase		(149,978)	—
Deposits for share repurchase		(120,349)	—
Interest paid of bank borrowings		(368)	—
Net cash generated from financing activities		692,269	829,952
Net increase/(decrease) in cash and cash equivalents		83,611	(283,332)
Cash and cash equivalents at beginning of the period		1,553,150	1,042,502
Exchange gains/(losses) on cash and cash equivalents		822	(5,750)
Cash and cash equivalents at the end of the period		1,637,583	753,420

The notes on pages 46 to 80 are an integral part of this interim condensed consolidated financial information.



Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

1 General information of the Group

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. On 19 May 2021, the Company changed the type of enterprise from a limited liability company to a joint stock company. The address of the Company's registered office is Room 501, Block A, Haier International Plaza, No. 939 Zhenwu Road, Economic Development Zone, Jimo District, Qingdao, Shandong, PRC.

The Company and its subsidiaries (collectively, the “Group”) conduct research and development and sell Artificial Intelligence based software and hardware technology solutions in China.

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

This interim condensed consolidated financial information is presented in thousands of Renminbi (“RMB”), unless otherwise stated, and was approved for issue by the Board of Directors on 31 August 2022.

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

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the condensed consolidated interim financial information should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).



Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

3 Significant accounting policies

Except as described below, the accounting policies applied in the preparation of these interim condensed consolidated financial information are consistent with those of the Group's annual financial statements for the year ended 31 December 2021.

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

3.1 Changes in accounting policies and disclosures

New and amended standards adopted by the Group

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

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



Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

3 Significant accounting policies (continued)

3.1 Changes in accounting policies and disclosures (continued)

New and amended standards adopted by the Group (continued)

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

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

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.



Notes to the Interim Condensed Consolidated Financial Information

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3 Significant accounting policies (continued)

3.2 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.

3.3 Intangible assets

Software

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

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



Notes to the Interim Condensed Consolidated Financial Information

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(All amounts in thousands of Renminbi unless otherwise stated)

3 Significant accounting policies (continued)

3.3 Intangible assets (continued)

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.

Other intangible assets

Other intangible assets mainly include customer relationship and technology. They are initially recognised and measured at estimated fair value of intangible assets acquired through business combinations. The Group amortizes these intangible assets with a limited useful life using the straight-line method over the following periods:

- Technology: 5 years
- Customer relationship: 10 years



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For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

3 Significant accounting policies (continued)

3.3 Intangible assets (continued)

Other intangible assets (continued)

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.

4 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2021.

(a) Impairment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. Judgment is required to identify any impairment indicators existing for any of the Group's goodwill to determine appropriate impairment approaches, i.e., VIU, for impairment review purposes, and to select key assumptions applied in the adopted valuation models, including discounted cash flows and market approach. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and in turn affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statement of comprehensive income.



Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

4 Estimates (continued)

(b) Business combinations

Business combinations are accounted for under the acquisition method. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment. Although the Group believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

5 Financial risk management

5.1 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 interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2021.

There have been no changes in the major risk management policies since 31 December 2021.

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 profit or loss ("FVPL"), financial assets at fair value through other comprehensive income ("FVOCI"), amounts due from related parties, 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.



Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

5 Financial risk management (continued)

5.1 Financial risk factors (continued)

Credit risk (continued)

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

	Less than 3 months RMB'000	3 months to 6 months RMB'000	6 months to 12 months RMB'000	1 year to 2 years RMB'000	2 years to 3 years RMB'000	Total RMB'000
30 June 2022						
Trade receivables						
(Note 15 and 27)						
Gross carrying amount	263,436	157,075	82,099	42,758	10,944	556,312
Expected loss rate	(4.16%)	(8.53%)	(18.05%)	(44.25%)	(98.18%)	(12.37%)
Loss allowance	(10,953)	(13,395)	(14,821)	(18,920)	(10,745)	(68,834)
	Less than 3 months RMB'000	3 months to 6 months RMB'000	6 months to 12 months RMB'000	1 year to 2 years RMB'000	2 years to 3 years RMB'000	Total RMB'000
31 December 2021						
Trade receivables						
(Note 15 and 27)						
Gross carrying amount	256,296	57,282	62,048	22,979	11,061	409,666
Expected loss rate	(4.28%)	(9.15%)	(15.62%)	(56.61%)	(94.30%)	(12.04%)
Loss allowance	(10,965)	(5,243)	(9,692)	(13,008)	(10,431)	(49,339)



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For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

5 Financial risk management (continued)

5.1 Financial risk factors (continued)

Liquidity risk

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 30 June 2022				
Trade and notes payables	266,514	—	—	266,514
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	63,717	—	—	63,717
Amounts due to related parties	20,604	—	—	20,604
Borrowings	60,073	—	—	60,073
Financial liabilities at fair value through profit or loss	45,900	75,900	45,900	167,700
Lease liabilities	23,563	21,347	56,424	101,334
	480,371	97,247	102,324	679,942

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



Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

5 Financial risk management (continued)

5.2 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 30 June 2022				
Assets				
FVOCI				
— Bank and commercial acceptance notes	—	—	34,388	34,388
FVPL				
— Wealth management products	—	74,572	15,600	90,172
— Investment fund	—	—	72,173	72,173
— Listed equity securities	3,643	—	—	3,643
— Other financial investment instrument	—	71,022	—	71,022
	3,643	145,594	87,773	237,010
Liabilities				
FVPL				
— Contingent considerations	—	—	109,416	109,416
— Convertible bonds	—	—	29,923	29,923
	—	—	139,339	139,339
As at 31 December 2021				
Assets				
FVOCI				
— Bank and commercial acceptance notes	—	—	34,333	34,333

There were no transfers between Level 1, 2 and 3 during the six months ended 30 June 2022 and 2021.



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For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

5 Financial risk management (continued)**5.2 Fair value estimation (continued)**

For the period ended 30 June 2022, the Group's level 1 financial assets included listed equity securities and other financial investment instrument is within level 2.

For the period ended 30 June 2022, the Group's level 3 financial assets included bank and commercial acceptance notes, wealth management products and investment fund; the Group's level 3 financial liabilities included contingent liabilities and convertible bonds.

The fair value of financial instruments that are not traded in an active market is 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.

For the period ended 30 June 2022, the discounted cash flow method was used to determine the fair value of bank and commercial acceptance notes, wealth management products, contingent liabilities and convertible bonds. Key assumption under discounted cash flow method included discount rate, expected return rate, discount of lack of marketability and expected volatility. The net asset value method was used to determine the fair value of investment fund and no key assumption is applicable for the net asset value method.

The following table presents the changes in level 3 items for the periods ended 30 June 2022:

	FVPL RMB'000	FVOCI RMB'000
Opening balance as at 31 December 2021	—	34,333
Acquisition of subsidiaries	3,370	—
Additions	88,751	25,126
Change in fair value	(978)	—
Disposals	(3,370)	(25,071)
Closing balance	87,773	34,388
Total losses for the period realised under "Other losses, net"	(978)	—



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(All amounts in thousands of Renminbi unless otherwise stated)

5 Financial risk management (continued)

5.2 Fair value estimation (continued)

The following table presents the changes in level 3 items for the periods ended 30 June 2021:

	FVOCI RMB'000
Opening balance as at 31 December 2020	4,043
Additions	2,201
Change in fair value	22
Disposals	(4,156)
Closing balance	2,110
Total gains for the period realised under "Other comprehensive income"	22

6 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 are primarily derived from artificial intelligence service, so no operating segment information is presented.

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



Notes to the Interim Condensed Consolidated Financial Information

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7 Revenue

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Point in time		
— Sales of products and solutions	602,384	360,259
Over time		
— Sales of products and solutions	28,200	—
— Services of data solutions	15,032	6,352
	645,616	366,611

8 Other income

	Six months ended 30 June	
	2022	2021
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Government grants	39,493	11,317

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



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9 Expenses by nature

	Six months ended 30 June	
	2022	2021
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Material costs	319,785	171,925
Employee benefit expenses	269,531	257,969
Subcontracting costs	222,889	125,585
Listing expenses	26,457	22,195
Depreciation of property, plant and equipment (Note 14)	12,746	10,316
Depreciation of right-of-use assets (Note 14)	10,845	3,964
Service fees	10,087	5,681
Travelling expenses	5,316	3,461
Amortisation of intangible assets (Note 14)	4,584	132
Rental and property management expenses	2,301	1,764
Marketing expenses	1,368	1,322
Recruiting and training expenses	401	3,242
Other expenses	17,157	8,534
	903,467	616,090



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10 Finance costs and income

	Six months ended 30 June	
	2022	2021
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Finance costs:		
Interest expenses on lease liabilities	(1,465)	(312)
Interest expenses on bank borrowings	(379)	—
Interest expenses on convertible bonds	(200)	—
Finance costs of financial liabilities of redeemable shares	—	(34,877)
Total finance costs	(2,044)	(35,189)
Finance income:		
Interest income from bank deposits	16,103	5,829
Finance income/(cost) - net	14,059	(29,360)



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11 Income tax expense

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

	Six months ended 30 June	
	2022	2021
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Current tax on profits for the period	2,928	5,496
Deferred income tax	(50)	—
Income tax expense	2,878	5,496

The Group's subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% on estimated assessable profits.

Shanghai Higher Mechanical & Electrical Co., Ltd. and Alnnovation (Beijing) Technology Co., Ltd. had been recognized as the High New Tech Enterprises since 2019. Qingdao Aolipu Qizhi Intelligent Industrial Technology Co., Ltd. (formerly known as "Qingdao Aolipu Automation Control System Co., Ltd."), Alnnovation (Guangzhou) Technology Co., Ltd., Alnnovation (Hefei) Technology Co., Ltd. and Alnnovation (Chongqing) Technology Co., Ltd. had been recognized as the High New Tech Enterprises since 2020. Alnnovation (Qingdao) Technology Co., Ltd. had been recognized as the High New Tech Enterprises since 2021. 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.



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12 Dividends

The Board does not recommend an interim dividend for the six months ended 30 June 2022 (2021: Nil).

During the six months ended 30 June 2022, a non-wholly owned subsidiary of the Company had approved the dividends to non-controlling interests amounting to approximately RMB539,000, which were paid on 13 May 2022 (2021: Nil).

13 Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of shares in issue or deemed to be in issue during the six months ended 30 June 2022 and 2021, respectively. The weighted average number of ordinary shares deemed in issue before the conversion into a joint stock company was determined as assuming that:

- (1) The Redeemable Shares were treated as treasury share before the cancellation of redeemable rights. So, the related capital was deducted from the paid-in capital before the cancellation of redeemable rights for the purpose of calculating the number of ordinary shares deemed in issue;
- (2) The remaining paid-in capital had been fully converted into number of ordinary shares deemed in issue at the same conversion ratio of 1:1 as upon transformation into joint stock company;



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13 Loss per share (continued)

(a) Basic loss per share (continued)

- (3) The above number of ordinary shares had been further retrospectively adjusted for the effect of shares conversion from share premium into share capital at the conversion ratio of 1:17.

	Six months ended 30 June	
	2022	2021
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Loss from continuing operation attributable to the owners of the Company	(233,377)	(281,234)
Weighted average number of ordinary shares in issue ('000)	551,954	374,091
Basic loss per share (RMB)	(0.42)	(0.75)

The calculation of weighted average number of ordinary shares in issue is issued as below:

	Six months ended 30 June	
	2022	2021
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Weighted average amount of share capital	551,954	25,840
Less: Weighted average amount of Redeemable Shares in paid-in capital before the cancellation of redeemable rights	—	(5,057)
Weighted average amount of remaining share capital	551,954	20,783
Add: Shares conversion from share premium into share capital at the conversion ratio of 1:17	—	353,308
Weighted average number of ordinary shares in issue ('000)	551,954	374,091



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13 Loss per share (continued)**(b) Diluted loss per share**

As the Group incurred losses for the six months ended 30 June 2022 and 2021, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended 30 June 2022 and 2021 are the same as basic loss per share of the respective period.

14 Property, plant and equipment, right-of-use assets and intangible assets

	Property, plant and equipment RMB'000 (Unaudited)	Right-of- use assets RMB'000 (Unaudited)	Intangible assets (a) RMB'000 (Unaudited)	Goodwill RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended 30 June 2022 (Unaudited)					
Opening net book amount as at 1 January 2022	79,212	87,072	5,672	—	171,956
Additions	3,774	4,075	—	—	7,849
Acquisition of subsidiaries (Note 26)	14,200	2,395	206,205	184,906	407,706
Disposals	(51)	—	—	—	(51)
Depreciation and amortisation (Note 9)	(12,746)	(10,845)	(4,584)	—	(28,175)
Net book amount as at 30 June 2022	84,389	82,697	207,293	184,906	559,285
Six months ended 30 June 2021 (Unaudited)					
Opening net book amount as at 1 January 2021	57,488	13,843	603	—	71,934
Additions	21,600	488	207	—	22,295
Disposals	(26)	—	—	—	(26)
Depreciation and amortisation (Note 9)	(10,316)	(3,964)	(132)	—	(14,412)
Net book amount as at 30 June 2021	68,746	10,367	678	—	79,791

- (a) Intangible assets comprise customer relationship and technology from business combinations and other intangible assets.



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15 Trade and notes receivables

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Accounts receivable	543,799	406,271
Less: Provision for impairment	(67,930)	(49,150)
	475,869	357,121
Notes receivables	10,624	4,879
	486,493	362,000

As at 30 June 2022 and 31 December 2021, notes receivables were all bank acceptance notes aged less than six months. As at 30 June 2022, notes receivables included a total amount of RMB10,583,000 that have been discounted with recourse.

As at 30 June 2022 and 31 December 2021, the carrying amount of the current portion of trade and notes receivable were considered to be the same as their fair value due to the short-term nature.

As at 30 June 2022, the Group pledged trade receivables with carrying amount of approximately RMB14,996,000 (2021: Nil) for the bank borrowings amounted to RMB5,000,000 (2021: Nil) as disclosed in Note 21.



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15 Trade and notes receivables (continued)

The majority of the Group's receivables are with credit term from 30 days to 180 days. As at 31 December 2021 and 30 June 2022, the aging analysis of the trade receivables based on the recognition date of the gross trade receivables at the respective reporting dates is as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Accounts receivable		
Less than 3 months	252,413	255,302
3 months to 6 months	156,454	54,881
6 months to 12 months	81,230	62,048
1 year to 2 years	42,758	22,979
2 years to 3 years	10,944	11,061
	543,799	406,271

The Group's trade receivables were denominated in RMB.



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16 Prepayments and other receivables

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Prepayments to vendors	162,207	22,505
Deposits for share repurchase (i)	118,725	—
Recoverable value-added tax ("VAT")	17,460	18,997
Deposits	3,659	4,663
Recoverable income tax	2,539	2,539
Others	10,651	5,328
	315,241	54,032

The carrying amounts of other receivables approximate their fair values.

- (i) The deposit for share repurchase represented deposits in stock trading accounts maintained at a brokerage company for repurchase of the shares of the Company from the stock market. For the six months ended 30 June 2022, the Company totally deposited HK\$315,000,000 (equivalent to RMB270,327,000) to the stock trading account and utilised HK\$175,822,000 (equivalent to RMB149,978,000) to repurchase shares of the Company, and the remaining amount at the brokerage company was approximately HK\$138,829,000 (equivalent to approximately RMB118,725,000) as at 30 June 2022.

17 Financial assets at fair value through profit or loss

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Wealth management products	90,172	—
Investment fund	72,173	—
Listed equity securities	3,643	—
Other financial investment instrument	71,022	—
	237,010	—



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18 Financial assets at fair value through other comprehensive income

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

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Debt investments		
— bank acceptance notes	20,228	26,018
— commercial acceptance notes	14,160	8,315
	34,388	34,333

As at 30 June 2022, notes receivable were bank and commercial acceptance notes aged six months or less.



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19 Share capital

	Numbers of Shares	Share Capital RMB'000
Issued and fully paid:		
As at 30 June 2022	559,304,838	559,305
As at 31 December 2021	514,560,438	514,560

The movements in share capital are set out below:

	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)
At the beginning of the period	514,560	—
Issuance of ordinary shares (i)	44,745	—
Conversion into a joint stock company (ii)	—	26,551
Capital injection (iii)	—	2,035
Conversion of share premium into share capital (iv)	—	485,974
At the end of the period	559,305	514,560

- (i) On 27 January 2022, the Company completed its listing on The Stock Exchange of Hong Kong Limited with 44,744,400 shares of the Company issued at an offer price of HK\$26.3 per share. The issuance of 44,744,400 shares, net of underwriting commission and other issuance cost, led to an increase of share capital and share premium approximately by RMB44,745,000 and RMB888,107,000, respectively.
- (ii) On 19 May 2021, the Company changed the type of enterprise from a limited liability company to a joint stock company. The net assets of the Company as of the conversion date, amounting to RMB 1,718,968,000, were converted into 26,551,000 ordinary shares at RMB 1.00 each. The excess of net assets converted over nominal value of the ordinary shares and other reserves resulted from share-based payments was credited to the Company's share premium.
- (iii) Pursuant to a capital increase agreement dated 21 May 2021, SVF II Zeal Subco (Singapore) Pte. Ltd. subscribed for an increased share capital of RMB 2,035,000 with a consideration of USD 115,000,000 which is equivalent to RMB 736,344,000.
- (iv) On 3 June 2021, the share capital of the Company was increased to RMB 514,560,438 by way of conversion of share premium into share capital in the same shareholders' portion according to the existing shareholding structure.

**Notes to the Interim Condensed Consolidated Financial Information**

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

20 Treasury share

	As at 31 December 2021 RMB'000	Increase in the current period RMB'000	As at 30 June 2022 RMB'000
Shares repurchase	—	149,978	149,978

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 the shares of the Company no more than 10% of the total number of the shares of the Company in issue at the time of the passing of the resolution at the annual general meeting. On 16 May 2022, the board of directors of the Company duly resolved to exercise the above Share Repurchase Mandate to plan 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 six months ended 30 June 2022, the cumulative number of shares repurchased by the Company is 7,809,900 shares with total consideration amounting to approximately HK\$175,822,000 (equivalent to approximately RMB149,978,000), accounting for around 1.40% of the total share capital of the Group. Such shares will be subjected to cancellation after the repurchase.

21 Borrowings

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Current		
– Bank loans, secured (i)	21,583	—
– Bank loans, guaranteed (ii)	33,000	—
– Bank loans, unsecured	5,000	—
	59,583	—



Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

21 Borrowings (continued)

- (i) As at 30 June 2022, secured bank loans totalling RMB 21,583,000 comprised of:
- RMB10,583,000, which represented the proceeds received from the discounting of the Group's notes receivables with recourse. As these notes receivable had not yet matured, the proceeds were recorded as current bank loans;
 - RMB6,000,000, which were secured by the pledge of a property owned by Mr. Li Weiguo, a director and minority shareholder of Qingdao Aolipu Qizhi Intelligent Industrial Technology Co., Ltd., a subsidiary of the Group; and
 - RMB5,000,000, which were secured by the pledge of the account receivables of Shanghai Higher Mechanical & Electrical Co., Ltd., a subsidiary of the Group, amounting to approximately RMB14,996,000, and supported by guarantees provided by Mr. Chen Hong and Mrs. Liao Lu, the directors and minority shareholders of Shanghai Higher Mechanical & Electrical Co., Ltd. and a guarantee company.
- (ii) As at 30 June 2022, the bank loans totalling RMB33,000,000 were guaranteed by Mr. Li Weiguo and a guarantee company to the extent of RMB 10,000,000, Mr. Li Weiguo to the extent of RMB 2,000,000, Mr. Chen Hong and Mrs. Liao Lu, and guarantee companies to the extent of RMB8,000,000, Mr. Chen Hong and a guarantee company to the extent of RMB10,000,000, and Mr. Chen Hong to the extent of RMB3,000,000.

The loan is a fixed rate and RMB denominated loan which is carried at amortised cost. It therefore did not have any impact on the Group's exposure to foreign exchange and cash flow interest rate risk.

Bank borrowings fall due within 1 year and bear average interest rate of 4.07% per annum.

22 Trade and notes payables

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Accounts payable	252,837	222,086
Notes payable	13,677	5,633
	266,514	227,719

As at 30 June 2022, the notes payable were secured by the pledge of notes receivable and restricted cash amounted to RMB10,158,000 and RMB3,519,000 respectively.



Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

22 Trade and notes payables (continued)

As at 30 June 2022 and 31 December 2021, the aging analysis of the trade payables based on transaction date was as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Within 3 months	172,343	161,929
Between 3 months and 6 months	31,345	34,947
Between 6 months and 1 year	43,658	28,144
Between 1 year and 2 years	18,532	2,465
Between 2 years and 3 years	636	234
	266,514	227,719

The carrying amounts of trade and notes payables are considered to be the same as their fair values, due to their short-term nature.

23 Other payables and accruals

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Payroll and welfare payables	39,955	38,765
Accruals and other payables	63,717	39,875
Other taxes payable	13,487	5,233
	117,159	83,873

The carrying amounts of other payables are considered to be the same as their fair values, due to their short-term nature.



Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

24 Financial liabilities at fair value through profit or loss

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Contingent considerations (a and Note (26))	109,416	—
Convertible bond (b)	29,923	—
	139,339	—

- (a) In May 2022, the Company entered into two share transfer agreements with shareholders of two companies, pursuant to which the Company had agreed to purchase, and the shareholders of the these companies had agreed to sell, an aggregate of 51% interest in target companies with fixed considerations and contingent considerations which would be adjusted according to the performance commitment. The contingent considerations represented liabilities measured at fair value, of which the fair value is determined using valuation model for which not all inputs are observable and is within level 3 of the fair value hierarchy (Note 5.2). Details of the acquisitions are set out in Note 26 below.
- (b) In October 2019, Jiangsu Epsa Automation Technology Co., Ltd. ("Jiangsu Epsa"), a subsidiary acquired by the Group in May 2022, entered into an investment agreement with an investor for the issuance of convertible bonds with principal amount of RMB30,000,000. During the 48 months since the date of issuance, at the investor's option, the conversion right was exercisable on the investor's demand in exchange for shares of Jiangsu Epsa, and the investor has the right to request Jiangsu Epsa to redeem the convertible bonds or shares if converted, with 100% of its issue price plus 8% annual simple interest rate.

The conversion price is based on negotiation between Jiangsu Epsa and the investor. And the Group designate the entire hybrid contract as at fair value through profit or loss. As at 30 June 2022, the total fair value of convertible bonds amounted to approximately RMB29,923,000. Changes in fair value was recognized in the consolidated statements of comprehensive loss.



Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

25 Commitments

Capital commitments

As at 30 June 2022 and 31 December 2021, the Group had the following capital commitments:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Contracted but not provided for		
— Leasehold improvement	18,981	27,136

26 Business combination

For the six months ended 30 June 2022, the Group acquired 51% equity interests of two companies, at total considerations of RMB247,116,000, of which, RMB137,700,000 was paid in cash and RMB109,416,000 representing the contingent considerations that had been recognised as financial liabilities at fair value through profit or loss (Note 24). The two companies became subsidiaries of the Group since the acquisition day. The purchase resulted in a net cash outflow of RMB120,682,000 for the six months ended 30 June 2022.



Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

26 Business combination (continued)

The following table summarizes the consideration paid, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

	RMB'000
Total purchase consideration	
Cash considerations paid	137,700
Contingent considerations (Note 24)	109,416
	247,116
Total recognized amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	14,200
Right-of-use assets	2,395
Intangible assets (a)	206,205
Deferred income tax assets	2,301
Investment accounted for using the equity method	1,030
Inventories	169,652
Prepayments and other receivables	53,111
Trade and notes receivables	34,960
Financial assets at fair value through profit or loss	6,149
Restricted cash	239
Cash and cash equivalents	17,018
Lease liabilities	(598)
Deferred income tax liabilities	(30,726)
Financial liabilities at fair value through profit or loss	(29,882)
Borrowings	(56,703)
Trade and notes payables	(23,780)
Contract liabilities	(213,974)
Other payables and accruals	(20,676)
Current income tax liabilities	(150)



Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

26 Business combination (continued)

	RMB'000
Total identified net assets	130,771
Less: Non-controlling interests	(68,561)
Total identified net assets acquired by the Group	62,210
Goodwill arising on acquisition:	
Total purchase consideration	247,116
Less: Total identified net assets acquired by the Group	(62,210)
Goodwill arising on acquisition (b)	184,906
Outflow of cash to acquire business, net of cash acquired:	
Cash considerations paid	(137,700)
Cash and cash equivalents in the entities acquired	17,018
Net cash outflow from the acquisition	(120,682)

- (a) The identified intangible assets for the acquisition consist of customer relationship and technology. They are initially recognized and measured at fair value as they are acquired in business combinations. When determining the length of useful lives of these intangible assets, management take into account (i) the estimated period during which such asset can bring economic benefits to the Group; and (ii) the useful life estimated by comparable companies in the market.
- (b) The goodwill of RMB184,906,000 recognized represents the excess of the purchase consideration over the fair value of the net identifiable assets acquired. The goodwill recorded, not deductible for tax purposes, is primarily attributable to the rich industry implementation experience in vertical segmentation industries of two companies, therefore the Group can further expand into relevant industry and acquire a rich source of industry knowledge for the continuous iteration of AI products and solutions.



Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

27 Related party transactions

Related parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) Related parties

The directors of the Company are of the view that the following parties/companies were related parties that had transaction or balances with the Group during the six months ended 30 June 2022 and 2021:

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")	Minority shareholder of a subsidiary
CISDI Group Co., Ltd.	The parent company of CISDI Information
CISDI Engineering Co., Ltd.	Controlled by CISDI Group Co., Ltd.
Mr. Chen Hong	Director and minority shareholder of a subsidiary
Mr. Li Weiguo	Director and minority shareholder of a subsidiary
Mrs. Liao Lu	Director and minority shareholder of a subsidiary
Qingdao Aolipu Intelligence Manufacturing Research Institute Co., Ltd.	Associate of the Group
Aolipu (Beijing) Intelligence Technology Co., Ltd.	Associate of the Group

Other than as disclosed elsewhere in this report, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business.



Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

27 Related party transactions (continued)

(b) Transactions with related parties

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

	Six months ended 30 June	
	2022	2021
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
(i) Sales and services to related parties		
CISDI Engineering Co., Ltd.	29,174	—
Sinovation Ventures	1,727	533
CISDI Information	—	925
	30,901	1,458
(ii) Services provided by related parties		
CISDI Group Co., Ltd.	256	—
(iii) Pay on behalf of the Group by a related party		
CISDI Information	—	138
(iv) Sales of equity investments to a related party		
Sinovation Ventures	—	128
(v) Received loans from a related party		
Mr. Li Weiguo	19,370	—



Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

27 Related party transactions (continued)

(c) Balances with related parties

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
(i) Receivables from related parties		
Trade		
Accounts receivable		
— CISDI Engineering Co., Ltd.	10,196	—
— Sinovation Ventures	1,448	1,266
— CISDI Information	869	2,129
	12,513	3,395
Provisions	(904)	(189)
	11,609	3,206
Trade		
Prepayments		
— CISDI Group Co., Ltd.	255	—
(ii) Payables to related parties		
Trade		
Contract liabilities		
— CISDI Information	303	—
Non-Trade		
Other payables and accruals		
— Mr. Li Weiguo	19,899	—
— Qingdao Aolipu Intelligence Manufacturing Research Institute Co., Ltd.	249	—
— Aolipu (Beijing) Intelligence Technology Co., Ltd.	153	—
	20,301	—



Notes to the Interim Condensed Consolidated Financial Information

For the Six Months Ended 30 June 2022

(All amounts in thousands of Renminbi unless otherwise stated)

27 Related party transactions (continued)

(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:

	Six months ended 30 June	
	2022	2021
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Salaries, bonus and other welfare	7,927	3,396
Share-based payment expenses	62,278	56,699
	70,205	60,095



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Empower Businesses
with AI Technology