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

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

Stock Code：1274

2023
ANNUAL REPORT

CONTENTS

Corporate Information

CHINESE NAME OF THE COMPANY

知行汽車科技(蘇州)股份有限公司

ENGLISH NAME OF THE COMPANY

iMotion Automotive Technology (Suzhou) Co., Ltd.

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

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

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

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

BOARD OF SUPERVISORS

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

AUTHORISED REPRESENTATIVES

Mr. Song Yang
Mr. Chung Ming Fai

JOINT COMPANY SECRETARIES

Ms. Liu Fang
Mr. Chung Ming Fai

HEADQUARTERS, REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F
Dah Sing Financial Centre
248 Queen's Road East
Wanchai
Hong Kong

H SHARE REGISTRAR

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

Corporate Information

LEGAL ADVISERS

PRC Law:
Beijing Yingke Law Firm (Suzhou)
265 Suzhou Avenue East
Suzhou Industrial Park
Suzhou, Jiangsu Province
PRC

Hong Kong Law:
Jingtian & Gongcheng LLP
Suites 3203-3207, 32nd Floor
Edinburgh Tower
The Landmark
15 Queens Road Central
Central, Hong Kong

AUDITORS

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

COMPLIANCE ADVISOR

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

PRINCIPAL BANKERS

China Construction Bank Co., Ltd.
Jiangsu Pilot Free Trade Zone Suzhou Branch
1st Floor, Zijin Oriental Business Plaza
No. 228 Qiyue Road
Dushu Lake Science and Education Innovation Zone
Suzhou Industrial Park
Suzhou, Jiangsu Province
PRC

INVESTOR INQUIRIES

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WEBSITE

www.imotion.ai

STOCK CODE

01274

Definitions

"AFRC"	the Accounting and Financial Reporting Council of Hong Kong;
"Articles of Association"	the articles of association of the Company, as amended from time to time;
"Audit Committee"	the audit committee of the Company;
"Board" or "Board of Directors"	the board of directors of the Company;
"CG Code"	Corporate Governance Code set out in Appendix C1 to the Listing Rules;
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan;
"Company"	iMotion Automotive Technology (Suzhou) Co., Ltd., a joint stock company incorporated in the PRC with limited liability;
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, and unless the context requires otherwise;
"Director(s)"	director(s) of the Company;
"Domestic Share(s)"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are not listed on the Stock Exchange;
"Geely Group"	Geely Automobile Holdings Limited (吉利汽車控股有限公司) and Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司), being the ultimate holding company of Geely Automobile Holdings Limited, together with their subsidiaries and joint ventures under their control;
"Global Offering"	the Hong Kong Public Offering and the International Offering;
"Group", "we" or "us"	the Company and its subsidiaries;
"H Share(s)"	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which have been listed and traded on the Stock Exchange with effective from December 20, 2023;
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC;
"Hong Kong dollars", "HK dollars", "HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong Offer Shares"	the H Shares offered by us for subscription pursuant to the Hong Kong Public Offering;

Definitions

"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) on the terms and conditions as described in the Prospectus, as further described in the section headed "Structure of the Global Offering" in the Prospectus;
"International Offer Shares"	the H Shares initially offered by the Company for subscription at the Offer Price pursuant to the International Offering (subject to reallocation as described in "Structure of the Global Offering" in the Prospectus);
"International Offering"	the offer of the International Offer Shares by the international underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to qualified institutional buyers only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in "Structure of the Global Offering" in the Prospectus;
"Listing"	listing of the H Shares of the Company on the Main Board of the Stock Exchange;
"Listing Date"	December 20, 2023, the date on which our shares are listed and from which dealings therein are permitted to take place on the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time;
"Mobileye"	Mobileye Vision Technologies Ltd., which was incorporated in Israel in 1999 and Mobileye Global Inc., the publicly traded company, which is listed on the NASDAQ (ticker symbol: MBLY). Mobileye is primarily engaged in the development and deployment of ADAS and autonomous driving technologies and solutions;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules;
"Nomination Committee"	the nomination committee of the Company;
"Offer Price"	HK$29.65 per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%);
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares;

Definitions

"Prospectus"	the prospectus of the Company dated December 12, 2023 issued in connection with the Global Offering and the Listing;
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Company;
"Reporting Period"	the period from January 1, 2023 to December 31, 2023;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Shareholder(s)"	shareholder(s) of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Strategy Committee"	the strategy committee of the Company;
"Supervisor(s)"	supervisor(s) of the Company;
"United States" or "U.S"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
"%"	per cent.

Financial Highlights

During the year ended December 31, 2023, the Group has recorded:

- Revenue of RMB1,216,287 thousand, which was decreased by 8.27% compared to the same period in 2022, including:
  - revenue from sales of autonomous driving solutions and products decreased by 9.78%, from RMB1,252,949 thousand from the year ended December 31, 2022 to RMB1,130,440 thousand for the year ended December 31, 2023;
  - revenue from rendering of autonomous driving-related R&D services increased by 66.28%, from RMB37,956 thousand for the year ended December 31, 2022 to RMB63,112 thousand for the year ended December 31, 2023;
  - revenue from sales of PCBA products decreased by 35%, from RMB34,977 thousand for the year ended December 31, 2022 to RMB22,735 thousand for the year ended December 31, 2023.
- Gross profit of RMB120,953 thousand, which was increased by 9.39% compared to the same period in 2022, including:
  - gross profit of sales of autonomous driving solutions and products decreased by 0.27%, from RMB93,348 thousand for the year ended December 31, 2022 to RMB93,097 thousand for the year ended December 31, 2023;
  - gross profit of rendering of autonomous driving-related R&D services increased by 100.99%, from RMB13,229 thousand for the year ended December 31, 2022 to RMB26,589 thousand for the year ended December 31, 2023;
  - Gross profit of sales of PCBA products decreased by 68.29%, from RMB3,996 thousand for the year ended December 31, 2022 to RMB1,267 thousand for the year ended December 31, 2023.
- Gross profit margin was 9.94% (2022: 8.34%), of which:
  - gross profit margin of sales of autonomous driving solutions and products was 8.24% (2022: 7.45%);
  - gross profit margin of rendering of autonomous driving-related R&D services was 42.13% (2022: 34.85%);
  - gross profit margin of sales of PCBA products was 5.57% (2022: 11.43%).
- Loss before tax for the Reporting Period decreased by 43.01% to RMB195,108 thousand (2022: RMB342,376 thousand).
- Loss attributable to the equity holders of the Company for the Reporting Period was decreased by 43.02% to RMB195,100 thousand (2022: RMB342,376 thousand).
- Basic and diluted loss per share attributable to ordinary equity holders of the parent amounted to RMB0.95 for the Reporting Period (2022: RMB1.77).
- The Board does not recommend the payment of a final dividend for the year ended December 31, 2023 (2022: Nil).

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of the Company, I am pleased to present the audited annual results report of the Group for the year ended December 31, 2023.

Looking back on 2023, despite the challenging and mixed global macroeconomic situation, and that China's economic development was still facing many headwinds as impacted by various factors, China's vehicle market continued to grow steadily, with both production and sales in 2023 exceeded 30 million units for the first time. New energy vehicles are the major direction of the transformation and upgrading and green development of the global vehicle industry, and is also the strategic choice for the high-quality development of China's vehicle industry. In 2023, China's production and sales of new energy vehicles totalled 9.587 million units and 9.495 million units, representing year-on-year growth of 35.8% and 37.9%, respectively, and the market share achieved rapid growth to 31.6%. Attributable to the rapid development of the market, in 2023, we delivered more than 130,000 autonomous driving solutions and products, representing an increase of 58% as compared to 2022.

The Company has maintained an efficient research and development ("**R&D**") pace. In terms of cost and performance, iDC Mid, our full-stack, self-developed autonomous driving domain controllers ("**AD domain controllers**"), has reached an industry-leading level, and been delivered in bulk to the leading domestic vehicle companies since the first quarter of 2023. By the end of 2023, iDC Mid has obtained letters of nomination in respect of six vehicle models, making it an important new product line of the Company. iDC High, our next-generation AD domain controller, has also obtained letters of nomination from two vehicle companies, including a top vehicle company in China. We are deploying a next-generation BEV Transformer algorithm on this platform, which is expected to have a significant improvement in performance and will start series production in 2024.

On the production side, we have invested in fully automated production lines for AD domain controllers and intelligent front cameras to ensure large-scale, high-quality deliveries to our customers. At the same time, we continue to optimise our supply chain systems to provide customers with more cost-effective products.

Chairman's Statement

In 2023, China's vehicle exports surged by 57.9% year on year, reaching a record high of 4.91 million units, contributing 55.7% to the growth in total vehicle sales. The export market is also a key focus for the Company. To this end, we established a wholly-owned subsidiary in Germany in 2023 as a part of our efforts to expand presence overseas and achieve complementarity with global vehicle manufacturers, on the basis of active support to the export of domestic vehicle brands. In 2023, following our customers, our products and solutions have got access to Southeast Asia, the Middle East and Europe, and in 2024, we will further expand to North America, Korea, Japan, and other countries, therefore, we are actively planning for a global sales and service network. It is worth mentioning that in February 2024, we assisted one of China's top vehicle companies equipped with our autonomous driving products obtained the EU GSR (General Safety Regulation) certification for the first time, signifying that the products of the Company are fully compliant with the requirements for export to the European Union.

On December 20, 2023, we were successfully listed on the Main Board of the Stock Exchange, making us the first autonomous driving solutions provider listed in Hong Kong. The successful listing greatly helps consolidate the leading position of the Company in the industry and lay a solid foundation for our development in the future. We believe that China's vehicle market will see further growth and more intense competition in 2024, which is an unprecedented development opportunity and challenge for us. We will make constant efforts in the autonomous driving area and provide customers with better experience and cost-effective autonomous driving products and solutions with advanced autonomous driving algorithms, excellent software and hardware integration capabilities and R&D strengths.

On behalf of the Group, I would like to express my heartfelt gratitude to our Shareholders, investors and business partners for their continuous trust and support, and on behalf of the Board of Directors, I would like to thank all our employees for their hard work.

Mr. Song Yang
Chairman of the Board

March 28, 2024

Management Discussion and Analysis

I. MARKET REVIEW

In 2023, both China's vehicle production and sales exceeded 30 million units for the first time, reaching 30.161 million units and 30.094 million units respectively. The production and sales of new energy vehicles were 9.587 million units and 9.495 million units, respectively, representing year-on-year growth of 35.8% and 37.9%, respectively, and the market share achieved rapid growth to 31.6%. Among these, China's vehicle exports surged by 57.9% year-on-year to a record high of 4.91 million units, contributing 55.7% to the growth in total vehicle sales.

The PRC government authorities, including the State Council, the National Development and Reform Commission, the State Administration for Market Regulation and the Ministry of Transport, have issued a series of policies on the industry of autonomous driving and intelligent connected vehicles in recent years, aiming at providing policy and financial encouragement and support for strategic emerging industries at the national level: (i) the PRC government encourages enterprises in the fields of artificial intelligence and internet, etc. to develop into leading enterprises engaged in providing automobile propulsion system solutions; (ii) the PRC government optimized and upgraded digital infrastructure, especially for key emerging fields such as autonomous driving, and provided systematic artificial intelligence services; and (iii) the PRC government will strengthen the research and development of intelligent transport and key special equipment and promote the application of intelligent connected vehicles (such as the intelligent automobile, automatic driving, and coordinated vehicle network). The PRC government regards the autonomous driving and intelligent connected vehicles industry as a national development plan and promotes its continuous development. On November 17, 2023, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of Housing and Urban-Rural Development, and the Ministry of Transport jointly issued Circular on the Pilot Program for the Access and Road Testing of Intelligent Connected Vehicles (《關於開展智能網聯汽車准入和上路通行試點工作的通知》), aiming to further facilitate the improvement of the function and performance of intelligent connected vehicles and the iteration and optimisation of the industrial ecosystem to promote the high-quality development of the intelligent connected vehicle industry. We believe it will make a positive contribution to the acceleration of large-scale commercialisation of advanced autonomous driving technology.

II. BUSINESS REVIEW

The Group is an autonomous driving solution provider in China. Relying on a number of advanced system R&D capabilities such as computing platforms, efficient middleware and artificial intelligence algorithms, the Group provides advanced autonomous driving solutions to customers through efficient integration of software and hardware. We have commercialized level 2 to level 2+ autonomous driving solutions (level 2+ is not an official classification under SAE(1) standard), and are developing level 2 to level 4 autonomous driving solutions for automotive manufacturers (OEMs). Our principal activities include (1) provision of autonomous driving solutions and products; (2) provision of autonomous driving-related R&D services; and (3) sales of printed circuit boards assembly ("**PCBA**") products.

In 2023, with the recovery of the overall domestic economy and benefitted from the further improvement of consumers' awareness and acceptance of autonomous driving passenger vehicles, the market for autonomous driving passenger vehicles has further expanded. The Group keeps an eye on market dynamics, identifies market demand, strengthens product refinement management and provides a wide range of autonomous driving solutions to satisfy customers' different cost and technological requirements. For the year ended December 31, 2023, we delivered more than 130,000 autonomous driving solutions and products to our customers, representing an increase of 58% as compared to 2022.

Management Discussion and Analysis

Autonomous driving solutions and products

In 2023, we generated most of our revenue from the sales of our autonomous driving solutions and products to OEMs, which included autonomous driving domain controllers and intelligent front camera products. We develop autonomous driving solutions and products for OEMs by leveraging core vertically integrated competencies in product design and development, algorithm and function development, system integration and manufacturing, etc.. Our solutions and products for autonomous driving can be installed on both new energy vehicles ("**NEVs**") and internal combustion engine ("**ICE**") vehicles, and are capable of realizing comprehensive autonomous driving functions.

During the year, we generated revenue of approximately RMB1,130,440 thousand (2022: RMB1,252,949 thousand) from the provision of autonomous driving solutions and products, accounting for approximately 92.94% of our total revenue in 2023, of which revenue from the sales of AD domain controllers amounted to approximately RMB1,115,044 thousand (2022: RMB1,249,834 thousand), remaining the largest revenue source of the Company. AD domain controllers function is the brain of autonomous driving solutions – fusing and processing data from the vehicle's sensors to make autonomous driving decisions and trigger actuators in the vehicles. In 2023, revenue from the sales of AD domain controllers represented a decrease of 10.79% as compared to the corresponding period in 2022, mainly due to gradual reduction in the unit price as a result of the Group's strategic adjustment in 2023, while the sales volume of AD domain controllers in 2023 increased significantly compared with that of 2022. In particular, during the year, revenue from iDC Mid, our full-stack, self-developed AD domain controllers, increased significantly from approximately RMB441 thousand in 2022 to approximately RMB13,955 thousand in 2023, which was mainly attributable to the increase in revenue generated from the procurement of iDC Mid by Chery EXEED of approximately RMB12,647 thousand.

During the year, revenue from iFC, our self-developed intelligent front cameras, increased significantly from approximately RMB3,115 thousand in 2022 to approximately RMB15,396 thousand in 2023, which was mainly attributable to the increase in the revenue generated from the procurement by Geely and Dongfeng for their vehicle models.

Autonomous driving-related R&D services

In 2023, we continued to provide autonomous driving-related R&D services to OEMs. Our autonomous driving-related R&D services are primarily focused on three aspects: (i) the development of software and hardware for autonomous driving; (ii) the development of algorithms and functions for autonomous driving; and (iii) functional safety consulting and validation. Our autonomous driving-related R&D services are primarily focused on two areas: (i) proof-of-concept projects. In these projects, OEMs engage us to conduct concept validation for new technology. Leveraging our comprehensive R&D capabilities and utilizing advanced technology, we develop and provide prototypes to OEMs within a short time to conduct concept validation, including proof-of-concept projects involving level 3 or level 4 autonomous driving; and (ii) R&D services in relation to the supply of our autonomous driving solutions. After receiving the letter of nomination, we start providing R&D services to customers, which primarily include R&D of hardware, software, algorithms and autonomous driving functions, as well as implementation, integration, verification and testing services.

Management Discussion and Analysis

During the year, we recorded revenue from the autonomous driving-related R&D services of approximately RMB63,112 thousand (2022: RMB37,956 thousand), representing approximately 5.19% of our total revenue in 2023. The increase in revenue from autonomous driving-related R&D services in 2023 as compared with the corresponding period in 2022 was primarily because we recognize revenue for autonomous driving-related R&D services on project basis.

Sale of PCBA products

In 2023, we continued to be engaged in manufacturing and sales of PCBA products to third parties. Using our two-surface mount technology (SMT) lines, we mount different electronic components on the PCB, such as SoCs, resistors, capacitors, and transmitters to prepare fully usable PCBA based on our customers' specifications.

During the year, we recorded revenue from the sale of PCBA products of approximately RMB22,735 thousand (2022: RMB34,977 thousand), accounting for approximately 1.87% of our total revenue in 2023.

Project acquisition

In 2023, we obtained 16 letters of nomination from well-known OEM customers including, among others, Geely, Great Wall Motor, Chery and Dongfeng, and it is anticipated that we will occupy a larger market share in the future by offering more diverse and cost-effective solutions to OEMs.

R&D progress

In respect of R&D, we have maintained an efficient pace of iteration. In terms of cost and performance, iDC Mid, our full-stack, self-developed AD controller product, has reached an industry-leading level through efficient integration of software and hardware, supporting highway navigate on autopilot ("**NoA**"), home-zone parking, surround view 3D display and other functions, and has been delivered in bulk to the leading domestic vehicle companies since the first quarter of 2023. iDC Mid has obtained letters of nomination in respect of six vehicle models, making it an important new product line of the Company. iDC High, our next-generation AD domain controller, is even stronger in computing. We are deploying a more advanced BEV Transformer algorithm on this platform, which is expected to have a significant improvement in performance and covers more autonomous driving scenarios. iDC High has also obtained letters of nomination from two vehicle companies, including a top vehicle Company in China, and will start series production in 2024. In respect of intellectual property rights, as of the end of 2023, we had applied for 161 invention patents, of which 149 were related to software and algorithms, accounting for 92.55%. We have obtained 42 software copyrights and 34 invention patents, of which 31 are related to software and algorithms.

Overseas layout

The Company established a subsidiary in Germany in October 2023, mainly responsible for customer service, sales and validation of autonomous driving solutions and products in relation to the business of the Company in Europe, to further develop the European market. During the Reporting Period, the subsidiary in Germany had not commenced any substantial business operations. It is worth mentioning that in February 2024, we helped one of China's top vehicle companies equipped with our autonomous driving products obtain the European Union GSR (General Safety Regulation) certification for the first time, signifying that the products of the Company are fully compliant with the requirements for export to the European Union.

Management Discussion and Analysis

III. FINANCIAL REVIEW

Revenue

Revenue for the year ended December 31, 2023 was RMB1,216,287 thousand, representing a decrease of RMB109,595 thousand or 8.27% as compared to that for the corresponding period in 2022. Among which, revenue from sales of autonomous driving solutions and products was RMB1,130,440 thousand, representing a decrease of RMB122,509 thousand or 9.78% as compared to that for the corresponding period in 2022; revenue from rendering of autonomous driving-related R&D services was RMB63,112 thousand, representing an increase of RMB25,156 thousand or 66.28% as compared to that for the corresponding period in 2022; and revenue from sales of PCBA products was RMB22,735 thousand, representing a decrease of RMB12,242 thousand or 35% as compared to that for the corresponding period in 2022.

A substantial portion of the revenue of the Group was generated from sales of autonomous driving solutions and products, accounting for 92.94% of its revenue for the year ended December 31, 2023 (2022: 94.50%). In addition, revenue generated from rendering of autonomous driving-related R&D services accounted for 5.19% of its revenue for the year ended December 31, 2023 (2022: 2.86%), and revenue from sales of PCBA products accounted for 1.87% of its revenue for the year ended December 31, 2023 (2022: 2.64%). Revenue of the Group was mainly derived from our operations in the PRC.

The following table sets forth a breakdown of the Group's revenue and relevant information for the Reporting Period:

	For the year ended December 31,			
	2023		2022	
	Amount ***(RMB'000)***	**Percentage of total revenue**	Amount *(RMB'000)*	Percentage of total revenue
Autonomous driving solutions and products				
– AD domain controller solutions	**1,115,044**	**91.67%**	1,249,834	94.26%
– Intelligent front cameras	**15,396**	**1.27%**	3,115	0.24%
Subtotal	**1,130,440**	**92.94%**	1,252,949	94.50%
Autonomous driving-related R&D services	**63,112**	**5.19%**	37,956	2.86%
Sales of PCBA products	**22,735**	**1.87%**	34,977	2.64%
Total	**1,216,287**	**100.00%**	1,325,882	100.00%

Management Discussion and Analysis

Cost of Sales and Services

Cost of sales and services for the year ended December 31, 2023 was RMB1,095,334 thousand, representing a decrease of RMB119,974 thousand or 9.87% as compared to that for the corresponding period in 2022. Among which, cost of sales of autonomous driving solutions and products for the year ended December 31, 2023 was RMB1,037,343 thousand representing a decrease of RMB122,258 thousand or 10.54% as compared to that for the corresponding period in 2022; cost of rendering of autonomous driving-related R&D services was RMB36,524 thousand, representing an increase of RMB11,797 thousand or 47.71% as compared to that for the corresponding period in 2022; and cost of sales of PCBA products was RMB21,468 thousand, representing a decrease of RMB9,513 thousand or 30.71% as compared to that for the corresponding period in 2022.

Gross Profit and Gross Profit Margin

Gross profit for the year ended December 31, 2023 was RMB120,953 thousand, representing an increase of RMB10,380 thousand or 9.39% as compared to that for the corresponding period in 2022. Of which, gross profit of sales of autonomous driving solutions and products for the year ended December 31, 2023 was RMB93,097 thousand, representing a decrease of RMB251 thousand or 0.27% as compared to that for the corresponding period in 2022; gross profit of rendering of autonomous driving-related R&D services was RMB26,589 thousand, representing an increase of RMB13,360 thousand or 100.99% as compared to that for the corresponding period in 2022; and gross profit of sales of PCBA products was RMB1,267 thousand, representing a decrease of RMB2,729 thousand or 68.30% as compared to that for the corresponding period in 2022.

Gross profit margin for the year ended December 31, 2023 was 9.94% (2022: 8.34%).

Other Income

Other income primarily consists of government subsidies for the Group's R&D expenditures and manufacturing bases. For the year ended December 31, 2023 amounted to RMB7,676 thousand, representing an increase of 62.97% as compared with RMB4,710 thousand for the year ended December 31, 2022. The increase was mainly due to an increase of government grants.

Other Gains/(Losses) – Net

Net other gains/(losses) primarily consist of (i) net fair value gains on financial assets at fair value through profit or loss ("**FVTPL**") in relation to gains from our wealth management; (ii) net foreign exchange losses; (iii) net fair value losses or gains on derivative financial instruments; (iv) net gains or losses on disposals of property, plant and equipment and intangible assets; and (v) others. Net other gains for the year ended December 31, 2023 amounted to RMB5,718 thousand, representing an increase of RMB6,346 thousand as compared with net other losses RMB628 thousand for the year ended December 31, 2022. The increase was mainly due to an increase of fair value gains on financial assets and fair value losses on derivative financial instruments, and a decrease of foreign exchange losses.

Management Discussion and Analysis

Selling Expenses

Selling expenses for the year ended December 31, 2023 amounted to RMB32,277 thousand, representing an increase of 16.6% as compared with RMB27,681 thousand for the year ended December 31, 2022. The increase was mainly attributable to an increase in warranty of RMB6,994 thousand. As a percentage of revenue, the selling expenses increased over the corresponding period of last year from 2.09% for the year ended December 31, 2022 to 2.65% for the year ended December 31, 2023, up by 0.56 percentage point.

Administrative Expenses

Administrative expenses for the year ended December 31, 2023 amounted to RMB83,918 thousand, representing an increase of 102.13% as compared with RMB41,517 thousand for the year ended December 31, 2022. The increase was mainly attributable to an increase in employee benefit expenses of RMB4,830 thousand and an increase in share-based payments to administrative personnel of RMB10,132 thousand, and an increase in listing expenses of RMB27,176 thousand. As a percentage of revenue, the administrative expenses increased over the corresponding period of last year from 3.13% for the year ended December 31, 2022 to 6.90% for the year ended December 31, 2023, up by 3.77 percentage point.

Research and Development Expenses

Research and development expenses for the year ended December 31, 2023 amounted to RMB216,624 thousand, representing an increase of 108.20% as compared with RMB104,047 thousand for the year ended December 31, 2022. The increase was mainly attributable to an increase in employee benefit expenses of RMB55,672 thousand and an increase in share-based payments to R&D personnel of RMB40,149 thousand. As a percentage of revenue, the research and development expense increased over the corresponding period of last year from 7.85% for the year ended December 31, 2022 to 17.81% for the year ended December 31, 2023, up by 9.96 percentage point.

Finance Income

Finance income primarily consists of interest income on cash at bank. Finance income for the year ended December 31, 2023 amounted to RMB3,109 thousand, representing an increase of RMB3,009 thousand as compared with RMB100 thousand for the year ended December 31, 2022.

Finance Costs

Finance costs for the year ended December 31, 2023 amounted to RMB1,346 thousand, representing an decrease of RMB278,823 thousand as compared with RMB280,169 thousand for the year ended December 31, 2022. The decrease was mainly attributable to a decrease of financial cost on financial instruments with preferred rights in connection with the issuance by the Company to Pre-IPO Investors of ordinary shares in Pre-IPO financings that conferred certain preferred rights, including redemption rights, upon such Pre-IPO Investors. The Company and the related Pre-IPO Investors have mutually agreed to terminate such preferred rights in 2022, resulting in decreases in financial cost on financial instruments with preferred rights at amortized cost.

Loss Before Tax

As a result of the foregoing, loss before tax for the year ended December 31, 2023 amounted to RMB195,108 thousand, representing a decrease of 43.01% as compared with RMB342,376 thousand for the year ended December 31, 2022.

Management Discussion and Analysis

Loss for the Year

As a result of the foregoing, loss for the year ended December 31, 2023 amounted to RMB195,108 thousand, representing a decrease of 43.01% as compared with RMB342,376 thousand for the year ended December 31, 2022.

Loss for the Year Attributable to the Equity Holders of the Company

For the year ended December 31, 2023, loss for the year attributable to owners of the parent amounted to RMB195,100 thousand, representing a decrease of 43.02% as compared with RMB342,376 thousand for the year ended December 31, 2022.

IV. LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

For the year ended December 31, 2023, the Group's net cash outflow generated from operating activities was RMB261,790 thousand, as compared with RMB65,567 thousand of its net cash outflow generated from operating activities for the year ended December 31, 2022. The net cash outflow of operating activities increased by RMB196,223 thousand year on year.

For the year ended December 31, 2023, the Group's net cash outflow of investing activities was RMB118,335 thousand, as compared with RMB41,439 thousand of its net cash inflow generated from investing activities for the year ended December 31, 2022. During the Reporting Period, the net cash outflow of investing activities was mainly attributable to payment for construction project and financial assets at FVTPL.

For the year ended December 31, 2023, the Group's net cash inflow generated from financing activities was RMB736,483 thousand, as compared with RMB355,909 thousand of its net cash inflow of financing activities for the year ended December 31, 2022. The increase in net cash inflow of financing activities was mainly attributable to proceeds from issuance of H shares upon Global Offering of the Company ("**Global Offering**").

Net Current Assets

As at December 31, 2023, the Group's net current assets amounted to RMB998,432 thousand, as compared to its net current assets of RMB583,050 thousand as at December 31, 2022.

Inventories

The Group's inventories consist of (i) raw materials; (ii) semi-finished goods; (iii) work in progress; and (iv) finished goods. As at December 31, 2023, the Group's inventories amounted to RMB256,017 thousand, representing a decrease of 5.87% as compared with RMB271,974 thousand for the year ended December 31, 2022. The decrease was mainly attributable to finished goods decrease of RMB181,703 thousand in inventories, due to the recognition of cost of sales for the delivered finished goods.

In 2023, the Group's average inventory turnover days (The average inventory turnover days are calculated by dividing the average of opening and ending balance of inventories by cost of sales for that year and multiplying by 360 days.) were 87 days, representing an increase as compared with 82 days in 2022, mainly attributable to the lower cost of sales in 2023.

Management Discussion and Analysis

Borrowings

As at December 31, 2023, the Group's borrowings were RMB225,657 thousand, representing an increase of 360.49% as compared with RMB49,004 thousand as at December 31, 2022. All the Group's bank loans and other borrowings are denominated in Renminbi and US dollars.

The following table sets forth the Group's bank borrowings and other loans as at the dates indicated:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Borrowings included in non-current liabilities:		
Secured		
Bank borrowings	**24,159**	–
Borrowings included in current liabilities:		
Unsecured		
Bank borrowings	**140,967**	–
Other loans	**35,414**	48,857
Bills payable	**24,933**	–
Interest payables	**184**	147
	201,498	49,004
Total borrowings	**225,657**	49,004

Gearing Ratio

As at December 31, 2023, the gearing ratio, which is calculated as net debt divided by total capital, is not applicable due to net cash position (2022: not applicable).

Pledge of Assets

The Group has pledged its land use rights with carrying amounts of approximately RMB31,659 thousand to bank as the security for the long-term bank borrowings of RMB24,159 thousand as at December 31, 2023.

Management Discussion and Analysis

Capital Expenditures and Investment

The Group's capital expenditures comprise primarily expenditures on land use rights, property, plant and equipment and intangible assets. For the year ended December 31, 2023, the Group's total capital expenditures were RMB84,322 thousand, representing an increase of 225.03% as compared with RMB25,943 thousand for the year ended December 31, 2022.

Treasury Policies and Exposure to Fluctuation in Exchange Rates

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are cash and cash equivalents, trade receivables and trade payables denominated in HKD, USD and EUR. The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB and net investment in foreign operations.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. Cash repatriation from the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Additionally, the Group enters into foreign exchange options contract to mitigate the foreign exchange risk. The Group did not have other significant exposure to foreign exchange risk.

Contingent Liabilities

As at December 31, 2023, the Group did not have any contingent liabilities.

Staff Cost and Employee Remuneration Policy

As at December 31, 2023, the Group had 380 employees (as at December 31, 2022: 331 employees). Staff cost of the Group increased by 59.89% from RMB154,971 thousand for the year ended December 31, 2022 to RMB247,782 thousand for the year ended December 31, 2023, mainly attributable to the expansion of R&D team and an increase in share-based payments.

We are committed to establishing a competitive and fair remuneration. In order to effectively motivate our employees, we continually refine our remuneration and incentive policies through market research. We conduct annual performance evaluation for our employees to provide feedback on their performance. Compensation for our staff typically consists of base salary and a performance-based bonus. An employee incentive scheme was also established for the benefit of our Directors, Supervisors, senior management and core employees as remuneration for their services provided to us and to incentivize and reward the eligible persons who have contributed to the success of our Company. For details of the employee incentive scheme, please refer to the section headed "Employee Incentive Scheme" contained in this annual report.

Management Discussion and Analysis

V. SIGNIFICANT INVESTMENTS

For the year ended December 31, 2023, the Group did not have any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as of December 31, 2023). As of December 31, 2023, save as disclosed in the section headed "Use of Proceeds from the Global Offering" in this annual report, the Group did not have other future plans for material investments and capital assets.

VI. MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions or disposal of subsidiaries, associates and joint ventures during the Reporting Period.

VII. FUTURE STRATEGY AND PROSPECTS

Generally, China is still actively promoting the development of intelligent connected vehicles. The release of Circular on the Pilot Program for the Access and Road Testing of Intelligent Connected Vehicles marks the official entry of L3/L4 autonomous driving into the pilot stage, which will promote the industrialization of L3/L4 autonomous driving and help the industry to advance towards the large-scale series production of L3/L4. New energy vehicles are expected to maintain a high growth rate, and the continuous upgrading and iteration of electrification and intelligence will bring better experience to users. Meanwhile, vehicles are shifting from a traditional means of transport to a third living space, all of which will help to improve customers' desire to buy.

The products and brand power of local vehicle enterprises have been improved continuously and received high recognition from domestic and overseas end-users, the export of which, therefore, is projected to increase notably. The end customers' awareness is becoming more comprehensive and acceptance of autonomous driving is getting higher, there is a growing demand for autonomous driving; especially for new-energy vehicles, the autonomous driving function is becoming an integral part reflective of its intelligence.

Continue to pioneer the large-scale commercialization of autonomous driving solutions and products

We will continuously optimise and refine our existing product lines, and expand our in-house manufacturing capacity to reinforce our business expansion; and provide more cost-effective solutions and products to our customers through technological advancement and supply chain optimisation.

Management Discussion and Analysis

Increase our R&D investment to solidify our leading position

The Company focuses on delivering large-scale commercial autonomous driving solutions to the market. Through the development and integration of many technologies and systems such as multi-sensor data perception fusion technology, decision-making and planning technology, control and execution technology, positioning technology, human-computer interaction scheme and simulation system, we endow autonomous driving hardware products and vehicles with intelligent driving capability. At present, we have independently developed core algorithms, middleware and cloud platforms. In the future, we will continue to optimize software, improve technical barriers and cost performance of solutions, and continuously optimize the core competitiveness of our products. In terms of algorithms, we are deploying the BEV Transformer, which will enter serial production in 2024. We will enhance our self-developed middleware to make it more automatic and programmatic, and provide a more user-friendly interface for more third-party developers. In terms of computing platforms, we will develop a new-generation of computing frameworks that are compatible with our algorithm iterations in order to achieve a seamless integration of hardware and software. Meanwhile, we will invest in the R&D of integrated cockpit-driving platform and vehicle central computing platform.

Continue to deepen, expand, and diversify our OEM customer base

We will deepen our cooperation with existing customers and strive to expand our products and solutions to more vehicle models. Meanwhile, we will continue to increase the size of our sales and marketing teams to achieve breakthroughs in key potential customers. In addition, we will work with our strategic partners to expand our OEM customer base.

Enhance our value chain integration capabilities

We will continue to cooperate with existing international first-class system-on chips ("**SoC**") suppliers, and actively establish cooperation with domestic automotive-grade SoC suppliers. We intend to deepen our cooperation with sensor suppliers to create modular solutions to shorten the development cycle and enhance the adaptability of our solutions. In addition, we plan to strengthen our vertical integration capabilities through mergers and acquisitions of quality companies that can create synergies.

Build an international brand with a global presence

We will adhere to our overseas expansion strategy by serving Chinese OEMs' overseas business on the one hand, and actively developing international customers on the other. In 2024, our products and solutions will follow our customers to North America, Korea, Japan and other countries, and we are therefore actively planning for a global sales and service network. In addition, we will leverage the resources provided by our strategic overseas shareholders, such as HL Klemove, to explore new overseas business opportunities and establish more international strategic alliances.

Actively explore more diversified business models

Our current solutions focus primarily on autonomous driving of passenger vehicles. In addition, there are also broad application prospects for autonomous driving solutions in special scenarios such as public transportation, freight logistics, agricultural machinery, industry and warehousing, mines and ports, which can help improve transportation efficiency, reduce injuries and lower costs. The Company will actively explore business opportunities in these business fields.

Biographies of Directors, Supervisors, Senior Management and Company Secretaries

DIRECTORS

Executive Directors

Mr. SONG Yang (宋陽), aged 49, first joined our Group in March 2017 as a Director and was re-designated as an executive Director with effect from December 20, 2023. Mr. SONG is primarily responsible for the overall strategic planning and business direction of our Group. Mr. SONG currently also serves as a director and general manager at each subsidiary of our Group.

Mr. SONG is a seasoned veteran in the automotive industry with almost 20 years of experience spanning senior leadership positions with both domestic and localized international market-leading automotive brands. Before joining in our Company, Mr. SONG had successively served at a leading global supplier of automotive parts, as a senior engineer of passive safety engineering department at automotive electronics division, a section manager of passive safety engineering department at chassis systems control division, and the department manager of advanced driver assistance engineering department at chassis systems control division in Bosch Automotive Products (Suzhou) Co., Ltd. (博世汽車部件(蘇州)有限公司) ("**Bosch Automotive**", a subsidiary of Robert Bosch GmbH) from July 2004 to July 2014, and the general manager at KSS Automotive Active Safety System (Suzhou) Co., Ltd. (百利得汽車主動安全系統(蘇州)有限公司) ("**KSS Automotive**") from September 2014 to October 2016, which was a subsidiary of Ningbo Joyson Electronic Corp. (寧波均勝電子股份有限公司), a leading mobility safety company listed on the Shanghai Stock Exchange (stock code: 600699).

Mr. SONG obtained his bachelor's degree in mechanical and electrical engineering from Beijing Institute of Machinery Industry (北京機械工業學院) in the PRC in July 1996. He further obtained his master's degree in electronic and information engineering from the University of Science and Technology of China (中國科學技術大學) in the PRC in December 2005.

Mr. LU Yukun (盧玉坤), aged 42, first joined our Group in September 2017 as our chief technology officer and was appointed as a Director in August 2018 and also re-designated as an executive Director with effect from December 20, 2023. Mr. LU is primarily responsible for the overall technology strategy and the R&D of the technology infrastructure of our Group. Mr. LU also serves as a supervisor of iMotion Electronics Technology (Suzhou) Co., Ltd. (知辛電子科技(蘇州)有限公司) ("**iMotion Electronics**"), a wholly-owned subsidiary of our Company since June 2018.

As a R&D specialist, Mr. LU brings with him more than 17 years of extensive experience in the automotive industry and more specifically in technology development. Prior to joining our Group, Mr. LU worked at Bosch Automotive with his last position as the manager of the R&D division from March 2006 to December 2014, where he was primarily responsible for the R&D of automotive passive safety technology and driving assistance system. He also had successively served as the engineering manager of the R&D division at KSS Automotive from January 2015 to August 2016, as well as the deputy engineering director of innovation and new ventures at Nexteer Automotive (Suzhou) Co., Ltd. (耐世特汽車系統(蘇州)有限公司) from September 2016 to August 2017, where he was primarily responsible for the R&D of autonomous driving technology.

Mr. LU obtained his bachelor's degree in information engineering from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in June 2004. He further obtained a master's degree in signal processing and communications from the University of Edinburgh in the United Kingdom in November 2005.

Biographies of Directors, Supervisors, Senior Management and Company Secretaries

Mr. LI Shuangjiang (李雙江), aged 39, first joined our Group in April 2017 as a director of software development and was then promoted to vice president of the Company in April 2018. He was appointed as a Director in October 2017 and re-designated as an executive Director with effect from December 20, 2023. Mr. LI is primarily responsible for the overall management of the R&D of our Group with a focus on application and testing.Mr. LI also serves as the supervisor at Changshu iMotion Automotive Technology (Changshu) Co., Ltd. (知行汽車科技(常熟)有限公司), a wholly-owned subsidiary of our Company since December 2017.

Mr. LI has approximately 14 years of experience in the automobile industry in terms of software development, artificial intelligence technology and machine learning and more than ten years of experience in autonomous driving industry. Prior to joining our Group, Mr. LI worked at the Bosch Automotive with the last position as the manager of the software division from April 2009 to April 2015, and then served as the manager of the automotive active safety division at KSS Automotive from April 2015 to April 2017, where he was primarily responsible for the R&D of autonomous driving software and intelligent front camera related software.

Mr. LI obtained both his bachelor's degree in hydraulic and hydro-power engineering and his master's degree in system analysis and integration from Huazhong University of Science and Technology (華中科技大學) in the PRC, in June 2006 and March 2009, respectively.

Non-executive Directors

Mr. LI Chengsheng (李程晟), aged 36, first joined our Group in August 2018 as a Director. He was redesignated as a non-executive Director with effect from December 20, 2023. Mr. LI is primarily responsible for providing guidance and advice on the corporate and business strategies to our Board.

Mr. LI served as an investment manager of Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) from May 2013 to March 2016, and then joined Shenzhen Guozhong Venture Capital Management Co., Ltd. (深圳國中創業投資管理有限公司) in June 2016 and is latest serving as an executive director (執行總經理), a position in which he was charged with investment management in electronic information and artificial intelligence areas. He served as a supervisor of Suzhou Oriental Semiconductor Company Limited (蘇州東微半導體股份有限公司) from March 2017 to December 2023. Mr. LI currently also serves as a supervisor of Shanghai Slamtec Co., Ltd (上海思嵐科技有限公司); a director of Anhui Vorbafer Electronic Technology Co., Ltd. (安徽沃巴弗電子科技有限公司); a director of Zhejiang Laifual Drive Co., Ltd (浙江來福諧波傳動股份有限公司); a director of Suzhou CalmCar Electronic Technology Co., Ltd. (蘇州天瞳威視電子科技有限公司); a director of Shenzhen Deepcamera Information Technology Co., Ltd. (深圳神目信息技術有限公司); and a director of Guangzhou Perception Vision Medical Technology Co., Ltd. (廣州柏視醫療科技有限公司).

Mr. LI obtained his bachelor's degree in mechatronic engineering from Beijing Institute of Technology (北京理工大學) in the PRC in June 2009. He further obtained master's degree in electrical engineering from New York University in the U.S. in May 2012.

Biographies of Directors, Supervisors, Senior Management and Company Secretaries

Mr. TAO Zhixin (陶志新), aged 54, first joined our Group in November 2022 as a Director. He was redesignated as a non-executive Director with effect from December 20, 2023. He is primarily responsible for providing guidance and advice on the corporate and business strategies to our Board.

Mr. TAO has been serving as the vice president of the sales and marketing of HL Klemove Electronics (Suzhou) Co., Ltd. (漢拿科鋭動電子(蘇州)有限公司) since December 2021, in charge of the overall sales and marketing affairs. From June 2019 to May 2021, Mr. TAO worked as the deputy general manager of the intelligent network automotive solutions group at Hubei ECARX Technology Company Limited Shanghai branch (湖北億咖通科技有限公司上海分公司), a branch of full-stack automotive computing platform enterprise listed on the NASDAQ (ticker symbol: ECX). Prior to that, Mr. TAO worked for Delphi (China) Technical Center Co., Ltd. (德爾福(中國)科技研發中心有限公司) (currently Aptiv (China) Technical Center Co., Ltd. (安波福(中國)科技研發有限公司)) from December 2007 to April 2019.

Mr. TAO obtained his bachelor's degree in computer application from Chongqing Institute of Architecture and Civil Engineering (重慶建築工程學院) (currently Chongqing University (重慶大學)) in the PRC in July 1990. He further obtained his master's degree in computer application from Southwest Jiaotong University (西南交通大學) in the PRC in June 1996.

Mr. YANG Yuankui (楊元奎), aged 36, first joined our Group in March 2023 as a Director. He was redesignated as a non-executive Director with effect from December 20, 2023. He is primarily responsible for providing guidance and advice on the corporate and business strategies to our Board.

Mr. YANG has been serving as an executive president (執行總監) of investment department II at Chengtong Mixed Reform Private Equity Management Co., Ltd. (誠通混改私募基金管理有限公司) since December 2021, where he is primarily responsible for the equity investment and industry research across automobiles and intelligent manufacturing enterprises. Prior to that, Mr. YANG served as a vice president of growth enterprise financing department in Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司) from January 2019 to November 2021, responsible for the investment and financing services and industry research for automobiles and intelligent manufacturing sectors.

Mr. YANG obtained his bachelor's degree in electrical and electronic engineering from Imperial College London in the United Kingdom in August 2012. He further obtained his master's degree in facility and environment management from University College London in the United Kingdom in November 2013.

Independent Non-executive Directors

Dr. ZHANG Weigong (張為公), aged 64, first joined our Group in November 2022 as an independent Director. He was redesignated as an independent non-executive Director with effect from December 20, 2023. He is primarily responsible for providing independent judgment to our Board.

Since the nineties, Dr. ZHANG has been engaged in scientific research in the direction of automotive electronics and measurement and control technology. He is currently a professor and doctoral tutor at Southeast University (東南大學), as well as the head of key laboratory of automotive electronics and intelligent transportation in Suzhou City.

Biographies of Directors, Supervisors, Senior Management and Company Secretaries

Dr. ZHANG obtained his bachelor's degree from the Nanjing Aviation College (currently Nanjing University of Aeronautics and Astronautics (南京航空航天大學)) in January 1982. He further obtained his doctor's degree in precision instruments and machinery from Southeast University in the PRC in October 2001. Dr. ZHANG also earned multiples awards and esteemed recognitions, such as (i) selected as a cultivation target of middle-aged and young academic leader of "Qinglan Project (青藍工程)" in 2004; and (ii) honored Suzhou Science and Technology Cooperation Contribution Award (蘇州市科技合作貢獻獎) in 2008.

Mr. LIU Yong (劉勇), aged 56, first joined our Group in November 2022 as an independent Director. He was redesignated as an independent non-executive Director with effect from December 20, 2023. He is primarily responsible for providing independent judgment to our Board.

Mr. LIU has been serving as a partner of Gongzheng Tianye Certified Public Accountants (Special General Partnership) (公證天業會計師事務所(特殊普通合夥)) since September 2013. Mr. LIU was accredited as a certified practicing accountant by the Chinese Institute of Certified Public Accountants in June 1994 and accumulated extensive experience in the accounting profession. Mr. LIU serves as an independent director at Suzhou Jcon Building Technology Co., Ltd. (蘇州旭傑建築科技股份有限公司); an independent director at China-Singapore Suzhou Industrial Park Development Group Co., Ltd. (中新蘇州工業園區開發集團股份有限公司); an independent director at Kuaijishan Shaoxing Rice Wine Co., Ltd. (會稽山紹興酒股份有限公司); an independent director at Meinian Onehealth Healthcare Holdings Co., Ltd. (美年大健康產業控股股份有限公司); an independent director at Imeik Technology Development Co., Ltd. (愛美客技術發展股份有限公司); and an independent director at Shenzhen Sinovatio Technology Co., Ltd. (深圳市中新賽克科技股份有限公司).

Mr. LIU obtained his bachelor's degree in enterprise management from Nanjing University (南京大學) in the PRC in April 1994. He further obtained his master's degree in business administration from China Europe International Business School (中歐國際工商管理學院) in the PRC in September 2008. Mr. LIU is also a Chinese Certified Asset Appraiser and Chinese Certified Real Estate Appraiser.

Ms. XUE, Rui Shirley (薛睿), aged 39, was appointed as an independent non-executive Director with effect from December 20, 2023. She is primarily responsible for providing independent judgment to our Board.

Since February 2022, Ms. XUE has been a managing director (董事總經理) at Aurora Capital Partners (朝暉資本), a tech-focused early stage venture investment fund specializing in advanced manufacturing, semiconductor and biotech industries, in charge of early stage equity investment and investor relations matters. Prior to this, Ms. XUE gained extensive experience in both financial management and corporate strategies through holding a series of management positions in TMT enterprises, including the chief financial officer of Soulgate Hong Kong Limited from November 2020 to November 2021 and an assistant general manager in mergers and acquisitions, finance and portfolio management at Tencent Holdings Limited, a technology company listed on the Stock Exchange (stock code: 700), from August 2017 to November 2020. Ms. XUE's early career was with Deutsche Bank AG, where she held key senior roles including the head of China TMT coverage, responsible for advising clients on fund raising and merger and acquisition activities covering TMT sectors in Greater China.

Ms. XUE obtained her bachelor of arts from the University of Pennsylvania in the United States in May 2006. She further obtained her master's degree in business administration from China Europe International Business School in the PRC in June 2022. Ms. XUE is a fellow member of CPA Australia.

Biographies of Directors, Supervisors, Senior Management and Company Secretaries

SUPERVISORS

Mr. LUO Hong (羅紅), aged 38, first joined our Company in May 2017 and was appointed as a Supervisor on August 31, 2018. He was elected as the chairman of the board of Supervisors in November 2022. He is primarily responsible for supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor. Mr. LUO also served and has been serving various positions within our Group, including (i) the director of hardware development in the Company from May 2017 to August 2019; (ii) the platform project director in the Company from September 2019 to February 2022; (iii) the senior system director in the Company since March 2022; and (iv) a director of iMotion Electronics since June 2018.

Mr. LUO is a skilled engineer in electronic hardware development with over 10 years of experiences. Prior to joining our Group, Mr. LUO was a senior hardware engineer at KSS Automotive, a position he held from September 2015 to April 2017. In this role, he led the automotive electronic hardware team, spearheading the development of hardware and technology platforms. From September 2011 to September 2015, Mr. LUO served as a hardware engineer at Bosch Automotive, where he was primarily responsible for the design and production of automotive electronic hardware.

Mr. LUO obtained his bachelor's degree in automation from Chengdu University (成都大學) in the PRC in July 2009.

Mr. ZHU Qinghua (朱慶華), aged 43, first joined our Company in May 2018 and was appointed as a Supervisor on November 17, 2022. He is primarily responsible for supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor. Mr. ZHU also served and has been serving various positions within our Group, including (i) a Director from June 2020 to November 2022; (ii) the director of sales in the Company from May 2018 to February 2021; (iii) the senior director of sales in the Company from March 2021 to August 2022; (iv) a vice president of the Company responsible for sales since September 2022; and (v) a supervisor of Shanghai Aimoxing Automobile Technology Co., Ltd. (上海艾摩星汽車科技有限公司), a wholly-owned subsidiary of our Company since September 2021.

Prior to joining our Group, from August 2015 to April 2018, Mr. ZHU served as a senior manager of Roechling Automotive Parts (Kunshan) Co., Ltd. (勞士領汽車配件(昆山)有限公司), overseeing the management of business development. Before his sales roles, Mr. ZHU has accumulated practical experience for over 12 years in the development of automotive electronics, which was testified by his previous positions, including being a senior project engineer at Bosch Automotive from May 2008 to July 2015, overseeing the development of automotive electronic parts, being a design engineer at Marelli Power Systems (Shanghai) Co., Ltd. (馬瑞利動力系統(上海)有限公司) (currently Marelli (China) Co., Ltd. (馬瑞利(中國)有限公司)) from September 2006, and being an designer at Chery Automobile Co., Ltd. (奇瑞汽車股份有限公司) from December 2003 to June 2006.

Mr. ZHU obtained his bachelor's degree in thermal and dynamic engineering from Wuhan University of Technology (武漢理工大學) in the PRC in June 2003.

Biographies of Directors, Supervisors, Senior Management and Company Secretaries

Mr. WANG Bingjie (汪冰潔), aged 36, first joined our Company in June 2017 and has been appointed as a Supervisor on November 17, 2022. He is primarily responsible for supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor.

Mr. WANG also served and has been serving various senior positions within our Group, including (i) a senior hardware engineer in the Company from June 2017 to January 2019; (ii) a director hardware engineer from February 2019 to May 2020; and (iii) the director of hardware in our Company since June 2020. Prior to joining our Group, Mr. WANG had served as a senior hardware engineer at KSS Automotive from May 2015 to June 2017, where he worked on the hardware design, development and management of ADAS. Previously, Mr. WANG worked at ASUS Technology (Suzhou) Co., Ltd. (華碩科技(蘇州)有限公司) from July 2008 to May 2015.

Mr. WANG obtained his bachelor's degree in biomedical engineering from Hefei University of Technology (合肥工業大學) in the PRC in June 2008.

SENIOR MANAGEMENT

Mr. SONG Yang (宋陽), aged 49, was appointed as the chief executive officer of the Group on April 1, 2017. See "DIRECTORS – Executive Directors" of this section for profile of Mr. SONG Yang.

Mr. LU Yukun (盧玉坤), aged 42, was appointed as the chief technology officer of the Group on September 1, 2017. See "DIRECTORS – Executive Directors" of this section for profile of Mr. LU Yukun.

Mr. LI Shuangjiang (李雙江), aged 39, was appointed as the vice president of the Group on April 1, 2018. See "DIRECTORS – Executive Directors" of this section for profile of Mr. LI Shuangjiang.

Ms. LIU Fang (劉芳), aged 41, was appointed as the chief financial officer of our Company on September 1, 2022. She is primarily responsible for overseeing the finance and investment of our Group.

Ms. LIU is a multifaceted finance executive with years of experience in financial management, investment and business operations as well as over five years of experience in new energy vehicle related industry. Prior to joining our Group, from November 2017 to August 2022, Ms. LIU served in several senior roles at EKontrol Co., Ltd. (凱博易控車輛科技(蘇州)股份有限公司), a high-tech company focusing on providing premium products and total solutions for new energy commercial vehicle driving systems, including the investment vice president and chief financial officer, where she was primarily responsible for the overall management of financial affairs.

Ms. LIU obtained her bachelor's degree in accounting from University of International Business and Economics (對外經濟貿易大學) in the PRC in July 2005. Ms. LIU has also been a PRC certified public accountant in Jiangsu Institute of Certified Public Accountants (江蘇省註冊會計師協會).

Biographies of Directors, Supervisors, Senior Management and Company Secretaries

COMPANY SECRETARIES

Ms. LIU Fang (劉芳), was appointed on March 9, 2023 as a joint company secretary of our Company. See “Senior Management” of this section for profile of Ms. LIU Fang.

Mr. CHUNG Ming Fai (鍾明輝), was appointed on March 9, 2023 as a joint company secretary of our Company. He has over 19 years of experience in corporate secretary, mergers and acquisitions, financial reporting and auditing. Mr. CHUNG is a vice president of SWCS Corporate Services Group (Hong Kong) Limited, and is mainly responsible for managing the company secretarial and compliance work for companies listed on the Stock Exchange.

Mr. CHUNG is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He obtained his bachelor’s degree in commerce from the Australian National University in December 2003.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE OF THE COMPANY

The Company was listed on the Stock Exchange on December 20, 2023 and the CG Code was not applicable to the Company before the Listing Date.

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. After Listing, the Company has adopted the CG Code as its own code of corporate governance. Save as disclosed in this annual report, the Company has complied with all applicable code provisions under the CG Code for the period from the Listing Date to the date of this annual report. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Corporate Governance Culture

A healthy corporate culture across the Group is integral to attaining its vision and strategy. The Company is committed to ensuring that its affairs are conducted in accordance with good corporate governance practices, which seek to ensure that overall business risk of the Group is assessed and managed appropriately and sustainable returns can be delivered to its shareholders. The Board is committed towards lawful, ethical and responsible operation of our business to achieve our core corporate mission "Smart Mobility For Everyone" (人人擁有智能出行) and our vision "Most Trustworthy Smart Mobility Partner" (最值得信賴的智能出行合作夥伴). In order to promote honesty-based and win-win cooperation in the operating environment, the Company has designed and adopted strict internal procedures to ensure the compliance of its business operations with the relevant rules and regulations. The CG code published by the Stock Exchange sets out the principles of good corporate governance, and the Group manages its corporate affairs (such as its board composition, audit, internal control and risk management) in accordance with such principles. The Company implemented strict internal procedures with respect to anti-bribery, anti-corruption and anti-fraud which enables the Company to improve long-term sustainable performance. This corporate governance report provides a channel through which Shareholders may evaluate how the Group has applied such principles to its business.

BOARD COMPOSITION

The composition of the Board as at the date of this annual report is as follows:

Executive Directors

Mr. SONG Yang
Mr. LU Yukun
Mr. LI Shuangjiang

Non-executive Directors

Mr. LI Chengsheng
Mr. TAO Zhixin
Mr. YANG Yuankui

Independent Non-executive Directors

Dr. ZHANG Weigong
Mr. LIU Yong
Ms. XUE, Rui Shirley

Corporate Governance Report

The Board considers that the composition of the Board provides a strong independent element with a balance of skills, experience and diversity of perspectives appropriate for the requirements of the business of the Company.

Save as disclosed in the biographies of the Directors as set out in the section headed "BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARIES" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors, Supervisors or senior management.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration and Appraisal Committee, and the Nomination Committee.

As regards the code provision under the CG Code requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

BOARD OF DIRECTORS' RESPONSIBILITIES AND DELEGATION OF AUTHORITY

The Board is responsible for the leadership and control of the Company, directing and supervising the affairs of the Company and acting in the best interests of the Company and its Shareholders.

The Board recognizes that corporate governance should be the collective responsibility of Directors which include: (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of Directors and senior management of the Company; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense to assist them perform their duties to the Company and are encouraged to access and to consult with the Company's senior management independently. The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

MECHANISMS FOR THE BOARD TO OBTAIN INDEPENDENT VIEWS AND OPINIONS

The Board reviewed and considered that the following key features or mechanisms under Company's governance structure are effective in ensuring that independent views and inputs are provided to the Board:

- **Composition of the Board:** Throughout the period from the Listing Date to December 31, 2023, the Board had at all times complied with Rules 3.10 and 3.10A of the Listing Rules. The Company has three independent non-executive Directors, representing more than one-third of the Board. At least one of the independent non-executive Directors possesses appropriate professional qualifications or accounting or related financial management expertise.

- **Independence assessment:** Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

- **Board decision-making:** A Director who has a material interest in any transaction, contract or arrangement shall not vote (nor shall be counted in the quorum) on any Board resolution approving the same. If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, such matter shall be dealt with in a Board meeting rather than by a written resolution.

- **Communication between the Chairman and the independent non-executive Directors:** The Chairman of the Board values communication with the independent non-executive Directors highly and holds meetings with them at least once each year without the presence of other Directors.

- **Remuneration of independent non-executive Directors:** Independent non-executive Directors receive fixed fees for their role as members of the Board and Board committees. No equity-based compensation with performance-related elements is granted to the independent non-executive Directors to avoid potential bias in their decision-making or compromise to their objectivity and independence.

- **Board evaluation:** The Board assesses and reviews the time contributed by each independent non-executive Director and their attendance at Board and Board committee meetings, so as to ensure that every independent non-executive Director has devoted sufficient time to the Board to discharge his responsibilities as a Director of the Company.

- **Professional advice:** To facilitate proper discharge of their duties, all Directors are entitled to seek advice from the company secretary or the in-house legal team as well as from independent professional advisers at the Company's expense.

The Company has established formal and informal channels of communication to ensure that independent views and inputs are available to the Board. Our Articles of Association and the terms of references of various board committee have set out a formal framework to ensure that the independent non-executive Directors remain independent and free to express their views, and their views are systematically considered by the Board. The executive Directors and the chairman also engage regularly and directly with the independent non-executive Directors to receive their independent views and inputs in a relation to a wide variety of matters.

Corporate Governance Report

BOARD MEETINGS

During the Reporting Period, a total of 6 Board meetings were held (of which all of them were held prior to the Listing Date). The attendance records of each of the Directors at Board meetings is set out below:

Name of Directors	Attendance/ No. of meetings held	Attendance rate (%)
Executive Directors		
Mr. SONG Yang	6/6	100
Mr. LU Yukun	6/6	100
Mr. LI Shuangjiang	6/6	100
Non-Executive Directors		
Mr. LI Chengsheng	6/6	100
Mr. TAO Zhixin	6/6	100
Mr. YANG Yuankui	3/3	100
Independent Non-Executive Directors		
Dr. ZHANG Weigong	6/6	100
Mr. LIU Yong	6/6	100
Ms. XUE, Rui Shirley *(note)*	–	–

Note: The appointment of Ms. Xue, Rui Shirley became effective on the Listing Date, and all Board meetings as set forth above were held before the Listing Date, as such, Ms. Xue, Rui Shirley did not attend the Board meetings.

Since the Company was only listed on the Main Board of the Stock Exchange on December 20, 2023, no meeting was held among the chairman of the Board and independent non-executive Directors without the presence of executive Directors during the Reporting Period.

GENERAL MEETING

Due to the fact that the Company was listed on December 20, 2023, no general meeting was held during the period from the Listing Date to the date of this annual report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into a service contract or letter of appointment with the Company for a fixed term of three years commencing from the respective appointment date until the date of convening the Shareholders' meeting to elect directors at the expiry of that session.

Directors shall be elected or replaced at the Shareholders' general meetings to hold for a term of three years. Upon maturity of the term of office, a Director shall be eligible to offer himself/herself for re-election and re-appointment. A Director may resign before expiry of his/her term of service by a written resignation notice to the Board. If number of the member of Directors falls below the minimum statutory requirement due to a Director's resignation, the former Directors shall still perform their duties as Directors in accordance with the requirements of the laws, administrative regulations, departmental rules and the Articles of Association until an elected Director assumes his/her office.

Corporate Governance Report

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

CONTINUING PROFESSIONAL DEVELOPMENT FOR DIRECTORS

On appointment to the Board, each Director received a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly updated and apprised of the amendments to or updates on the relevant laws, rules, regulations and guidelines, particularly the effects of such new or amended laws, rules, regulations and guidelines on Directors specifically, and the Company and the Group generally.

On an ongoing basis, Directors are encouraged to keep up-to-date on all matters relevant to the Group and to attend briefings, seminars and relevant training courses as appropriate. The Directors are requested to provide the Company with their respective training record pursuant to the requirement of the CG Code on continuous professional development.

The training records of the Directors up to date of this annual report are summarized as follows:

Name of Directors	Nature of continuous professional development programs *(Note)*
Executive Directors	
Mr. SONG Yang	A&B
Mr. LU Yukun	A&B
Mr. LI Shuangjiang	A&B
Non-Executive Directors	
Mr. LI Chengsheng	A&B
Mr. TAO Zhixin	A&B
Mr. YANG Yuankui	A&B
Independent Non-Executive Directors	
Dr. ZHANG Weigong	A&B
Mr. LIU Yong	A&B
Ms. XUE, Rui Shirley	A&B

Notes:

A. Participating in the training offered by the law firm and related to the Company's business
B. Reading materials on a variety of topics, including corporate governance issues, Directors' duties, Listing Rules and other relevant laws

Corporate Governance Report

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company for the year ended December 31, 2023, which give a true and fair view of the affairs of the Group and the Company and of the Group's financial results and cash flows. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements. The senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

Corporate Governance Report

BOARD DIVERSITY POLICY

Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. In order to enhance the effectiveness of our Board and maintain a high standard of corporate governance, we have adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the Board Diversity Policy, we seek to achieve the diversity on the Board through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, educational background, ethnicity and length of service. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time. All Board appointments will be made based on meritocracy, and candidates will be evaluated against objective criteria, with due regard to the benefits of diversity on our Board.

We recognize the particular importance of gender diversity on our Board. We will take steps to promote and enhance gender diversity at all levels of our Group, including but not limited to, our Board and senior management levels. Our Board Diversity Policy provides that our Board shall take opportunities when selecting and making recommendations on suitable candidates for Board appointments with the aim of increasing the proportion of female members over time. In particular, taking into account the business needs of our Group and changing circumstances that may affect our business plans, we will actively identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be periodically reviewed by the Nomination Committee in order to develop a pipeline of potential successors to our Board and promote gender diversity. Additionally, female representatives of our investors are also considered as potential candidates for Board appointments. We will also ensure that there is gender diversity when recruiting staff at the mid- to senior-levels so that we have a pipeline of female senior management and potential successors to our Board going forward. We plan to offer well-rounded trainings to female employees who possess the requisite experience, skills, and knowledge in our operation and business, covering topics including but not limited to business operation, management, accounting and finance, and legal compliance. We are of the view that such strategies will provide our Board with ample opportunities to identify capable female employees to be nominated as Directors in the future, fulfilling our aim to develop a pipeline of female candidates to achieve greater gender diversity in our Board in the long run. We believe that such a merit-based selection process with reference to our diversity policy and the nature of our business will be in the best interests of our Company and our Shareholders as a whole. It is our objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectations and international and local recommended best practices.

Our Directors possess a balanced mix of knowledge and skills, including in machinery and automotive, engineering, business development, investment management and corporate finance. They obtained degrees in various majors, including electronic and information engineering, signal processing and communications, system analysis and integration, computer application, facility and environment management, as well as business administration. We have three independent non-executive Directors with different industry backgrounds, representing one third of the members of our Board.

The Nomination Committee is responsible for ensuring the diversity of our Board members and will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

Gender Diversity

As at December 31, 2023, the Board has one female Director (i.e. Ms. XUE, Rui Shirley), accounting for 11.11% of all the Directors, one female senior management member (i.e. Ms. LIU Fang, the chief financial officer of the Company), accounting for 25% of the senior management of the Company, and a total of 82 female employees, accounting for 21.58% of all the employees, and the Group considers that the above current circumstances of gender diversity are satisfactory. For the Reporting Period, there were no mitigating factors or circumstances which make achieving gender diversity across the workforce (including the Board, senior management and other employees) more challenging or less relevant.

Similar considerations shall also be in place to assess the candidacy of the senior management team from time to time. The Company is determined to maintain gender diversity and equality in terms of the whole workforce, and to procure the senior management team to achieve gender equality in terms of the gender ratio.

DIRECTOR NOMINATION POLICY

The Company has adopted a director nomination policy (the "**Director Nomination Policy**") which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

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

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the period from the Listing Date to December 31, 2023, there was no change in composition of the Board.

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

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. SONG Yang is currently both the chief executive officer of the Company and the chairman of the Board. Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be segregated and should not be performed by the same individual. The Board believes that vesting the roles of both chief executive officer and chairman of the Board in the same person has the benefit of ensuring consistent leadership and efficient discharge of executive functions within the Group. The Group considers that the balance of power and authority of the present arrangement will not be impaired as the Board comprises eight other experienced and high-calibre individuals including another two executive Directors, three non-executive Directors and three independent non-executive Directors who would be able to offer advice from various perspectives. In addition, for major decisions of the Group, the Board will make consultations with appropriate Board committees and senior management. Therefore, the Directors consider that the present arrangement is beneficial to and in the interest of the Company and the Shareholders as a whole and the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Since the Listing Date to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive Directors have confirmed their independence pursuant to the factors set out in Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all independent non-executive Directors are independent as they were free from any business or other relationship which could affect their ability to discharge their duties independently.

BOARD COMMITTEES

The Board has established four committees, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, and the Strategy Committee, for overseeing particular aspects of the Company's affairs. All of these four committees are established with defined written terms of reference which deal clearly with their authorities and duties. The terms of reference of the Board committees are available at the websites of the Stock Exchange and the Company. All Board committees must report to the Board on their decisions or proposals.

Audit Committee

We have established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal controls system of the Group, review and approve connected transactions and to advise the Board. The Audit Committee comprises three independent non-executive Directors, namely Mr. LIU Yong, Dr. ZHANG Weigong and Ms. XUE, Rui Shirley. Mr. LIU Yong, being the chairman of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Two Audit Committee's meetings have been held since the establishment of the Audit Committee and up to December 31, 2023 to discuss and consider, among others, the following matters: (i) reviewing and discussing the Company's annual financial budgets for the year 2023; (ii) reviewing and discussing the Company's annual financial accounts for the year 2022; and (iii) reviewing and discussing the adjustment of the members of the board committees.

Corporate Governance Report

The attendance records of the meetings are as follows:

Name of Members of the Audit Committee	Attendance/ No. of meetings held
Mr. LIU Yong	2/2
Dr. ZHANG Weigong	2/2
Ms. XUE, Rui Shirley *(note 1)*	–
Mr. LI Shuangjiang *(note 2)*	2/2

Notes:

1. The appointment of Ms. Xue, Rui Shirley became effective on the Listing Date, and all Audit Committee meetings as set forth above were held before the Listing Date, as such, Ms. Xue, Rui Shirley did not attend such meetings.

2. Mr. Li Shuangjiang ceased to be a member of the Audit Committee with effective on December 20, 2023.

Remuneration and Appraisal Committee

We have established a Remuneration and Appraisal Committee in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the Remuneration and Appraisal Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration and Appraisal Committee comprises one executive Director and two independent non-executive Directors, namely Ms. XUE, Rui Shirley, Mr. LIU Yong and Mr. LU Yukun. Ms. XUE, Rui Shirley is the chairlady of the Remuneration and Appraisal Committee.

Two Remuneration and Appraisal Committee's meetings have been held since the establishment of the Remuneration and Appraisal Committee and up to December 31, 2023 to discuss and consider, among others, the following matters: (i) reviewing the compensations payable to the Directors and Supervisors; (ii) reviewing the remuneration packages of the senior management of the Company; and (iii) reviewing and discussing the adjustment of the members of the Board committees.

The attendance records of the meetings are as follows:

Name of Members of the Remuneration and Appraisal Committee	Attendance/ No. of meetings held
Ms. XUE, Rui Shirley *(note 1)*	–
Mr. LIU Yong	2/2
Mr. LU Yukun	2/2
Mr. YANG Xiaojian *(note 2)*	1/1

Notes:

1. The appointment of Ms. Xue, Rui Shirley became effective on the Listing Date, and all Remuneration and Appraisal Committee meetings as set forth above were held before the Listing Date, as such, Ms. Xue, Rui Shirley did not attend such meetings.

2. Mr. Yang Xiaojian resigned as an independent Director and ceased to be a member of the Nomination Committee with effective from March 23, 2023.

Corporate Governance Report

Pursuant to code provision of E.1.5 of the CG Code, details of the annual remuneration of the members of the senior management by band for the year ended December 31, 2023 is as follows:

	Number of Individuals
HKD1,000,001 – HKD1,500,000	1
HKD1,500,001 – HKD2,000,000	1
HKD9,000,001 – HKD9,500,000	1
HKD12,500,001 – HKD13,000,000	1

Details of the remuneration of each of the Directors' and Supervisors' remuneration for the year ended December 31, 2023, please refer to Note 38 to the Consolidated Financial Statements in this annual report.

Nomination Committee

We have established the Nomination Committee in compliance with the CG Code. The primary duties of the Nomination Committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Dr. ZHANG Weigong, Ms. XUE, Rui Shirley and Mr. SONG Yang. Dr. ZHANG Weigong is the chairman of the Nomination Committee.

For the appointment and nomination of new Directors, the Nomination Committee will consider the candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board and take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the relevant industry and/or other professional areas.

Two Nomination Committee's meetings have been held since the establishment of the Nomination Committee and up to December 31, 2023 to discuss and consider, among others, the following matters: (i) change of the company secretary; (ii) change in the composition of the Board; and (iii) reviewing and discussing the adjustment of the members of the Board committees.

The attendance records of the meetings are as follows:

Name of Members of the Nomination Committee	Attendance/ No. of meetings held
Dr. ZHANG Weigong	2/2
Ms. XUE, Rui Shirley *(note 1)*	–
Mr. SONG Yang	2/2
Mr. YANG Xiaojian *(note 2)*	2/2

Notes:

1. The appointment of Ms. Xue, Rui Shirley became effective on the Listing Date, and all Nomination Committee meetings as set forth above were held before the Listing Date, as such, Ms. Xue, Rui Shirley did not attend such meetings.

2. Mr. Yang Xiaojian resigned as an independent Director and ceased to be a member of the Nomination Committee with effective from March 23, 2023.

Corporate Governance Report

Strategy Committee

We have established the Strategy Committee consists of Mr. SONG Yang, Mr. YANG Yuankui and Mr. LU Yukun, with Mr. SONG Yang being the chairman of the Strategy Committee. The primary duties of the Strategy Committee are to study and advise on the long-term strategy and operation plans of our Group. The Strategy Committee will assist the Board, in conjunction with our management, in addressing our Company's overall mission, vision and strategic direction. Areas of focus will include: providing the Board and management, as applicable, with input and recommendations with respect to key strategic initiatives and major R&D programs and partnerships; and assisting management in establishing a strategic planning process, identifying and addressing organizational challenges and evaluating strategic alternatives.

One Strategy Committee's meeting has been held since the establishment of the Strategy Committee and up to December 31, 2023 to discuss and consider, among others, the following matters: (i) the Company's overseas initial public offering and the listing of the H Shares of the Company on Stock Exchange; and (ii) reviewing and discussing the adjustment of the members of the Board committees.

The attendance records of the meetings are as follows:

Name of Members of the Strategy Committee	Attendance/ No. of meetings held
Mr. SONG Yang	1/1
Mr. YANG Yuankui *(note 1)*	–
Mr. LU Yukun	1/1
Mr. FAN Ze *(note 2)*	1/1

Notes:

1. Mr. Yang Yuankui has been appointed as a member of the Strategy Committee with effective from March 23, 2023, and the Strategy Committee meeting as set forth above was held before his such appointment, as such, Mr. Yang Yuankui did not attend such meeting.

2. Mr. Fan Ze resigned as a Director and ceased to be a member of the Strategy Committee with effective on March 23, 2023.

Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding Directors' and Supervisors' securities transactions. As the shares of the Company started to listed on the Stock Exchange on December 20, 2023, the Model Code was not applicable to the Company at most of the time during the Reporting Period. However, after making specific enquiries to all the Directors and Supervisors, each of them has confirmed that they have complied with the Model Code throughout the period from the Listing Date up to the date of this annual report.

JOINT COMPANY SECRETARIES

Ms. LIU Fang is the chief financial officer of the Company. She was appointed as the joint company secretary of the Company on March 9, 2023. See "Senior Management" of the section headed "BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY" for profile of Ms. LIU.

Mr. CHUNG Ming Fai was appointed as the joint company secretary of the Company on March 9, 2023. See "Senior Management" of the section headed "BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY" for profile of Mr. CHUNG.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Ms. LIU Fang, one of the joint company secretaries, has been designated as the primary contact person of the Company which would work and communicate with Mr. CHUNG Ming Fai on the Company's corporate governance and secretarial and administrative matters.

For the year ended December 31, 2023, Ms. LIU Fang and Mr. CHUNG Ming Fai have participated in relevant professional training for no less than 15 hours to comply with Rule 3.29 of the Listing Rules.

Corporate Governance Report

REMUNERATION OF AUDITORS

An analysis of the remuneration paid/payable to the Company's external auditor, PricewaterhouseCoopers, for audit services and non-audit services for the year ended December 31, 2023 is set out below[(1)]:

Service Category	Fees Paid/Payable *(RMB'000)*
Annual Audit Services	1,980
Non-audit Services (including Tax Compliance Service)	2

Note:

(1) The fees set out in the table has not been accounted for in the consolidated financial statements of the Company in this annual report since the date of the recognition of such expenses fall after the Reporting Period pursuant to the accounting standards.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has established a risk management and internal control system in accordance with the requirements of the CG Code. It acknowledges its responsibility for the risk management and internal control systems and reviewing the adequacy and effectiveness of the Company's risk management and internal control system, continuously monitoring and reviewing the effectiveness of its operation at least once a year. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, promote effective and efficient operations, provide reasonable assurance of financial reporting reliability and compliance with applicable laws and regulations, and safeguard the Company's assets. The Board of Directors can only make reasonable but not absolute assurances that there will be no material misrepresentation or loss. The Audit Committee is responsible for monitoring the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing, and mitigating risks involved in our business operations.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including financial reporting, internal control and human resources. The Company's risk management and internal control systems have been developed with the following principles, features and processes:

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management. We have various procedures in place to implement accounting policies, and our financial department reviews our management accounts based on such procedures. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Internal Control Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our compliance team works closely with our finance and business departments to: (a) perform risk assessments and advise risk management strategies; (b) improve business process efficiency and monitor internal control effectiveness; and (c) promote risk awareness throughout our Company. We maintain internal procedures to ensure that we have obtained all material requisite licenses, permits and approvals for our business operation, and our internal control team will review and monitor the status and effectiveness of those licenses and approvals. Our compliance team works with relevant business departments to obtain requisite governmental approvals or consents for filing with relevant government authorities.

Corporate Governance Report

Human Resources Risk Management

We provide regular and specialized training tailored to the needs of our employees in different departments. Through these trainings, we ensure that our staff's skill sets remain up-to-date and enable them to discover and meet our customers' needs. We have in place an employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanism, negligence and corruption. We also provide employees with resources for explanation on guidelines contained in the employee handbook.

We also have in place a code of business conduct and ethics, and an anti-bribery and corruption policy approved by our Board, providing to our employees the best commercial practice and work ethics as well as our anti-bribery guidance and measures. We make our internal reporting channel open and available to our staff for any wrongdoing or misconduct. Reported incidents and persons will be investigated and appropriate measures will be taken in response to the findings.

DISCLOSURE OF INSIDER INFORMATION

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has internal policy and procedures which strictly prohibit unauthorised use of inside information and has communicated to all staff; the Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the "Guidelines on Disclosure of Inside Information" issued by the SFC in June 2012. In addition, only Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs.

The Company also maintains an internal audit department that is responsible for reviewing the effectiveness of internal controls and reporting to the Audit Committee on any issues identified. Our internal audit department holds regular meetings with the management to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues.

The Company continues to improve risk management policies and procedures, specify the risk management structure and responsibilities. We identify major risks that hinder the achievement of objectives and control them within acceptable levels to ensure the achievement of business objectives, the improvement of operational efficiency, the reliability of financial reports and compliance with national regulations and other compliance requirements. We evaluate and check the effectiveness of our risk management and internal control systems through channels such as the management, business units in the risk management system, audit and inspection teams of the Group, external auditors, and external legal advisor to improve risk response measures.

The Board has reviewed the risk management and internal monitoring. The results of the Company's risk management and internal control during the Reporting Period show that the Company does not have any major risk monitoring errors, nor does it find any major risk monitoring weaknesses. The Company is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Board considers that the risk management and internal control systems of the Group are effective and adequate.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company recognises the importance of the communication with Shareholders. The Company has established a Shareholders' communication policy and the policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board shall review it on a regular basis to ensure its effectiveness. The Company communicates with the Shareholders and/or potential investors mainly in the following ways: (i) the holding of annual general meeting and extraordinary general meetings, if any, which may be convened for specific purposes which provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports and/or circulars as required under the Listing Rules and press release providing updated information of the Group; (iii) the availability of latest information of the Group on the Company's website at www.imotion.ai; (iv) the holding of press conference(s) from time to time; and (v) meeting with investors and analysts on a regular basis and participate investor road show and sector conference. Shareholders and investors are welcome to visit the Company's website to raise enquiries through the contact details available on the Company's website.

The Company has reviewed the implementation and effectiveness of the Shareholders' communication policy, including the multiple communication channels for Shareholders in place and the steps taken to handle Shareholders' enquiries (if any), and considered that the Shareholders communication policy has been properly implemented and effective.

Corporate Governance Report

RIGHTS OF SHAREHOLDERS

Convening an extraordinary general meeting

According to Article 53 of the Articles of Association, any Shareholders individually or jointly holding more than 10% of the shares of the Company are entitled to request in writing the Board to convene an extraordinary general meeting. The Board shall, in accordance with the laws, administrative regulations, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association, furnish a written reply to such Shareholder(s) stating its agreement or disagreement to the convening of the extraordinary general meeting within 10 days after having received such requisition.

If the Board agrees to convene an extraordinary general meeting, a notice of convening such extraordinary general meeting shall be issued within 5 days after the Board resolution is passed. Any changes to the original request in the notice shall be subject to the consent of the relevant Shareholders. If the Board disagrees to convene such extraordinary general meeting, or fails to provide any reply within 10 days after receiving the request, in which case Shareholder(s) individually or jointly holding more than 10% of the shares of the Company may propose in writing the board of Supervisors to convene the extraordinary general meeting.

If the board of Supervisors agrees to convene such extraordinary general meeting, a notice for convening such meeting shall be given within 5 days after having received such request. Any changes to the original proposal in the notice shall be subject to the consent of the relevant Shareholders in case. If the board of Supervisors fails to serve a notice of such meeting within the prescribed time limit, the board of Supervisors is deemed not to convene and preside over such meeting, in which case, the Shareholders individually or jointly holding more than 10% of the shares of the Company for more than 90 consecutive days may convene and preside over the such a meeting on their own.

Putting forth proposals at the general meetings

According to Article 58 of the Articles of Association, the Board, the board of Supervisors, and any Shareholders individually or jointly holding more than 3% of the shares of the Company have the right to propose to the Company at a general meeting.

The Shareholders individually or jointly holding more than 3% of the shares of the Company may submit written provisional proposals to the convener 10 days before the general meeting. The convener shall serve a supplemental notice of the general meeting within 2 days after receipt of the provisional proposals and notify the contents of the said provisional proposals. Save as specified in the Articles of Association, the convener shall not change the proposals set out in the notice of the general meeting or add any new proposal after the said notice is served.

For details of the procedures for nominating candidates of Directors by Shareholders, please refer to the website of the Company.

Corporate Governance Report

Putting forward enquiries to the Board

Specific enquiries or suggestions by Shareholders can be sent in writing to the Board or by e-mail to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

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

Address: 19/F and 20/F, Building G2, 88 Jinji Lake Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province, PRC
(For the attention of the Board)
Email: investor@imotion.ai

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

CONSTITUTIONAL DOCUMENTS

There has been no change in the Company's constitutional documents from the Listing Date up to the date of this annual report.

DIVIDEND POLICY

The Company attaches great importance to the reasonable investment return to its Shareholders, and profit distribution should follow the principles of valuing the reasonable investment return to Shareholders and promoting the long-term development of the Company. The Company's profit distribution policy should maintain continuity and stability, and comply with relevant laws and regulations. The Company can distribute dividends in cash or stock. Subject to our Articles of Association and the PRC Company Law, the declaration and payment of any dividends will be determined by our Board and will be subject to the approval of the general meeting. A decision to declare or to pay any dividends will depend on a number of factors, including our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant.

Report of the Directors

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2023 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES

The Group is an autonomous driving solution provider in China with a focus on AD domain controllers. Our AD domain controller solutions typically include (i) AD domain controller; (ii) associated sensors, which we procure from third-party suppliers and integrate into our solutions; (iii) integrated software, algorithms and functions; and (iv) relevant services such as sensor implementation, vehicle systems integration, and function testing and validation.

BUSINESS REVIEW

Analysis on Results and Financial Key Performance Indicators

The Group's profits for the year ended December 31, 2023 and the financial position of the Company and the Group as at December 31, 2023 are set out in the Financial Statements on pages 95 to 100 of this annual report.

A review of the Company's business, a discussion and analysis of the Group's performance during the Year, an analysis of using financial key performance indicators and the future development of the Company's business are set out in the sections headed "Financial Highlights", "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. These discussions form part of the Report of the Directors.

Environmental Policies and Performance

We are subject to various environmental laws and regulations including the Environmental Protection Law of the PRC and the Environmental Impact Assessment Law of the PRC, and the regulations related to governing pollutant discharge, the handling, use, storage, treatment and disposal of hazardous materials, drainage and wastes discharge of stationary pollution sources.

We are dedicated to reducing environmental impact throughout the production process. We implement various environmental protection measures, including installation of activated carbon adsorption devices to appropriately collect and dispose of manufacturing waste. We work with qualified third-party waste disposal service providers for other waste, including waste filters, waste activated carbon, waste oil and waste catalysts, among others.

Apart from complying with local statutory requirements, we are also committed to continuously enhancing our environmental and energy management systems that are certified to international standards ISO 14001: 2015. The effective guidelines and workflow of the said management systems are detailed in the environmental management manual, which is clearly communicated to the employees and effectively implemented in order to improve its environmental practices and energy efficiency. We annually review the abovementioned manual, and will inform our employees at all levels if there is any revision to the manual.

Report of the Directors

For details on the environment and social practices adopted by the Company, please refer to the Environmental, Social and Governance Report contained in this annual report.

Compliance with Laws and Regulations

During the year ended December 31, 2023, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects and there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

The following section includes the most significant factors that we believe may adversely affect our business and operations. Investors should carefully consider the risks and uncertainties described below and all information in this annual report, including our financial statements and the related notes and the section headed "Management Discussion and Analysis" in this annual report before deciding to invest in our H Shares. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also ay impair our business operations. We are of the view that the principal risks we may face in the future include:

We are subject to concentration risk of deriving a substantial portion of revenue from our sales to Geely Group and from SuperVision™ based on the base version of AD domain controllers supplied by Mobileye and the loss of, or a significant reduction in, revenue from such customers or products could materially and adversely affect our results of operations.

As disclosed in the Prospectus, for the years ended December 31, 2021 and 2022, Geely Group was our largest customer who brought revenue to us was RMB94.5 million and RMB1,277.5 million, respectively, which accounted for 53.0% and 96.4% of our total revenue during the same period. During the Reporting Period, Geely Group was still our largest customer. In 2023, our revenue from Geely Group was RMB1,135.1 million, accounting for 93.3% of our total revenue in 2023, among which, the revenue from sales of SuperVision™ to Geely Group amounted to RMB1,082.5 million. As we rely on Mobileye for the supplies of the base version of AD domain controllers and licensed software used in SuperVision™, where we are responsible for vehicle integration, testing and validation as a system integrator, in the event that Mobileye ceases supplies, our revenue generated from SuperVision™, including those from Geely Group, would be entirely lost. Moreover, we cannot guarantee that (i) Mobileye will continue supplying the base version of AD domain controllers used in SuperVision™ and other products to us, (ii) Mobileye will continue to refrain from direct collaboration with Geely Group, (iii) Geely Group and Mobileye will not engage with other Tier-1 suppliers, or (iv) Geely Group will not substitute SuperVision™ with its internally developed autonomous driving solutions. Since a substantial portion of our revenue during the past over years stemmed from SuperVision™ sales to Geely Group, the occurrence of any of these events would result in the loss of a crucial revenue stream, which could have a significant and adverse impact on our financial position and results of operations.

In addition, we have been dependent on a limited number of solutions and products to generate a substantial portion of our revenue. The market for autonomous driving products and customers' needs and preferences are rapidly evolving. We, as well as many of our competitors, are constantly upgrading existing solutions and products and rolling out new solutions and products with higher performance and better quality. To the extent any of our major solutions or products loses its appeal to customers and in turn its market share, whether due to competition from our competitors' solutions and products or our own alternative solutions and products or lower overall demand for autonomous driving solutions and products, among other things, our business and results of operations could be materially and adversely affected.

Report of the Directors

We are an early-stage company with a history of losses; we may continue to incur significant expenses and losses in 2024 and beyond; our historical financial and results of operations may not be indicative of our future performance.

We are an autonomous driving solution provider in China with a focus on AD domain controllers. We focus on developing autonomous driving solutions and products for our customers. As disclosed in the Prospectus and this annual report, we recorded net losses of RMB53,827 thousand, RMB464,199 thousand, RMB342,376 thousand and RMB195,108 thousand in 2020, 2021, 2022 and 2023, respectively. In addition, we expect a decline in revenue for 2024. Our relatively limited operating history makes it difficult to evaluate our current business, future prospects and the risks and challenges we may encounter. Risks and challenges we have faced or expect to face include our ability to:

- produce and deliver solutions and products of acceptable performance;
- attract new customers and retain existing customers;
- comply with existing and new or modified laws and regulations applicable to our business;
- forecast our revenue and budget for and manage our expenses;
- plan for and manage capital expenditures for our current and future solutions and products, and manage our supply chain and supplier relationships related to our current and future solutions and products;
- anticipate and respond to macroeconomic changes and changes in the markets in which we operate;
- maintain and enhance the value of our reputation and brand;
- effectively manage our growth and business operations;
- develop and protect intellectual property; and
- hire, integrate and retain talented people at all levels of our organization.

Report of the Directors

We may continue to incur significant expenses and losses in 2024 and beyond. Our revenue, costs, expenses and results of operations may vary from period to period in response to a variety of factors beyond our control, including general economic conditions, special events, government regulations or policies affecting our operation and our ability to control costs and expenses. Our potential profitability is dependent upon a variety of factors, including the continued increase in customer needs for our solutions and products, our success in competing against other participants in the markets in which we operate, and macroeconomic and regulatory environment. Our revenue may not grow sufficiently to offset the increase in our costs and expenses as we plan to:

- continue to invest in the research and development of our solutions and products;
- expand our production capabilities to produce our solutions and products;
- expand our design, development, validation and servicing capabilities;
- recruit additional engineers and other talents to support our business expansion; and
- increase our sales and marketing activities and build up our sales and marketing team.

Further, because we have limited historical financial data and operate in a rapidly evolving market, any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable market. We have encountered in the past, and will encounter in the future, risks and uncertainties frequently experienced by growing companies with limited operating histories in rapidly changing industries. If our assumptions regarding these risks and uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address these risks successfully, our results of operations could differ materially from our expectations and our business, financial condition and results of operations could be adversely affected.

We rely on third-party suppliers, including, in particular Mobileye in relation to SuperVision™, and because some of the raw materials and key components in our products come from single or limited source of suppliers, we are susceptible to supply shortages, long lead times for components, supply changes, and changes in business relationship, any of which could disrupt our supply chain and could delay deliveries of our products to customers.

We source the raw materials and some of the components of our products from third-party suppliers, including suppliers for automotive-grade chips, mechanical parts, optical components, and electrical parts. We are dependent on certain major suppliers. In particular, we rely on Mobileye for the supplies of the base version of AD domain controllers and SoCs for our products. During the Reporting Period, we primarily procured from Mobileye (i) the base version of AD domain controllers for the SuperVision™ solution; and (ii) EyeQ® series SoCs for our iFC products. In 2023, our purchase from Mobileye was RMB1,007.2 million, which accounted for 88.7% of our total purchases. We cannot guarantee that Mobileye will continue to partner with us or will not reduce their business with us.

Report of the Directors

In addition, in light of our limited source of suppliers, we are therefore subject to the risk of shortages and long lead times in the supply of components that come from limited source of suppliers and the risk that our suppliers discontinue or modify components used in its products. We have a global supply chain, and the health epidemics and outbreaks may adversely affect our ability to source components in a timely or cost-effective manner from our third-party suppliers due to, among other things, work stoppages or interruptions. Further, the lead times associated with certain components are lengthy and preclude rapid changes in quantities and delivery schedules. Some of our chip suppliers may apply a non-cancellable non-refundable policy to their products or require us to provide binding forecasts of our procurement. We have in the past experienced and may in the future experience component shortages and price fluctuations of certain key components and materials, and the predictability of the availability and pricing of these components may be limited. Component shortages or pricing fluctuations could be material in the future. In the event of a component shortage, supply interruption or material pricing change from suppliers of these components, we may not be able to develop alternate sources in a timely manner or at all in the case of sole or limited sources. Developing alternate sources of supply for these components may be time-consuming, difficult, and costly and we may not be able to source these components on terms that are acceptable to us, or at all, which may undermine our ability to meet our requirements or to fill customer orders in a timely manner.

There is no guarantee that our OEM customers or OEM end customers will purchase our solutions and products in any certain quantity or at any certain price even after we obtain the letter of nomination, and there may be significant delays between the time we obtain the letter of nomination until we realize revenue from the vehicle model.

We generally do not have contracts with OEM customers that require them to purchase our solutions and products in any certain quantity or at any certain price, and our sales could be less than we forecast if a vehicle model for which we obtain the letter of nomination is unsuccessful, including for reasons unrelated to our solutions and products, if an OEM (or in respect of certain vehicle models, an affiliate of the relevant OEM) decides to discontinue or reduce production of a vehicle model or the use of our solutions and products in a vehicle model, or if we face downward pricing pressure. However, the letters of nomination provide no certainty of finalization of contract and may be terminated by customers. We cannot guarantee that our customers will purchase our solutions and products in large quantities or at all and at a price that will be profitable to us even having entered into a letter of nomination.

Furthermore, our solutions and products are technologically complex, incorporated with many technological innovations, and are typically subject to significant safety testing, and OEMs are generally required to make significant commitments of resources to test and validate our solutions and products before including them in any particular vehicle model. The average industry duration of the development cycles of autonomous driving solutions and products is 12 to 18 months after receiving the OEM's letter of nomination depending on the OEMs and the complexity of the solution and products. These development cycles result in our investment of resources prior to realizing any revenue from a vehicle model. Although during the past years, we were able to fully recover the contract fulfillment costs incurred for terminated projects, there is no guarantee that we will be able to fully recover the contract fulfillment costs in the future in case of any terminated projects.

Report of the Directors

Changes in international relationships and trade policies may adversely impact our business, financial condition, and results of operations.

Although we are primarily a China-based company, some of our suppliers are located in the U.S. and other countries outside of China. In addition, certain of our technologies, such as technologies relating to autonomous driving solutions and applications, could be subject to restrictions by the U.S. government in the future. Therefore, government policies restricting international trade and investment, such as capital controls, economic or trade sanctions, export controls, tariffs or foreign investment filings and approvals, may affect the demand for our products and services, impact the competitive position of our products, or prevent us from being able to sell products in certain countries.

Relationships between countries and regions could affect levels of trade, investment, technological exchange, and other economic activities across borders, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on our and our customers' business, prospects, financial condition, and results of operations. For example, under an executive order of the U.S. government, certain new investments from the U.S. in China and Chinese companies involving sensitive technologies such as certain microelectronics and artificial intelligence are prohibited, and government notification is mandated for certain other technology sectors. In addition, U.S. government may further tighten the export control rule to slow the flow of chips to China, and our business may be adversely affected as a result.

We are exposed to credit risk arising from our revenue concentration on certain customers, including Geely Group. Failure to collect our trade receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.

Our cash flows and profitability are subject to the timely settlement of payments by our customers. We usually grant a credit period of 30 to 90 days to our customers and trade receivables are generally settled in accordance with the terms of the respective contracts. We cannot assure you that we will be able to collect all or any of our trade receivables or collect the amount for any unbilled work on time, or at all, after meeting the agreed program payment milestones. Our customers may face unexpected circumstances, including, but not limited to, financial difficulties caused by decreased sales of their vehicles. Our customers may delay or even default in their payment obligation. As a result, we may not be able to receive such customers' payment of uncollected debts in full, or at all, and we may need to make provisions for trade and notes receivables. The occurrence of such events would materially and adversely affect our financial condition and results of operations.

Developments in the political and economic policies, as well as the evolving laws, rules and regulations, may affect our business, financial condition, results of operations and prospects.

Due to our extensive operations in the PRC, our business, financial condition, results of operations and prospects are affected by economic, political, and legal developments in the PRC. The overall economic growth is influenced by the governmental regulations and policies in relation to resource allocation, monetary policies, regulations of financial services and institutions, preferential treatment to particular industries or companies and others. Any of the foregoing may affect our business, financial condition, results of operations and prospects. Laws, rules and regulations in relation to economic matters are promulgated from time to time, including those related to such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade, so as to develop a comprehensive system of commercial law. In addition, the interpretation and implementation of the laws and regulations relating to the autonomous driving industry also evolve from time to time.

Report of the Directors

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group believes that it is vital to attract, recruit and retain quality employees. Being people-oriented, our Group ensures all employees are reasonably remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

The Group attaches great importance to maintaining good relationships with customers, values all customers' opinions and views, and understands customers' needs through different methods and channels to ensure the provision of quality products and services to customers.

We strive to establish long-term, reliable and mutually beneficial cooperative relationship with our suppliers. We continuously optimizes the supplier management, guarantees the safety and stability of suppliers, integrates sustainable development factors into the whole process of supplier management, and formulates relevant procedures to help the sustainable development of suppliers.

Details of an account of the Company's key relationships with its employees, customers, suppliers and others that have a significant impact on the Company is set out in the Environmental, Social and Governance Report contained in this annual report.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Thursday, June 20, 2024 ("**AGM**") and the notice thereof will be available to the Shareholders in a manner as required by the Listing Rules and the Articles of Association. In order to determine Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, June 17, 2024 to Thursday, June 20, 2024 (both days inclusive). In order to be entitled to attend and vote at the 2024 AGM, unregistered holders of shares of the Company should ensure that all the share transfer documents together with the relevant share certificates are lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, June 14, 2024.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2023 (2022: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 15 to the Financial Statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the Reporting Period are set out in Note 25 to the Financial Statements.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On December 20, 2023, the H Shares of the Company were listed on the Main Board of the Stock Exchange with 22,116,000 Offer Shares under the Global Offering, comprising the Hong Kong Public Offering of 2,211,600 Hong Kong Offer Shares and the International Offering of 19,904,400 International Offer Shares at a nominal value of RMB1.00 per H Share. Shares were issued to and subscribed by Hong Kong and overseas investors through the Global Offering at the Offer Price of HK$29.65 per H Share (excluding brokerage fee of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%).

The net proceeds from the Global Offering, after deduction of the underwriting commission, fees and estimated expenses payable by us in connection with the Global Offering and other expenses, were approximately HKD595.23 million. The following table sets forth the Company's use of the proceeds from the Global Offering and the planned timetable as at December 31, 2023.

	Approximate percentage of the total net proceeds	Net proceeds from the Global Offering *(HKD' million)*	Net proceeds utilized as of December 31, 2023 *(HKD' million)*	Remaining net proceeds as of December 31, 2023 *(HKD' million)*	Expected time to utilize the remaining net proceeds in full
Enhancing research and development of our autonomous driving solutions and products	45.0%	267.85	0	267.85	By the end of the year 2025
Capital expenditure in relation to our R&D headquarters, manufacturing premises and new production lines	35.0%	208.33	0	208.33	By the end of the year 2025
Expanding our sales and service network	10.0%	59.52	0	59.52	By the end of the year 2025
Working capital and general corporate purposes	10.0%	59.52	0	59.52	By the end of the year 2025
Total *(Note)*	**100.0%**	**595.23**	**0**	**595.23**	

Note: Any discrepancies in the above table between the total shown and the sum of the amounts listed are due to rounding.

Since the Listing Date and as at December 31, 2023, the Group has not yet utilized any net proceeds, and will gradually utilize the net proceeds in accordance with the intended purposes as stated in the Prospectus. The expected timeline is based on the best estimation of future market conditions and business operations made by the Company currently, and will be subject to change based on future development of market conditions and actual business needs.

Report of the Directors

RESERVES AND DISTRIBUTABLE RESERVES

Details of the reserves are set out in Note 26 to the Financial Statements. As at December 31, 2023, the Company did not have any distributable reserve.

PRE-EMPTIVE RIGHTS

Under the Articles of Association and the PRC laws, there is no pre-emptive right which requires the Company to offer new shares to its existing Shareholders on a pro rata basis.

TAX RELIEF AND EXEMPTION

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities from the Listing Date and up to December 31, 2023.

MAJOR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of OEMs that install our autonomous driving solutions and products on their vehicles. Substantially all of our revenue is generated within the PRC. For the years ended December 31, 2022 and 2023, our revenue generated from the five largest customers in each period in aggregate accounted for 99.4% and 96.8% of our total revenue, respectively, and revenue generated from our largest customer in the relevant periods accounted for 96.4% and 93.3% of our total revenue, respectively.

Our suppliers primarily consist of raw materials and components suppliers, including suppliers for automotive-grade chips, mechanical parts, optical components, and electrical parts. For the years ended December 31, 2022 and the 2023, purchases from our five largest suppliers in each period in aggregate accounted for 96.0% and 94.1% of our total purchases, respectively, and purchases from our largest supplier in the relevant periods accounted for 69.2% and 91.3% of our total purchases, respectively.

During the Reporting Period, so far as the Directors are aware, none of the Directors, their close associates or the Shareholders (which to the knowledge of the Directors owned more than 5% of total number of issued shares of the Company) had any interest in the five largest suppliers or customers of the Company during the Reporting Period.

Report of the Directors

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company and its subsidiaries as at December 31, 2023 are set out in Note 30 to the Financial Statements.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report were as follows:

Executive Directors
Mr. SONG Yang
Mr. LU Yukun
Mr. LI Shuangjiang

Non-executive Directors
Mr. LI Chengsheng
Mr. TAO Zhixin
Mr. YANG Yuankui

Independent Non-executive Directors
Dr. ZHANG Weigong
Mr. LIU Yong
Ms. XUE, Rui Shirley

SUPERVISORS

Mr. LUO Hong
Mr. ZHU Qinghua
Mr. WANG Bingjie

BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors, supervisors and the senior management are set out on pages 21 to 26 of this annual report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND SUPERVISORS

Save as disclosed in the section headed "Biographies of Directors, Supervisors, Senior Management and Company Secretaries" in this annual report, there was no change to any of the information required to be disclosed in relation to any Directors and Supervisors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules from the Listing Date up to the date of this annual report.

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract or letter of appointment with the Company. The principal particulars of these service agreements are: (a) each of the agreements is for a term of three years following their respective appointment date; and (b) each of the agreements is subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with our Articles of Association and the applicable rules.

Save as disclosed above and the respective contracts entered into by our Directors and Supervisors in respect of other management roles in the Group if any, none of our Directors or Supervisors has or is proposed to have a service contract with any member of our Group which is not determinable by the Company within one year without payment of compensation apart from statutory compensation.

Report of the Directors

REMUNERATION OF DIRECTORS AND SUPERVISORS

The compensation and remuneration of the Directors, Supervisors and members of the senior management of the Company are determined by the Shareholders' meetings and the Board as appropriate in the form of salaries and bonuses. The Company also reimburses them for expenses which are necessary and reasonably incurred in providing services to the Company or discharging their duties in relation to the operations of the Company. When reviewing and determining the specific remuneration packages for our Directors, Supervisors and members of the senior management of the Company, the Shareholders' meetings and the Board of Directors take into account factors such as salaries paid by comparable companies, time commitment, level of responsibilities, employment elsewhere in our Group and desirability of performance-based remuneration. As required by the relevant PRC laws and regulations, the Company also participates in various defined contribution plans organized by relevant provincial and municipal government authorities and welfare schemes for employees of the Company, including medical insurance, injury insurance, unemployment insurance, pension insurance, maternity insurance and housing provident fund. Our Company offers executive Directors and senior management members, who are our employees, compensation in the form of wages and salaries, discretionary bonuses, share-based payment, social security costs, housing benefits and employee welfare. The independent non-executive Directors receive compensation based on their responsibilities.

Save as disclosed above, no Director or Supervisor is entitled to receive other special benefits from the Company.

REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS

Details of remuneration of the five highest paid individuals of the Company are set out in Note 9(c) to the Financial Statements.

For the year ended December 31, 2023, no emoluments were paid by the Group to any Director, any Supervisor or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a Director or a Supervisor waived or agreed to waive any remuneration during the year ended December 31, 2023.

PERMITTED INDEMNITY PROVISION

Subject to the relevant statutes, every Director shall be indemnified by the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or which may attach thereto. The Company has purchased insurance against the liabilities and costs associated with proceedings which may be against the Directors. The permitted indemnity provision is in force during the course of the financial year ended December 31, 2023 and remained in force as at the date of this annual report.

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors and Supervisors nor their associates has competing interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company.

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

The Directors and Supervisors have confirmed that other than the business of the Group, none of the Directors and Supervisors had a material interest, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

Report of the Directors

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the below sections headed "Employee Incentive Scheme", during the year ended December 31, 2023, there subsisted no arrangement to which the Company or any of its subsidiaries or its parent companies or its fellow subsidiaries was a party and the objectives of or one of the objectives of such arrangement are/is to enable the Directors and Supervisors, their respective spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at December 31, 2023, the interests and short positions of the Directors and Supervisors as well as the chief executive of the Company in the shares, underlying shares and debentures of the Company or associated corporations (within the meaning of Part XV of the SFO) which as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. The calculation is based on the total number of 226,330,340 Shares in issue as of December 31, 2023.
3. The calculation is based on the total number of 124,726,655 Domestic Shares and 101,603,685 H Shares in issue as of December 31, 2023.
4. As at December 31, 2023, Suzhou Lanchi Management Consulting Partnership (L.P.) ("**Lanchi Platform**") was owned as to 37.1% by Mr. LU Yukun as its limited partner. Therefore, Mr. LU Yukun is deemed to be interested in Shares held by Lanchi Platform under the SFO.
5. Mr. SONG Yang is the general partner of each of Lanchi Platform, Suzhou Zichi Management Consulting Partnership (L.P.) ("**Zichi Platform**"), Suzhou Hongchi Management Consulting Partnership (L.P.) (蘇州紅馳管理諮詢合夥企業(有限合夥)) ("**Suzhou Hongchi**") and Suzhou Luchi Management Consulting Partnership (L.P.) (蘇州綠馳管理諮詢合夥企業(有限合夥)) ("**Suzhou Luchi**"). Therefore, Mr. SONG Yang will be deemed to be interested in the Shares held by Lanchi Platform, Zichi Platform, Suzhou Hongchi and Suzhou Luchi under the SFO.

Save as disclosed above, as at December 31, 2023, none of the Directors, Supervisors or chief executive of the Company had an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

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

As at December 31, 2023, the following persons or companies (other than the Directors, Supervisors or chief executives of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Interests and short positions in ordinary shares of the Company

Name of shareholder	Capacity/Nature of interest	Class of shares	Number of shares[1]	Approximate percentage of shareholding in the total number of issued shares of our Company[2]	Approximate percentage of shareholding in the relevant class of Shares[3]
Mixed Reform Fund[4]	Beneficial owner	Domestic share	18,413,960 (L)	8.14%	14.76%
SME Fund[5]	Beneficial owner	Domestic share	13,397,704 (L)	5.92%	10.74%
		H share	2,042,776 (L)	0.90%	1.64%
HL Klemove Suzhou[6]	Beneficial owner	H share	15,316,080 (L)	6.77%	12.28%
Zizhi Yihao[7]	Beneficial owner	H share	12,335,640 (L)	5.5%	9.89%

Notes:

1. The letter "L" denotes the person's long position in the Shares.

2. The calculation is based on the total number of 226,330,340 Shares in issue as of December 31, 2023.

3. The calculation is based on the total number of 124,726,655 Domestic Shares and 101,603,685 H Shares in issue as of December 31, 2023.

4. China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd. (中國國有企業混合所有制改革基金有限公司) ("**Mixed Reform Fund**") is a national fund approved by the State Council of the PRC. As at December 31, 2023, Mixed Reform Fund was held as to 34.23% by China Chengtong Holdings Group Co., Ltd. (中國誠通控股集團有限公司) ("**China Chengtong**"). Therefore, China Chengtong will be deemed to be interested in the Shares held by Mixed Reform Fund under the SFO.

5. Shenzhen Guozhong SME Development Private Equity Investment Fund Partnership (L.P.) (深圳國中中小企業發展私募股權投資基金合夥企業(有限合夥)) ("**SME Fund**") is a limited partnership established in the PRC and is managed by its general partner, Shenzhen Guozhong Venture Capital Management Co., Ltd. (深圳國中創業投資管理有限公司) ("**GZVCM**"), which is in turn controlled by Mr. SHI Anping, an Independent Third Party. Therefore, each of GZVCM and Mr. SHI Anping will be deemed to be interested in the Shares held by SME Fund under the SFO.

6. HL Klemove Electronics (Suzhou) Co., Ltd. (漢拿科銳動電子(蘇州)有限公司) ("**HL Klemove Suzhou**") is a company established in the PRC and wholly owned by HL Klemove Corp. ("**HKL**"), which is an affiliate of HL Mando Corporation, a company listed on the Korea Exchange (ticker symbol: 204320). Therefore, each of HKL and HL Mando Corporation will be deemed to be interested in the Shares held by HL Klemove Suzhou under the SFO.

7. Jiaxing Zizhi No. 1 Equity Investment Partnership (L.P.) (嘉興自知一號股權投資合夥企業(有限合夥)) ("**Zizhi Yihao**") is a limited partnership established in the PRC and is managed by its general partner Jiaxing Zizhi Discovery Equity Investment Management Partnership (L.P.) (嘉興自知探索股權投資管理合夥企業(有限合夥)) ("**Zizhi Discovery**"), which is ultimately controlled by Mr. HUANG Mingming (黃明明), an Independent Third Party. Therefore, each of Zizhi Discovery and Mr. HUANG Mingming will be deemed to be interested in the Shares held by Zizhi Yihao under the SFO.

Report of the Directors

Save as disclosed above, as at December 31, 2023, no person, other than the Directors, Supervisors or chief executives of the Company whose interests are set out in the section headed "Directors', Supervisors' and Chief Executive' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MANAGEMENT CONTRACTS

For the year ended December 31, 2023, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed.

EMPLOYEE INCENTIVE SCHEME

The Group adopted an employee incentive scheme (the "**Employee Incentive Scheme**") on April 25, 2019, which was further revised on December 24, 2021. Two employee incentive platforms, namely Lanchi Platform and Zichi Platform, were established by Mr. Song Yang to implement the Employee Incentive Scheme. The terms of the Employee Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules when it was adopted, as it does not involve the grant of options or share awards by our Company after the Listing.

The following is a summary of the principal terms of the Employee Incentive Scheme:

Purpose

The Employee Incentive Scheme was adopted for the purpose of establishing and improving long-term incentive mechanism of our Company, attracting and retaining high-end talents, fully mobilizing the enthusiasm of our Directors, senior management and other core employees.

Eligibility of participants

The eligible participants include the core managerial and technical personnel of our Company or any of our subsidiaries, or other core employees who shall be deemed by the general meeting to have material influence on the operating performance and future development of our Company.

Shares available for issue

As all the incentive awards in the form of the existing Shares under the Employee Incentive Scheme had been granted and vested, the Shares available for issue under the Employee Incentive Scheme is nil as at the date of the annual report.

Total number of the underlying shares of the incentive awards

Participants shall be interested in a total of 24,248,960 Shares through holding the limited partnerships in the employee incentive platforms, the underlying Shares of which represents 10.71% of the share capital of our Company in issue as at December 31, 2023.

All incentive awards under the Employee Incentive Scheme had been granted and vested before the Listing Date.

Report of the Directors

Maximum entitlement of each participant

There is no limit on the entitlement of each participant under the Employee Incentive Scheme.

Vesting period

The Shares underlying the incentive awards granted shall be vested immediately and transferred to the participants subject to the registration of changes with relevant industrial and commercial authorities.

Acceptance and payment

Save as the purchase price below, the Employee Incentive Scheme does not provide any acceptance payment.

Basis of purchase price

The purchase price of the incentive awards is determined on comprehensive consideration of factors, including the participants' contribution to our Company and their respective professional and technical competence.

Report of the Directors

Remaining life

The Employee Incentive Scheme commenced on April 25, 2019, and shall continue to be in effect unless terminated upon the approval by the Shareholders.

Movements of the Incentive Awards Granted Under the Employee Incentive Scheme

Details of the movement of the incentive awards granted under the Employee Incentive Scheme during the Reporting Period are set out below:

				Number of Shares							
Category of grantees	Grant date	Vesting period[1]	Purchase price per share	Unvested as at January 1, 2023[1]	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled/ forfeited during the Reporting Period	Lapsed during the Reporting Period	Unvested awards as at December 31, 2023[1]	Closing price immediately before the grant date[2]	Weighted average closing price of the shares immediately before the vesting date[3]
The five highest paid individuals (in aggregate)[4]	February 17, 2023	immediate	RMB4.75	–	57,000	57,000	0	0	–	N/A	N/A
Other employees of the Group (in aggregate)	February 17, 2023	immediate	RMB4.75	–	80,700	80,700	3,000	0	–	N/A	N/A

Notes:

(1) The shares underlying the incentive awards granted shall be vested immediately and transferred to the grantees subject to the registration of changes with relevant industrial and commercial authorities. All shares awarded before the beginning of the Reporting Period had been transferred to the relevant grantees and all shares awarded during the Reporting Period had been transferred to the relevant grantees before the end of the Reporting Period.

(2) The grant was made prior to the Company's Listing on the Stock Exchange, as such, no closing price immediately before the grant is available.

(3) All shares awarded had been transferred to the relevant grantees prior to the Company's Listing on the Stock Exchange, as such, no weighted average closing price of the shares immediately before the vesting date is available.

(4) Such individuals do not include any Directors, Supervisors and the chief executive of Company.

Details of the fair value of the awards granted at the grant date and the accounting standard and policy adopted are set out in Notes 2.11 and 27 to the consolidated financial statements. For the further details of the Employee Incentive Scheme, please refer to the Prospectus.

Report of the Directors

ISSUED DEBENTURES

As at December 31, 2023, neither the Company nor any of its subsidiaries issued any debentures.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, no equity-linked agreement that will or may result in the Company issuing Shares nor require the Company to enter into an agreement that will or may result in the Company issuing Shares was entered into by the Company during the year ended December 31, 2023 or subsisted at the end of the year.

CONTRACT OF SIGNIFICANCE

No contract of significance has been entered into between the Company, or any of its subsidiaries and the controlling shareholder or any of its subsidiaries during the year ended December 31, 2023.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in Note 44.12 to the Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and to the knowledge of the Directors, not less than 25% of the Company's total issued shares were in the hands of the public as at the date of this annual report, which complied with the public float requirements under the Listing Rules.

MATERIAL LITIGATION

For the year ended December 31, 2023 and as at the date of this annual report, the Company was neither involved in any material litigation or arbitration, nor may be brought up or accused of any pending material litigation or claims.

CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

For the year ended December 31, 2023 and up to the date of this annual report, the controlling shareholders of the Company, namely Mr. SONG Yang, Lanchi Platform, Zichi Platform, Suzhou Hongchi and Suzhou Luchi have no interests in any business which competes with or is likely to compete with the businesses of the Group.

Report of the Directors

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

The Group did not enter into any connected transactions and continuing connected transactions which required reporting, annual review, announcements and/or independent shareholders' approval under Chapter 14A of the Listing Rules for the year ended December 31, 2023.

Details of the related party transactions entered into by our Group are set out in Note 37 to the Financial Statements and they were connected transactions exempt from the connected transaction requirements under Chapter 14A of the Listing Rules.

AUDIT COMMITTEE REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and the audited consolidated financial statements and annual results of the Group for the year ended December 31, 2023, and is of the view that the Group's consolidated financial statements for the year ended December 31, 2023 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

AUDITORS

During the year ended December 31, 2023, PricewaterhouseCoopers acted as the reporting accountant and independent auditor of the Company. The Financial Statements set out in the annual report were audited by PricewaterhouseCoopers. The Company has not changed its auditor since the Listing Date.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as that on January 15, 2024, the Company incorporated a wholly-owned subsidiary, iMotion Automotive Technology (Jiaxing) Co., Ltd., in Jiaxing, Zhejiang Province, with a registered capital of RMB 250 million, there were no material events after December 31, 2023 and up to the date of this annual report that would materially affect the Group's operating and financial performance.

By order of the Board
iMotion Automotive Technology (Suzhou) Co., Ltd.
Mr. SONG Yang
Chairman of the Board

Hong Kong, March 28, 2024

Environmental, Social and Governance Report

ABOUT THIS REPORT

This is the first Environmental, Social and Governance (ESG) report issued by iMotion Automotive Technology (Suzhou) Co., Ltd. Focus on the disclosure of the Company and its subsidiaries in ESG management initiatives, highlight practices and results.

Time Scope

This report is an annual report covering the period from January 1, 2023 to December 31, 2023, with some content beyond the above scope.

Reporting Boundary

This report is based on iMotion Automotive Technology (Suzhou) Co., Ltd., covering all subsidiaries of the Company.

Basis and Principles of Preparation

This report has been prepared with reference to the United Nations Sustainable Development Goals (SDGs), the GRI Standards issued by the Global Sustainability Standards Board (GSSB), the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The four principles of materiality, quantitative, balance and consistency are taken into account for information disclosure.

Source of Information

The information and data in this report are mainly derived from the Company's internal official documents, internal statistics and relevant public information. Unless otherwise stated, the currency amounts mentioned in this report are measured in RMB.

Representation

For ease of explanation, the terms "iMotion", "the Company" and "we" in this report represent iMotion Automotive Technology (Suzhou) Co., Ltd.

Access to the Report

This report is published in electronic form and can be viewed and downloaded at:

- iMotion's official website: www.imotion.ai
- Website of the Stock Exchange: www.hkex.com.hk

Contact Us

If you have any questions or feedback on this report and its contents, please contact us through the following methods:

- Email: investor@imotion.ai
- Address: 19/F and 20/F, Building G2, 88 Jinji Lake Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province, PRC
  (For the attention of the Board)

Environmental, Social and Governance Report

BOARD STATEMENT

In accordance with the requirements of the Environmental, Social and Governance Reporting Guide of the Stock Exchange, the Company strengthens the Board's supervision and participation in the Company's environmental, social and governance (ESG) related matters. As the highest decision-making body of the Company's ESG affairs, the Board of the Company is responsible for reviewing and formulating the Company's ESG objectives, strategies and management policies and reviewing the annual ESG material issues and ESG reports. Through relevant meetings, the Board of Directors regularly reviews the progress of ESG work, continuously improves the implementation of ESG, and actively promotes the incorporation of ESG into the company's strategic decisions and business operations.

The Company's management, under the supervision of the Board of Directors, is responsible for formulating the Company's ESG strategy, policies and reports, assessing the importance of the Company's ESG issues, identifying the short, medium and long-term impacts of managing ESG and climate-related risks on the Company's business development and strategic planning, and developing risk response plans.

The Company has set ESG performance-related targets as per the requirements of the ESG Reporting Guide. The Board has reviewed and discussed the setting of such targets and will continue to monitor and review progress towards the targets.

Environmental, Social and Governance Report

1. GOVERNANCE

1.1 ESG Management

The Company continuously promotes the integration of ESG into strategic planning and business operations, establishes an ESG management system, clarifies the responsibilities of each level, and continuously improves the level of ESG management.

- **Decision-making level:** The Board of Directors is responsible for the supervision and decision-making of the Company's ESG matters; monitoring the Company's ESG-related objectives, strategies and management, as well as the annual ESG reporting.

- **Management level:** The management level is responsible for formulating the Company's ESG strategy, policies and reports; identifying ESG and climate-related risks; determining ESG materiality issues; clearly representing and identifying the responsibilities of each head of department in ESG matters; formulating ESG professional training programs; and facilitating the implementation of ESG-related work plans and providing resource support.

- **Operation level:** Each department is responsible for cooperating with the implementation of the Company's ESG work plan and arrangements and promoting the realization of ESG objectives; reporting ESG-related information and work progress on a regular basis.

Environmental, Social and Governance Report

1.2 Communication with Stakeholders

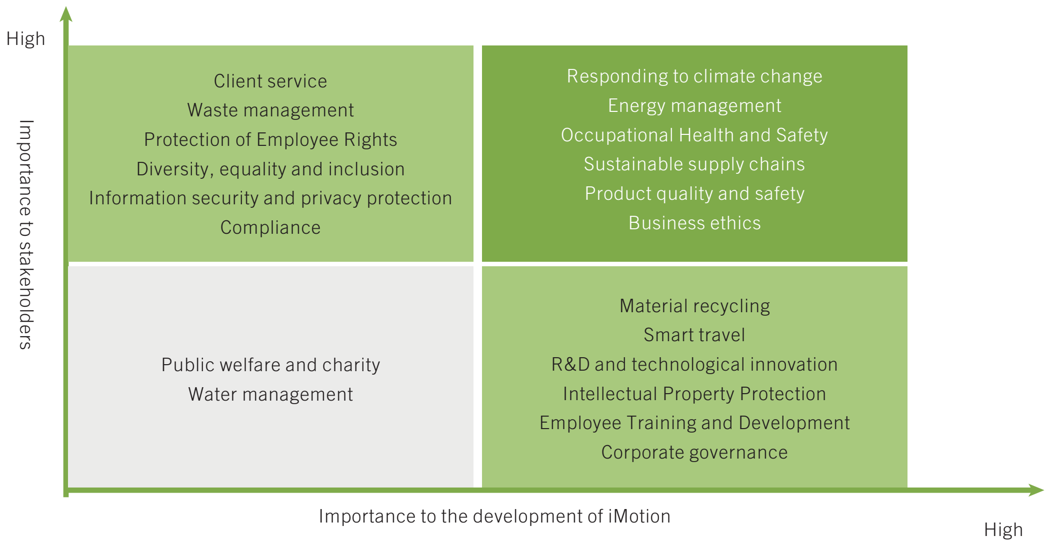
The Company emphasizes and improves the stakeholder communication mechanism, fully understands the expectations and requirements of stakeholders, and actively responds to them through a variety of channels and methods.

Stakeholders	Expectations and demands	Communication and response methods
Government/ regulatory authorities	• Compliance operation • Business ethics • Corporate governance • Responding to climate change	• Government visits • Annual financial reports • Regular reporting and communication
Shareholders/ Investors	• Compliance operation • Business ethics • Corporate governance • Intellectual Property Protection	• Shareholders' meeting • Investor Presentation • Annual financial report
Customers	• Product quality and safety • Smart travel • Client service • R&D and technological innovation • Information security and privacy protection	• Apps • Official website and e-mail • Customer visit
Employees	• Protection of Employee Rights • Diversity, equality and inclusion • Occupational Health and Safety • Employee Training and Development	• Employee Interviews • SMS and telephone • Social media (WeChat, Feishu, Dingding, etc.) • Email
Community public	• Public welfare and charity • Material recycling	• Information Disclosure • Company official website and e-mail
Suppliers/ Partners	• Sustainable supply chains • R&D and technological innovation • Business ethics	• Supplier Evaluation • SRM system
Environment	• Waste management • Water management • Energy management • Material recycling • Responding to climate change	• Information Disclosure • Regulatory and Compliance

1.3 Determination of Material Issues

The Company carried out industry benchmarking analysis in accordance with the ESG Reporting Guide of the Hong Kong Stock Exchange, incorporated the national policy trends, industry development trends, and our own business development and strategic layout. The Company has determined the list of material ESG issues for 2023.

The Company attaches importance to the demands of stakeholders. By soliciting suggestions from internal and external stakeholders, the Company analyzed and prioritized the material issues from the two dimensions of "importance to development of iMotion" and "Importance to stakeholders" to determine the most important ESG issue of iMotion for the year 2023, and the material ESG issue matrix was reviewed and confirmed by the Board of the Company.



Environmental, Social and Governance Report

1.4 Business Ethics and Anti-corruption

The Company strictly complies with the requirements of the *Anti-Monopoly Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China* and other relevant laws and regulations, continuously improves its business ethics management system, and formulates internal policies and systems, such as the *iMotion Integrity and Self-Discipline Management Regulation*, the *iMotion Employee Acceptance of Gifts Registration Management Measures*, the *iMotion Anti-money Laundering Management Regulation*, and the *iMotion Compliance Incident Management Regulation*. We clarify the definition of anti-bribery, anti-corruption and anti-fraud, as well as the responsibilities of each department. We regulate the business ethical behavior of employees and clarify the Company's money laundering risk management procedures and compliance emergencies response mechanism. In 2023, the Company did not have any corruption lawsuits.

The Company continuously improves the complaint and reporting management system. We discloses the reporting channels through all-staff meetings, regulations, and supplier integrity agreement, encouraging the employees to report any unlawful and non-compliant behavior. The information of all whistle blowers is kept strictly confidential, and the reporting procedures are regulated. Designated persons are assigned to manage the reporting information, and retaliation against the whistle-blowers is prohibited to effectively protect the interests of the whistle-blowers.

For suppliers' anti-corruption, the Company require all suppliers to sign the *Integrity and Self-discipline Agreement*. The Company conducts legal and compliance review and supervision of supplier access, bidding and procurement, and carries out special audits on procurement to reduce the risk of corruption in the procurement process. In 2023, the coverage rate of suppliers signing the *Integrity and Self-discipline Agreement* is 100%.

The Company conducts anti-corruption trainings for all employees every year, which includes the explanation of the compliance system and the reporting channels. The *Employee Handbook* contains internal regulation such as business management, professional ethics, anti-corruption, etc., and aim to enhance employees' awareness of anti-corruption.

2. ENVIRONMENT

2.1 Emission Management

The Company complies with the *Air Pollution Prevention and Control Law of the People's Republic of China*, *Water Pollution Prevention and Control Law of the People's Republic of China*, *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, and other relevant laws and regulations, and strengthens the emission management to minimize the impacts on the environment. In 2023, the Company has obtained the certification of the ISO 14001 environmental management system and has no major environmental violations.

iMotion 2024 Environmental Goals:

- Waste gas emissions are in line with the *Comprehensive Emission Standards for Air Pollutants (GB16297 1996) and Volatile Organic Compounds Emission Control Standards for Industrial Enterprises (DB12/524 2014)*;
- Reduced usage of defective products, waste cloths, organic solvents, and hazardous waste of chemical containers by 5% for the same production volume;
- 100% non-hazardous transfer rate of hazardous waste

2.1.1 Gas Emission

iMotion has formulated the *Gas Emission and Management Measures* with reference to the *Comprehensive Emission Standards for Air Pollutants, Air Quality Standards, Emission of Volatile Organic Compounds Control Standards for Industrial Enterprises, Control Standards for Unorganized Emission of Volatile Organic Compounds and Emission Standards for Odor Pollutants* to ensure that the emission meet the standards. The gas emissions are mainly generated during the production process, which includes VOCs and particulate matters. The Company inspects the gas treatment equipments on a daily basis to ensure that the equipments function properly. External environmental monitoring departments are regularly commissioned to monitor gas emissions and air pollutants. In response to the occurrence of accidents or other sudden events that cause the gas emissions to fail to meet the standards, the Company has set up a comprehensive emergency response procedure to minimize the impact of air pollution.

Environmental, Social and Governance Report

2.1.2 Hazardous waste

The Company strictly abides by the requirements of the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* and other laws and regulations and formulates the *Hazardous Waste Control Procedures* to standardize the management of the waste generated during the laboratory testing process. The Company entrusts a third party with professional qualifications to handle hazardous waste. The Company carries out regular professional training for employees who directly engaged in the generation, collection, storage and transportation management of hazardous waste to enhance the staff's ability to deal with emergencies and their awareness of environmental protection, so as to ensure the safe and harmless treatment of waste. The sources of hazardous waste mainly includes waste activated carbon, waste wipes, waste board edges, waste organic solvents, waste chemical packaging containers, defective products, etc. In 2023, the Company's hazardous waste emission is 1.12 tons, and the density of hazardous waste emission is 0.0032 tons/person.

2.1.3 Non-hazardous waste

For non-hazardous waste, iMotion recycles and disposes them in accordance with the requirements of the Company's management regulations. We recycle general wastes and sell to waste stations, and keep track of the records. The non-recyclable general waste is handed over to a third party for disposal. Meanwhile, the Company carries out waste classification publicity for employees, standardizes the classification of household waste, advocates reusing partial non-hazardous waste, and promote non-hazardous reduction. In 2023, the Company's non-hazardous waste emission is 0.85 tons, and the density of harmless waste emission is 0.0024 tons/person.

2.2 Energy and Resource Management

According to the *National Energy Policy* and *Energy Management Standards*, iMotion has formulated the *Energy Saving Control Measures*, based on actual production and material consumption, to continuously strengthen the energy management, reduce the energy consumption and material consumption, and improve the energy utilization rate. We clarify clear responsibilities of each department, and carry out rewards and punishment assessment for energy and resource management The Company strengthens the publicity and education of the staff, enhances the staff's conscientiousness of saving water and electricity. We inspect the water pipes, valves and faucets in the factory to eliminate the water waste. In 2023, we adopts clean energy in our factories and offices, and initiates photovoltaic green point program. The total energy consumption of the Company is about 190 tCO_2e, and the comprehensive energy consumption intensity is about 0.55 tCO_2e/person.

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- ***Water Management***

  iMotion mainly involves production water consumption and general water consumption. We do not involve wastewater discharge processes. Given the geographical location of the business operations, we has not encountered any problems in finding suitable water sources. We are progressively disposing equipment with high water consumption, such as industrial washing machines. We have strengthened our water management and implemented various measures to reduce water consumption, including conducting water analysis at our production facilities and posting water conservation banners around our offices and production facilities, etc. In 2023, the Company consumes 412 tons of water, with a water consumption intensity of 1.18 tons/person.

- ***Materials Management***

  we use both biodegradable and non-biodegradable materials to manufacture our products. Biodegradable materials mainly include paper packaging materials and metals. Other materials such as plastic packaging materials and containers are non-biodegradable materials. In general, the materials used in our products include metals such as aluminum alloys, epoxy resins, fiberglass, silicon, paper and plastics. We do not use any heavy metal materials in our products and prefer to use environmentally friendly materials to eliminate the effects of harmful substances. We use recyclable and green materials whenever possible to minimize pollution and emissions. In addition, we try our best to recycle or reuse expired unused materials to avoid pollution. We recycle our product packaging primarily through using plastic recycling bins. In 2023, the Company use 1.32 tons of packaging materials.

- ***Green Office***

  iMotion has formulated *Environmental Protection, Energy Saving and Emission Reduction Plans and Targets, Energy Saving Control Measures* and other measures to standardize the rational use of water, electricity and air conditioning in the office area to save energy. The Company strictly prohibits unauthorized wiring in the office area. We ask employees to turn off lighting when no one is in the office. The Company encourages employees to use E-office. We install Outlook system, Dingding system, WMS system to every computers, promotes electronic documents, and strives to advocate paperless office to reduce the use of paper as much as possible. Meanwhile, we requires employees to reuse paper, single-sided used paper, except for the Company's confidential documents, must be recycled for double-sided use.

2.3 Responding to Climate Change

With reference to the Task Force on Climate-related Financial Disclosure (TCFD) framework, the Company has continued to promote the identification of climate -related risks and opportunities, fostered the development of climate-related strategies, and actively carried out carbon-reduction action plan.

- ***Climate Governance***

The Company promotes the establishment of a climate risk governance system, which the board of directors is responsible for the supervision and decision-making of ESG and climate related work, as well as the consideration of the climate related objectives. The management level emphasizes ESG and climate related risk management and actively promotes actions to address climate change.

- ***Climate Risk Identification and Response***

The Company identifies and analyzes climate risks and opportunities based on industry developments and actual business operations, and formulates corresponding countermeasures.

Type of risk	Risks and opportunities	Responses
Physical risk	• Increased risk of factory inundation due to extreme precipitation, typhoons, floods and other events, resulting in increased risk of damage to products and economic losses • Damage to the operational safety of factory equipment and facilities, affecting the stability of factory production, leading to possible business interruption and other issues related to breach of contract, compensation and legal liability. • Increased risks to employee health and safety due to natural disasters and other events that affect product production • Increased risk of heat waves, droughts, fires, increased maintenance costs for air-conditioned facilities and increased energy consumption as the climate changes	• In response to possible extreme weather and natural disasters, the Company has formulated extreme weather safety management regulations and contingency plans to ensure the safety of employees • Increased resilience to natural disasters through the use of safer and stronger equipment and facilities • Pay close attention to extreme weather conditions around the world, and activate emergency plans in a timely manner

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Type of risk	Risks and opportunities	Responses
Transition risk	• Relevant policy changes with implications for supply chain stability • Increase in Company operating costs • Markets and customers will demand more green and low-carbon products	• Continuously pay attention to the development trend of environmental protection and low-carbon laws and regulations, and formulate countermeasures in a timely manner • Formulation of the "Specification of Energy Conservation Control Measures" to strengthen energy management and reduce energy and material consumption • Promote green R&D and operations, and increase R&D investment in green and low-carbon products

- ***Climate Actions***

To confront the challenges of climate change, we have implemented a variety of proactive measures. We offer our employees with free buses rides, providing them with a complimentary commuting option that is both low-carbon and environmentally friendly, aim to promote energy conservation and emission reduction. Furthermore, we have organized distinct areas for single-sided and double-sided printing around our office printers, incentivizing employees to reduce their print output. We encourage the use of double-sided paper for internal non-critical documents, invoice, and drafts, which not only increases paper efficiency but also aligns with our commitment to sustainable and eco-conscious practices.

- ***Metrics and Targets***

The Company continues to promote the integration of green and low-carbon concepts into its business operations, aims to helping China achieve carbon peaking and carbon neutrality goals through carbon emission reduction actions.

Metrics	Units	2023
Greenhouse gas emissions	tCO_2e	858.3
Greenhouse gas emission intensity	tCO_2e/person	2.47

Note: The Company's greenhouse gas emissions are mainly indirect (scope 2) greenhouse gas emissions generated by the use of purchased electricity.

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3. SOCIAL

3.1 Products & Services

3.1.1 Product Quality and Safety

The Company adheres to the quality management policy, builds the QMS structure, continuously improves the product quality management system, and obtains the quality management system certificates of IATF16949：2016, ISO14001：2015, ISO26262：2018, ASPICE L2, ISO13485：2016.

The Company continues to improve its quality inspection and control capabilities. Through targeted testing methods and diversified testing equipment, the Company inspects product dimensions, appearance defects, electronic materials and other issues to ensure that the products meet the quality requirements. Our factory strictly implements the 6S management concept to ensure a clean production environment. Personnel, materials and other production auxiliaries must be strictly cleaned in the air shower room before entering the factory to ensure the environment is dust-free. The Company realizes ESD control by means of tools such as electrostatic hand rings and electrostatic shoes, anti-static boxes, etc., as well as the establishment of ESD protection procedures and regular EPA audits. The Company realizes product quality control in each module o material collection, planning, quality control, production, and shipment through MES traceability. We have also developed and implemented an RMA return process. In 2023, there were no product recalls for safety and health reasons.

We are committed to ensuring the safety of our autonomous driving solutions on the road. To accomplish this, our team of engineers works constantly to ensure that our systems are always as secure as possible. We collaborate closely with the OEMs to take advantage of their collective expertise and diversity of thought, making vehicles equipped with our autonomous driving solutions smarter and safer. We organize training sessions for our employees on the introduction of quality tools and the IATF 16949 standard to raise their awareness of quality management and professional skills.

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3.1.2 Customer Service Experience

- *Response to Customer Complaints*

  The Company protects the rights and interests of customers and continuously optimizes customer service experience. We formulate the *Customer Complaint Handling Control Procedures* to standardize the process of handling customer complaints. For different levels of customer complaints, the Company provides corresponding handling measures to obtain customer satisfaction. The Company should solve the customer complaints and complete the customer handling report according to the internal time requirements. The Company's employees should report to the corresponding departments as soon as they received the complaints. In 2023, the Company received a total of 4 product and service complaints, and the response rate of customer complaints was 100%.

- *Customer Privacy and Data Security*

  We collect information for the internal operation and management, and our operation does not involve collecting customers' private information. We have formulated the *Provisions on Data Classification and Hierarchy Management* in accordance with relevant national laws and norms to regulate data processing activities, reduce the risk of unauthorized access, data leakage, and improve the level of data management. We have established *Data Security Management System, Data Entrustment Processing Agreement*, *Data Provision Agreement, Data Co-Processing Agreement*, which specifies the security management in data production, data usage, data transmission and data destruction, reduces the data security risk, improves the ability of data asset protection, and guarantees the data security among the Company, our customers and partners.

  We establish *The Personal Information Protection Measures and Personal Information Compliance Audit Measures* to regulate the personal information acquisition and to raise the awareness of personal information protection among all employees in order to build a personal information protection system covering the entire lifecycle, to safeguard the legitimate rights and interests of the Group, the subject of personal information, and other stakeholders as well as to keep the personal information safe. In 2023, the Company had no incidents of infringement of customers' privacy.

  In order to safeguard the Company's network security, the Company has formulated the *Data Security Protection Measures, Information Security Management Regulations and Information System Emergency Management* to deal with security risks such as system vulnerabilities, computer viruses, network attacks and network intrusion in a timely manner. If an incident that jeopardizes the safety of the network, the Company immediately activates the emergency plan, take the corresponding measures, and report the incident to the relevant competent authorities in accordance with the regulations. In 2023, the Company obtained ISO/SAE 21434 certification.

3.1.3 R&D and Technological Innovation

- *Innovation Management*

iMotion has developed a research and technological innovation management system in order to enhance the Company's core competitiveness and market position, and to improve the Company's scientific and technological innovation capability, economic benefits and social benefits. The Company has formulated *R&D Project Management*, *R&D Input Accounting Management, R&D Expense Auxiliary Account Measures* and other management measures, which regulate the Company's project research and development activities. The financial department carries out the project research and development investment in the specific accounting and management process, and compiles the annual R&D expense auxiliary account, so as to better mobilize scientific and technological personnel's enthusiasm.

The Company attaches importance to the internal and external scientific research cooperation platforms, and has built Suzhou Advanced Automatic Driving System Engineering Technology Research Center as an important R&D site. The Company has issued the *Management Charter of R&D sites*, and introduced many R&D supplies and equipments to facilitate the R&D process. The Company has formulated the *Industry-University-Research Cooperation Management*, and cooperated with Suzhou Research Institute of Nanjing University of Aeronautics and Astronautics to carry out the project research and development work, so as to better satisfy the customers and market demand.

The Company has a well-established R&D team. We have formulated and implemented the *Reward schemes for the R&D Achievements* and the *Management Measures for Innovation and Entrepreneurship Platform*, which provide rewards for those who have achieved scientific and technological innovations and achievements. We offer share incentives for core engineers, which promote the rapid development of the open innovation and entrepreneurship platform, and improve our scientific and technological innovation capability, market position and brand reputation.

As of the end of December 2023, the Company has been rewarded as one of the Suzhou high-growth innovative enterprises, the first prize of the Fifth "iCreation Cup" Innovation and Entrepreneurship Competition, Jiangsu Artificial Intelligence Enterprise with significant growth and progress, Suzhou Industrial Park Listed new-born Enterprise, GaoGong Intelligent Innovation Enterprise, Suzhou "Unicorn" Cultivating Enterprise, GEI China Potential Unicorn Enterprise and other honors and qualifications.

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- *Innovative Products*

  Relying on its core vertical integration capabilities in product design and development, algorithm and function development, system integration and manufacturing, iMotion develops autonomous driving solutions and products for OEMs. Its autonomous driving solutions and products can be installed in both new energy vehicles (NEVs) and fuel-efficient vehicles (ICEs) and are capable of realizing full autonomous driving functions.

  Our main products include SuperVision™, iDC series and iFC series. We will continue to innovate and update our full range of products to fulfill more customer needs.

SuperVision™	SuperVision™ is a fully operational point-to-point assisted driving navigation solution on various road types and includes cloud-based enhancements and supports OTA updates subject to the system's operational domain design (ODD). Equipped with 11 cameras powered by two Mobileye's EyeQ®5H SoCs, SuperVision™ has superior visual perception capabilities and offers one of the most comprehensive autonomous driving functions covering driving scenarios in its defined ODD. SuperVision™ meets the specific needs of premium intelligent vehicle models of our OEM customers, equipping them with a distinctive advantage to compete on the global market. SuperVision™ can achieve level 2+ autonomous driving, including more advanced level 2+ functions such as navigate on autopilot in urban areas (Urban NoA).
iDC Series	The iDC series is our self-developed AD domain controller product line. Compared to the typical architecture that includes both SoC and microcontroller (MCU), we creatively developed an advanced software architecture for our iDC series that integrates high-speed driving functions and low-speed parking functions into one SoC only, enabling product cost reduction and system efficiency enhancement.
iFC Series	Our iFC series is a budget solution for level 2 autonomous driving that includes both comfort functions (such as LCC and ACC) and safety assistance functions (such as emergency lane keeping (ELK) and automatic emergency braking (AEB))

- *Intellectual Property Protection*

  In order to strengthen the Company's scientific and technological research and innovation ability, efficiently promote the transformation of scientific and technological achievements, and effectively improve the enthusiasm of R&D personnels, the Company has formulated the *Enterprise Intellectual Property Rights Management Measures*, which clearly defines the scope of intellectual property rights and the relevant registration, and strictly follows the management measures to deal with intellectual property rights complaints and disputes, and fully protects the relevant rights and interests of intellectual property rights holders and consumers. In 2023, iMotion has 39 registered patents.

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3.2 Growing with Employees

3.2.1 Protection of Employee Rights

The Company adheres to equal and standardized employment, strictly abides by the *Labor Law of the People's Republic of China*, *the Labor Contract Law of the People's Republic of China* and other relevant national laws and regulations, formulates *Employee Employment Management Policy and Regulation, Employee Manual* and other measures, prohibits the recruitment of child labor and forced labor, opposes all forms of discrimination in terms of gender, age and region, and pays attention to establishing a respectful, inclusive and caring culture and working environment. As of the end of December 2023, the Company has a total of 348 employees.

The Company continuously improves the employee remuneration system and various internal welfare policies and measures to enhance the employees' sense of well-being. The Company provides employees with 13-month salaries, year-end awards, intellectual property rewards, etc., pays five insurance premiums and supplemental medical insurance, and provides additional welfare benefits such as annual leave, full-pay sick leave, bereavement leave, parental leave, etc. The Company organizes and carries out holiday-themed activities such as Women's Day, Children's Day, Dragon Boat Festival, Mid-Autumn Festival, etc., and prepares holiday gifts for employees. To help employees balance work and life, we set up a gym, organize sports (basketball, badminton, table tennis, etc.) activities, hobby groups (skating, pets, motorcycles, etc.) and trips.

We adhere to democratic management, encourage employees to speak freely. We set up employee communication channels such as face-to-face interviews, SMS, phone calls, WeChat, Dingding, Feishu, emails, etc. The HR email is hr@imotion.ai and the compliance email is compliance@imotion.ai. We also carry out employee interviews from time to time to collect employee's suggestions on the Company's management.

3.2.2 Occupational Health and Safety

The Company fully protects the occupational health and safety of employees and strictly complies with relevant laws and regulations such as the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and the *Production Safety Law of the People's Republic of China*. The Company organizes physical examinations for employees, distributes anti-static shoes and clothing, summer and winter work clothes, etc. All employees are required to have pre-job physical examinations and the related expenses will be fully reimbursed. The Company conducts safety trainings and factory fire drills to enhance employees' safety awareness. In 2023, the Company did not have any work-related deaths or injuries.

3.2.3 Employee Training and Development

We continuously invest in the training and career development of young talents. We have always striven to provide our engineers and other employees with comprehensive social benefits, a diverse work environment and a wide range of career development opportunities. We provides employees with professional and managerial promotion paths and provides them with abroad development platform. We have established a comprehensive system for employee training and development, covering leadership, general competencies, professional competencies, and others. Our comprehensive training program includes corporate culture, employee rights and responsibilities, team building, professional behavior, job performance, management skills, leadership, and administrative decision-making. We not only focus on the improvement of employees' professional development, but have made efforts to incentivize our employees to have a "sense of goals" and "sense of fulfillment."

- **Talent Acquisition:** Introduce domestic and foreign talents through various channels, such as with governmental organizations, headhunters, internal recommendation and independent recruitment.

- **Talent Reserve:** Conduct talent review for the whole Company every year to identify key talents for internal reserve; quote professional recruitment tools to implement digital reserve for external talents.

- **Cultivation Program:** For all employees, annual training program is implemented according to the business demand; for key positions and employees, annual talent review is conducted for the whole Company, the successor plan and the development and training program for key talents and key positions are implemented; a dedicated training program is implemented for new employees and for fresh graduates.

In 2023, a total of 3,864 employees were trained, with a total training time of 149 hours.

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3.3 Sustainable Supply Chains

iMotion continuously optimizes the supplier management, guarantees the safety and stability of suppliers, integrates sustainable development factors into the whole process of supplier management, and formulates the *Supplier Management Control Procedures* to help the sustainable development of suppliers. In 2023, the Company has 63 suppliers, including 22 suppliers from Mainland China, 7 suppliers from Hong Kong, Macau and Taiwan, and 34 suppliers overseas.

In terms of supplier screening and access, iMotion adopts a strict supplier screening process, which screens high-quality suppliers based on qualifications, brand awareness, experience, ability to guarantee the supply of goods, price advantage and other aspects. Before signing an agreement with the supplier, the Company notifies the suppliers to carry out self-assessments in accordance with the content of the *Potential Supplier Audit Report*. Then the Company organizes an audit team to carry out on-site audits and evaluations at the supplier's place after receiving the supplier's feedback on the self-assessment results, conducts background investigations of the supplier and the products it provides, and inspects the business licenses and relevant permits and certificates of the products, and verifies that there are no errors before granting access. The Company and the suppliers signed *Purchasing Framework Agreement, Confidentiality Agreement, Price Agreement, Quality Agreement* and other agreements to improve the risk control process.

Supplier Classification and Entry Requirements

Supplier Classifications	Entry Requirements
Material suppliers	Critical material manufacturers are required to have an IATF 16949 quality management system for products involved in automotive-specific programs, and non-critical material manufacturers are required to have at least an ISO 9001 quality management system.
Software providers	Preference is given to suppliers with CMMI or A-SPICE qualifications for automotive projects.
MRO suppliers	Business license, invoicing information and relevant certificates need to be collected.
ODM Suppliers	An IATF 16949 quality management system is required.
Agents	Prefer a well-known domestic and foreign agents, and obtain the original agent certificate or proof.
Information security & functional security providers	Pass internal information security/functional security related reviews.

The Company has established a comprehensive supplier evaluation system. According to the *Supplier Performance Evaluation Form*, suppliers are comprehensively evaluated in five major aspects: quality assurance, delivery assurance, prices, service evaluation, and environment and occupational health and safety. Based on the results of the evaluation, suppliers are given suggestions for improvement. For suppliers that fail the evaluation will be eliminated and replaced. The Company takes environmental and social impacts into consideration for suppliers and signs a *Supplier Social Responsibility Commitment Letter* with suppliers to ensure that they comply with employment and environmental regulations, and establish a healthy, safe and environmentally responsible workplace.

The Company has strict requirements on the product quality and service quality of suppliers, formulates *Supplier Quality Management Standards*, conducts assessment and investigation on various aspects of suppliers' products, manufacturers, storage and transportation conditions. We conduct assessment and investigation on the SCAR ratio of the products, the batch pass rate of the products, the DPPM of the monthly supplies. We also review suppliers' provision of environmentally friendly material as one of the factors for the dynamic evaluation of suppliers.

3.4 Public Welfare and Charity

We proactively embrace our social responsibility that we implement a series of activities to promote public welfare and charity. We actively encourage employees to contribute to the community by donating second-hand or unused items, which directly benefits those in impoverished areas. Additionally, the Company arranges for employees to engage in a charitable walk around Jinji Lake during their leisure time.

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APPENDIX

Appendix 1 Key Performance Table

- ***Environmental Performance***

Aspects	Key Performance Indicators	Indicator Unit	2023 Data
Emission	SnO_2	tonnes	0.001728
	Particulate matter	tonnes	0.0162
	Greenhouse gas emissions	tCO_2e	858.3
	Greenhouse gas emissions intensity	tCO_2e/person	2.47
	Total discharge of hazardous waste	tonnes	1.12
	• Waste activated carbon	tonnes	0.14
	• Waste wiping cloth	tonnes	0.12
	• Waste board edge	tonnes	0.16
	• Waste organic solvent	tonnes	0.6
	• Waste chemical packaging containers	tonnes	0.1
	Intensity of hazardous waste discharge	tonnes/person	0.0032
	Total discharge of non-hazardous waste	tonnes	0.85
	• Waste and scrap of plastics (PET, etc.)	tonnes	0.1
	• Waste metal	tonnes	0.02
	• Waste Packaging	tonnes	1.7
	• Cardboard boxes	tonnes	0.45
	• Plastic Packaging	tonnes	0.002
	• Plastic pallets	tonnes	0.11
	Intensity of non-hazardous waste discharge	tonnes/person	0.0024
Use of Resources	Total energy consumption	tonnes of standard coal	About 190
	Energy consumption intensity	tonnes of standard coal/person	About 0.55
	Electricity consumption	kWH	1,505,000
	Electricity consumption intensity	kWH/person	4,324.71
	Total water consumption	tonnes	412
	Water consumption intensity	tonnes/person	1.18
	Packaging material consumption	tonnes	1.32
	Packaging material consumption intensity	tonnes/person	0.0038

Note: In 2023, the Company's business operations primarily involved indirect (Scope 2) greenhouse gas emissions generated by the use of purchased electricity. The greenhouse gas emission factor for purchased electricity was referenced from the "Average CO_2 Emission Factors of China's Regional Power Grids in 2011 and 2012".

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• *Social Performance*

Aspects	Key Performance Indicators		Indicator Unit	2023 Data
Employment	Total number of employees		Person	348
	Gender	Male employee	Person	275
		Female employee	Person	75
	Age	Under 30	Person	146
		31-40	Person	180
		41-50	Person	24
		Over 50	Person	0
	Employee type	Senior management person	Person	22
		Middle management person	Person	33
		Basic level employees	Person	295
	Region	Mainland China	Person	350
		Hong Kong, Macau and Taiwan	Person	0
	Number of minority employees		Person	10
	Number of new employees		Person	70
	Employee turnover		%	9.7
	Gender	Male employee	%	8.5
		Female employee	%	1.2
	Age	Under 30	%	2.4
		31-40	%	5.2
		41-50	%	2.1
		Over 50	%	0
	Region	Mainland China	%	9.7
		Hong Kong, Macau and Taiwan	%	0
Development and Training	Total number of trainings		person	3,864
	Total training hours of employees		hours	149
	Percentage of employees trained to total employees		%	100
	Percentage of employees trained by gender	Male employee	%	79
		Female employee	%	21
	Percentage of employees trained by type	Senior management person	%	6
		Middle management person	%	10
		Basic level employees	%	84
	Average training hours by gender	Male employee	hours	12
		Female employee	hours	9
	Average training hours by employee type	Senior management person	hours	8
		Middle management person	hours	8
		Basic level employees	hours	10

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Aspects	Key Performance Indicators		Indicator Unit	2023 Data
Health and Safety	Employee medical examination rate		%	100
	Number of work-related fatalities in 2021		person	0
	Number of work-related fatalities in 2022		person	0
	Number of work-related fatalities in 2023		person	0
	Lost days due to work injury		days	0
	Social insurance coverage		%	100
	Employee satisfaction		%	82.4
Supply Chain Management	Total number of suppliers		entities	63
	Number of suppliers by geographical region	Mainland China	entities	22
		Hong Kong, Macau and Taiwan	entities	7
		Overseas	entities	34
Product Responsibility	Product and service complaints received		cases	4
	Number of products recalled for safety and health reasons		pieces	0
Anti-corruption	Number of corruption lawsuits		cases	0
	Number of directors participating in anticorruption training		person	3
	Number of employees participating in anticorruption training		person	300
	Length of anti-corruption training provided to directors		hours	0.5
	Length of anti-corruption training provided to employees		hours	0.5

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Appendix 2 Index of the Stock Exchange Environmental, Social and Governance Reporting Guide

Subject Areas	Description	Section Remarks
	A. Environmental **Aspect A1: Emissions**	
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	2.1 Emission Management
A1.1	The types of emissions and respective emissions data.	2.1 Emission Management
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.3 Responding to Climate Change
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.1 Emission Management
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.1 Emission Management
A1.5	Description of emissions target(s) set and steps taken to achieve them.	2.1 Emission Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	2.1 Emission Management
	Aspect A2: Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	2.2 Energy and Resource Management
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	2.2 Energy and Resource Management
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	2.2 Energy and Resource Management
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	2.2 Energy and Resource Management
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	2.2 Energy and Resource Management
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	2.2 Energy and Resource Management

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Subject Areas	Description	Section Remarks
	Aspect A3: The Environment and Natural Resources	
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	2.2 Energy and Resource Management
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	2.2 Energy and Resource Management
	Aspect A4: Climate Change	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	2.3 Responding to Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	2.3 Responding to Climate Change
	B. Social	
	Aspect B1: Employment	
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	3.2 Growing with Employees
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	3.2 Growing with Employees
B1.2	Employee turnover rate by gender, age group and geographical region.	3.2 Growing with Employees
	Aspect B2: Health and Safety	
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	3.2 Growing with Employees
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	3.2 Growing with Employees
B2.2	Lost days due to work injury.	3.2 Growing with Employees
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	3.2 Growing with Employees

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Subject Areas	Description	Section Remarks
	Aspect B3: Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	3.2 Growing with Employees
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	3.2 Growing with Employees
B3.2	The average training hours completed per employee by gender and employee category.	3.2 Growing with Employees
	Aspect B4: Labor Standards	
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	3.2 Growing with Employees
B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.2 Growing with Employees
B4.2	Description of steps taken to eliminate such practices when discovered.	3.2 Growing with Employees
	Aspect B5: Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	3.3 Sustainable Supply Chains
B5.1	Number of suppliers by geographical region.	3.3 Sustainable Supply Chains
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	3.3 Sustainable Supply Chains
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	3.3 Sustainable Supply Chains
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	3.3 Sustainable Supply Chains

Environmental, Social and Governance Report

Subject Areas	Description	Section Remarks
	Aspect B6: Product Responsibility	
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling, and privacy matters relating to products and services provided and methods of redress.	3.1 Products & Services
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	3.1 Products & Services
B6.2	Number of products and service related complaints received and how they are dealt with.	3.1 Products & Services
B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.1 Products & Services
B6.4	Description of quality assurance process and recall procedures.	3.1 Products & Services
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	3.1 Products & Services
	Aspect B7: Anti-corruption	
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	1.4 Business ethics and anti-corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	1.4 Business ethics and anti-corruption
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	1.4 Business ethics and anti-corruption
B7.3	Description of anti-corruption training provided to directors and staff.	1.4 Business ethics and anti-corruption
	Aspect B8: Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	3.4 Public Welfare and Charity
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	3.4 Public Welfare and Charity
B8.2	Resources contributed (e.g. money or time) to the focus area.	3.4 Public Welfare and Charity

Independent Auditor's Report

To the Shareholders of iMotion Automotive Technology (Suzhou) Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of iMotion Automotive Technology (Suzhou) Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 95 to 190, comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

Independent Auditor's Report

KEY AUDIT MATTERS

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

The key audit matter identified in our audit is related to revenue recognition for autonomous driving products, solutions and services.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for autonomous driving products, solutions and services Refer to notes 5 to the consolidated financial statements. The Group's major revenue transactions are from sales of integrated autonomous driving products and solutions, and provision of research and development services relating to autonomous driving, with revenue recognised of RMB1,130 million and 63 million for the year ended 31 December 2023, respectively (referred as autonomous driving products, solutions and services). Revenue of autonomous driving products, solutions and services are recognised at a point in time when control of the underlying products or deliverables have been transferred to the customers. We focus on revenue from autonomous driving products, solutions and services, due to the high volume of transactions during the year and the variety of the relevant contract terms, thus significant audit time and resources were devoted in this area.	We understood, evaluated and tested, on a sample basis, management's internal controls over revenue recognition in respect of autonomous driving products, solutions and services. We inspected selected contracts with the Group's customers, on a sample basis, and identified the commercial terms and conditions of the contracts to evaluate the revenue recognition with reference to the requirement of the prevailing accounting standards, including management's identification of performance obligations, allocation of transaction price and timing for which control of promised products or services is transferred. We tested, on a sampling basis, revenue transactions by comparing the key terms and conditions of the underlying contracts, inspecting applicable evidence such as delivery records, customer acceptance reports, service settlement report, underlying sales invoices and payment records. We circulated confirmation, on sample basis, with customers of the Group to confirm selected trade receivables balance at the balance sheet date and sales transaction for the year ended 31 December 2023. We tested revenue transactions, on a sample basis, that took place before and after the balance sheet date to assess whether these transactions were recognised in the appropriate reporting period based on the supporting documents obtained. Based upon the above procedures performed, we considered that the recognition of revenue for autonomous driving products, solutions and services were supported by the evidence made available to us.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Chiu Kong, Edmond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2024

Consolidated Statement of Comprehensive Loss

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue	5	**1,216,287**	1,325,882
Cost of sales	8	**(1,095,334)**	(1,215,309)
Gross profit		**120,953**	110,573
Selling expenses	8	**(32,277)**	(27,681)
Administrative expenses	8	**(83,918)**	(41,517)
Research and development expenses	8	**216,624**	(104,047)
Reversal of impairment/(net impairment) losses on financial assets	3.1(b)	**1,601**	(3,717)
Other income	6	**7,676**	4,710
Other gains/(losses) - net	7	**5,718**	(628)
Operating loss		**(196,871)**	(62,307)
Finance income	10	**3,109**	100
Finance costs	10	**(1,346)**	(280,169)
Finance income/(costs) - net	10	**1,763**	(280,069)
Loss before income tax		**(195,108)**	(342,376)
Income tax expense	11	**–**	–
Loss for the year		**(195,108)**	(342,376)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**8**	–
Loss and total comprehensive loss for the year attributable to the equity holders of the Company		**(195,100)**	(342,376)
Loss per share attributable to the equity holders of the Company (in RMB)			
Basic and diluted loss per share	12	**(0.95)**	(1.77)

The above consolidated statement of comprehensive loss should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**94,244**	30,704
Right-of-use assets	*14*	**34,484**	37,408
Intangible assets	*16*	**11,236**	4,859
Financial assets at fair value through profit or loss	*22*	**3,517**	3,000
Other non-current assets	*17*	**20,705**	19,932
		164,186	95,903
Current assets			
Inventories	*18*	**256,017**	271,974
Other current assets	*21*	**77,122**	45,178
Trade and notes receivables	*19*	**219,093**	289,358
Financial assets at fair value through other comprehensive income	*20*	**7,098**	–
Financial assets at fair value through profit or loss	*22*	**228,277**	182,408
Restricted cash	*23*	**306**	835
Cash and cash equivalents	*23*	**720,453**	365,745
		1,508,366	1,155,498
Total assets		**1,672,552**	1,251,401
EQUITY			
Paid-in capital	*24*	**–**	–
Share capital	*25*	**226,330**	10,211
Reserves	*26*	**1,117,780**	681,550
Accumulated losses		**(220,402)**	(25,294)
Total equity		**1,123,708**	666,467

Consolidated Balance Sheet

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Other payables and accruals	*35*	**2,155**	–
Borrowings	*30*	**24,159**	–
Lease liabilities	*14*	**630**	1,572
Contract liabilities	*5*	**1,450**	6,750
Provisions	*31*	**6,968**	3,281
Deferred income	*32*	**3,548**	883
		38,910	12,486
Current liabilities			
Trade and notes payables	*34*	**185,528**	438,417
Other payables and accruals	*35*	**105,440**	53,879
Contract liabilities	*5*	**10,647**	26,545
Borrowings	*30*	**201,498**	49,004
Lease liabilities	*14*	**1,797**	3,341
Derivative financial instruments	*33*	**293**	–
Provisions	*31*	**4,731**	1,262
		509,934	572,448
Total liabilities		**548,844**	584,934
Total equity and liabilities		**1,672,552**	1,251,401
Net current assets		**998,432**	583,050

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 95 to 190 were approved by the Board of Directors on 28 March 2024 and were signed on its behalf.

Director *Chief Financial Officer*

Consolidated Statement of Changes in Equity

		Attributable to the equity holders of the Company					
	Note	Paid-in capital *RMB'000*	Share capital *RMB'000*	Treasury stock *RMB'000*	Reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
As at 1 January 2022		9,087	–	(465,516)	492,791	(594,696)	(558,334)
Comprehensive loss							
Loss for the year		–	–	–	–	(342,376)	(342,376)
Transactions with the equity holders of the Company							
Capital contributions from the equity holders of the Company	*24, 26*	1,124	–	–	344,876	–	346,000
Recognition of financial instruments with preferred rights at amortized cost	*29*	–	–	(346,000)	–	–	(346,000)
Derecognition of financial instruments with preferred rights at amortized cost	*29*	–	–	811,516	711,635	–	1,523,151
Conversion into a joint stock Company	*25, 26*	(10,211)	10,211	–	(911,778)	911,778	–
Share-based payment	*27*	–	–	–	44,026	–	44,026
		(9,087)	10,211	465,516	188,759	911,778	1,567,177
As at 31 December 2022		–	10,211	–	681,550	(25,294)	666,467

Consolidated Statement of Changes in Equity

		Attributable to the equity holders of the Company			
	Note	Share capital *RMB'000*	Reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
As at 1 January 2023		10,211	681,550	(25,294)	666,467
Comprehensive loss					
Loss for the period		–	–	(195,108)	(195,108)
Other comprehensive loss		–	8	–	8
Provision of safety fund surplus reserve	*26*	–	362	(362)	–
Utilisation of safety fund surplus reserve	*26*	–	(362)	362	–
		–	8	(195,108)	(195,100)
Transactions with the equity holders of the Company					
Issuance of ordinary shares upon global offering	*25, 26*	22,116	539,236	–	561,352
Capitalization Issue	*25, 26*	194,003	(194,003)	–	–
Share-based payment	*27*	–	90,989	–	90,989
		216,119	436,222	–	652,341
As at 31 December 2023		226,330	1,117,780	(220,402)	1,123,708

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Net cash used in operations	*36*	**(264,899)**	(65,667)
Interest received from cash at banks	*10*	**3,109**	100
Net cash used in operating activities		**(261,790)**	(65,567)
Cash flows from investing activities			
Payments for property, plant and equipment		**(74,493)**	(24,437)
Payments for intangible assets		**(9,829)**	(1,506)
Government grants received in relation to acquisition of non-current assets		**2,976**	–
Proceeds from sale of property, plant and equipment		**100**	30
Proceeds from disposals of financial assets at fair value through profit or loss	*3.3(c)*	**1,790,922**	2,008,902
Payments for financial assets at fair value through profit or loss	*3.3(c)*	**(1,828,011)**	(1,940,749)
Payments for settlement of derivative financial instruments		**–**	(801)
Net cash (used in)/generated from investing activities		**(118,335)**	41,439
Cash flows from financing activities			
Proceeds from contributions from equity holders	*24, 26*	**–**	346,000
Proceeds from issuance of H shares upon global offering	*25, 26*	**596,716**	–
Payments of lease liabilities	*36(d)*	**(3,860)**	(3,073)
Repayments of borrowings	*36(d)*	**(48,857)**	(35,500)
Proceeds from borrowings	*36(d)*	**225,474**	48,857
Interest paid for borrowings	*36(d)*	**(1,141)**	(375)
Payments for listing expenses		**(31,849)**	–
Net cash generated from financing activities		**736,483**	355,909
Net increase in cash and cash equivalents		**356,358**	331,781
Cash and cash equivalents at beginning of the year		**365,745**	32,042
Exchange gains on cash and cash equivalents	*7*	**(1,650)**	1,922
Cash and cash equivalents at end of the year	*23*	**720,453**	365,745

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

iMotion Automotive Technology (Suzhou) Co., Ltd. was incorporated in Suzhou on December 27, 2016 as a limited liability company. The address of its registered office is G2-1901 1902 2002, No. 88 Jinji Lake Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC.

Upon approval by the shareholders' general meeting held in November 2022, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC and changed its registered name from "iMotion Automotive Technology (Suzhou) Co., Ltd. (知行汽車科技(蘇州)有限公司)" to "iMotion Automotive Technology (Suzhou) Co., Ltd. (知行汽車科技(蘇州)股份有限公司)" on 29 December 2022.

In December 2023, the Company successfully completed its initial public offering. The Company's H shares have been listed on The Main Board of The Stock Exchange of Hong Kong Limited since 20 December 2023.

The Company and its subsidiaries (together, "the Group") are principally engaged in the development, manufacture and sale of autonomous driving products and solutions.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of the consolidated financial statements are set out below.

2.1 Basis of preparation

(i) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments that are measured at fair value.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iii) New or amended standards not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Standards and amendments	Effective for accounting periods beginning on or after
IFRS 16 (Amendment) 'Lease Liability in a Sale and Leaseback'	1 January 2024
IAS 1 (Amendment) 'Non-current Liabilities with Covenants'	1 January 2024
IAS 1 (Amendment) 'Classification of Liabilities as Current or Non-current'	1 January 2024
IFRS 7 (Amendment) and IAS 7 (Amendment) 'Supplier Finance Arrangements'	1 January 2024
IAS 21 (Amendment) 'Lack of Exchangeability'	1 January 2025
IFRS 10 (Amendment) and IAS 28 (Amendment) '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. According to the preliminary assessment made by the Group, no significant impact on the financial performance and positions of the Group is expected when they become effective.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Machineries and molds	5-10 years
Vehicles	5 years
Furniture	5 years
Equipments	3-5 years
Leasehold improvements	Over the shorter of their expected useful lives and the lease terms

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains/(losses) – net" in the consolidated statement of comprehensive loss.

Construction in progress represents unfinished construction and equipment under construction or pending for installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Intangible assets

(a) Purchased software

Acquired software is recognized at historical cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. The Group's software is amortized on a straight-line basis over their estimated useful lives of 3 and 10 years.

(b) Research and development ("R&D")

Research and development cost comprise all costs that are directly attributable to research and development activities (relating to the design and testing of new or improved autonomous driving products) or that can be allocated on a reasonable basis to such activities. Research and development costs are recognized as intangible assets when the following criteria are met:

- 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.

Directly attributable costs which are eligible to be capitalized as part of the research and development project may include employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are charged to expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.4 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.5 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortized cost.

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

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

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

(b) Recognition and derecognition

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

(c) Measurement

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

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

Debt instruments

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

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

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

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "other gains/(losses) – net" in the period in which it arises.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

(c) Measurement (Continued)

Equity instruments

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

Changes in the fair value of financial assets at FVPL are recognized in "other gains/(losses) – net" in the consolidated statement of comprehensive loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For cash and cash equivalents, restricted cash and time deposits, the expected credit loss risk is considered immaterial.

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

In addition, management also reviews the credit risk of individual debtors by considering the relationship with customers and their financial position to assess whether further provision was needed at the end of the reporting period.

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Trade receivables

Trade receivables are amounts due from customers for vehicles or products sold in the ordinary course of business and amounts due from government for promotion of new energy vehicles. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), it is classified as current asset. If not, it is presented as non-current asset.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 19 for further information about the Group's accounting for trade receivables and Note 3.1(b) for a description of the Group's impairment policies.

2.7 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivative financial instruments are recognized in profit or loss.

2.8 Inventories

Raw materials, semi-finished goods, work in progress and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.9 Financial instruments with preferred rights at amortized cost

A contract that contains an obligation for the Group to purchase the Group's equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. Even if the Group's obligations to purchase are conditional on the counterparty exercising a right to redeem, the financial instruments with preferred rights are recognized as financial liability initially at the present value of the redemption amount and subsequently measured at amortized cost with interest charged in finance costs.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The carrying amount of the financial instruments derecognized was credited into the equity.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.11 Share-based payment

The fair value of awarded shares granted to employees under the ESOP less amount paid by employees is recognized as an employee benefits expense over the relevant service period, being the vesting period of the shares, and the credit is recognized in equity in the share-based payment reserves. The fair value of the shares is measured at the grant date. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions; (e.g. the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period. Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognized in relation to such shares are reversed effective at the date of the forfeiture.

The grant of share-based payments by the shareholders to the employees of the subsidiaries are treated as a capital contribution to subsidiaries in the separate financial statements of the Company. The fair value of employee services received, determined by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries undertakings, with a corresponding adjustment to equity in the separate financial statements of the Company.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.12 Revenue recognition

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

When allocating the transaction price to each performance obligation identified in the contract, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocate the transaction price in proportion to those stand-alone selling prices.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.12 Revenue recognition (Continued)

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

The Group mainly provides autonomous driving related R&D services to OEMs to develop software, hardware, algorithm and function for autonomous driving solution for vehicle models in such OEMs' pipelines, and when such R&D is successfully validated, the OEMs would engage the Group for the production and sales of such autonomous driving solutions. Other than the above core business in relation to the autonomous driving solutions, the Group is also engaged in manufacture and sale of printed circuit board assembly (PCBA) products to certain customers by using surface-mount technology ("SMT").

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

(a) Sales of autonomous driving products and solutions and PCBA parts

Revenue generates from sales of autonomous driving products and solutions primarily includes its main products autonomous driving (AD) domain controllers and intelligent front cameras to OEMs, which is recognised at the point in time when it satisfies a performance obligation by transferring control over a product to a customer, generally upon the acceptance of the products. For PCBA parts with revenue recognized at a point in time, the Company recognizes revenue upon transfer of control, which generally occurs upon delivery to the customers and transfer of title and risk of loss under standard commercial terms (typically DAP or EXW). The revenue is measured based on consideration, less value-added tax, specified in a contract with a customer, as well as adjusted for any variable consideration (i.e., price concessions or annual price adjustments) based on contract terms and historical patterns.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.12 Revenue recognition (Continued)

(b) Provision of autonomous driving related R&D services

The Group provides autonomous driving services to OEMs, including (i) software and hardware development in autonomous driving segment; (ii) autonomous driving algorithm and function development; and (iii) functional safety consulting and validation service. The Group recognizes revenue at a point in time when performance obligations are satisfied as well as the agreed deliverables are accepted by customers. The Group does not have any enforceable right to payment before the agreed deliverables are accepted by customers.

Contract fulfillment costs represents costs that relate directly to a contract for autonomous driving related R&D services provided by the Group, primarily including direct labor, direct materials and allocations of costs incurred in providing the promised services directly to the customers. When performance obligations are satisfied as well as the agreed deliverables are accepted by the customers, the Group recognizes revenue and the accumulated cost in relation to fulfill the contract were transferred to cost of sales. The contract fulfillment costs are amortized to cost of sales on a project basis according to the terms specified in the underlying contracts, which is consistent with the transfer of relevant goods or service. The Group recognized an impairment loss in profit or loss to the extent that the carrying amount of contract fulfillment costs recognized exceeds the remaining amount of consideration that the Group expected to receive in exchange for such services. In addition, the Group makes payments to customers in conjunction with ongoing business. Certain customer payments (i.e. upfront fees) are considered to be an incremental cost to obtain a contract as they are directly attributable to a contract. In these cases, the customer payment is capitalized and amortized to revenue based on the transfer of goods or services to which the upfront payment relates.

2.13 Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The increase in the provisions due to the passage of time is recognized as interest expense.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.14 Leases

The Group leases buildings and land use right as lessee. Rental contracts are typically made for fixed periods of 3 to 5 years and 30 years respectively.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.14 Leases (Continued)

To determine the incremental borrowing rate, the Group:

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

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each reporting period.

Right-of-use assets are measured at cost comprising the following (if applicable):

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's risk management is predominantly controlled by the treasury department under policies approved by the Board of Directors of the Company (the "Board"). The Group's treasury department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are cash and cash equivalents, trade receivables and trade payables denominated in HKD, USD and EUR. The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB and net investment in foreign operations.

The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. Cash repatriation from the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Additionally, the Group enters into forward exchange contracts to mitigate the foreign exchange risk. The Group did not have other significant exposure to foreign exchange risk.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of consolidated statements of financial position are as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Assets		
HKD	**514,761**	–
USD	**52,919**	33,842
EUR	**112**	–
	567,792	33,842
Liabilities		
USD	**148,902**	129,215
EUR	**6**	–
	148,908	129,215

The Group is primarily exposed to changes in RMB/HKD and RMB/USD exchange rates. As at 31 December 2023, if the HKD strengthened/weakened by 10% against the RMB, with all other variables held constant, loss before income tax for the year then ended would have been approximately RMB51,476,000 lower/higher (2022: Nil) as a result of foreign exchange losses on translation of HKD denominated financial assets.

As at 31 December 2023, if the USD strengthened/weakened by 10% against the RMB, with all other variables held constant, loss before income tax for the year then ended would have been approximately RMB9,598,000 higher/lower (2022: RMB9,537,000 higher/lower) as a result of foreign exchange losses on translation of USD denominated financial assets and liabilities.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

Except for cash and cash equivalents, restricted cash (Note 23), the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 30. The Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk for the reporting period.

As at 31 December 2023, if the Group's interest rates on borrowings obtained at variable rates had been higher/lower by 0.5%, loss before income tax for the year then ended would have been approximately RMB185,000 higher/lower (2022: RMB137,000 higher/lower).

(iii) Price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet as at fair value through profit or loss (FVPL) (Note 22). Loss before income tax for the year would decrease/increase as a result of gains/losses on securities classified as at FVPL. As at 31 December 2023, if the prices of investments rise/fall by 10% while holding all other variables constant, loss before income tax for the year then ended would be approximately RMB352,000 lower/higher (2022: RMB300,000 lower/higher).

To manage its price risk arising from investments in securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, wealth management products as well as 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.

Risk management

To manage this risk, cash and cash equivalents and wealth management products are mainly placed with state-owned or reputable financial institutions in Mainland China which are all high-credit-quality financial institutions.

To manage risk arising from trade and notes receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. Trade and notes receivables have been grouped based on shared credit risk characteristics and aging to measure the expected credit losses. Trade and note receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade and notes receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

For other financial assets carried at amortized cost (excluding deferred listing expenses, input Value Added Tax ("VAT") to be deducted, contract fulfilment costs and prepayments), management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- cash and cash equivalents, restricted cash and wealth management products;
- trade and notes receivables;
- other receivables.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Cash and cash equivalents, restricted cash and wealth management products

To manage risk arising from cash and cash equivalents, the Group only transacts with state-owned or reputable financial institutions in Mainland China. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, while the identified impairment loss was immaterial.

(ii) Trade and notes receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and notes receivables. To measure the expected credit losses, trade and notes receivables have been grouped based on shared credit risk characteristics and aging.

The Group calculates expected loss rates based on the exposure at default and the expected loss rates. The determination of the expected loss rates is based on the probability of default and the loss given default with reference to the credit ratings of counter parties at the end of each reporting period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

When considering forward-looking information, the Group takes different economic scenarios into consideration. The Group regularly monitors and reviews the assumptions and parameters related to the calculation of expected loss rates, including the risk of economic downturn, external market environment, technological environment, changes in customer conditions, Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), etc.

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

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Trade and notes receivables (Continued)

The Group's trade receivables mainly consist of amounts due from customers for goods sold or services rendered as described in Note 19.

As at 31 December 2023, the Group had certain concentrations of credit risk as 82.84% (2022: 95.59%) of the Group's trade receivables due from one of its largest customer, Geely Group.

(iii) Other receivables

Other receivables mainly include refundable deposits, payments on behalf of employees and others. All of the Group's financial assets at amortized cost are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition as described in Note 21.

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

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

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Other receivables (Continued)

The movement of loss allowance for trade and notes receivables, other receivables during the years ended 31 December 2023 and 2022 is as follows:

	Trade and notes receivables *RMB'000*	Other receivables *RMB'000*	Total *RMB'000*
As at 1 January 2023	**(5,370)**	**(21)**	**(5,391)**
Decrease/(Increase) in loss allowance recognized in profit or loss during the year	**1,650**	**(49)**	**1,601**
As at 31 December 2023	**(3,720)**	**(70)**	**(3,790)**
As at 1 January 2022	(1,656)	(18)	(1,674)
Increase in loss allowance recognized in profit or loss during the year	(3,714)	(3)	(3,717)
As at 31 December 2022	(5,370)	(21)	(5,391)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Maturities of financial liabilities

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Total *RMB'000*
As at 31 December 2023				
Borrowings (including interest payables)	**206,761**	**724**	**25,443**	**232,928**
Trade and notes payables (Note 34)	**185,528**	**–**	**–**	**185,528**
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 35)	**74,595**	**2,155**	**–**	**76,750**
Lease liabilities	**1,860**	**637**	**–**	**2,497**
	468,744	**3,516**	**25,443**	**497,703**
As at 31 December 2022				
Borrowings (including interest payables)	49,183	–	–	49,183
Trade and notes payables (Note 34)	438,333	84	–	438,417
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 35)	24,442	68	–	24,510
Lease liabilities	3,493	1,273	343	5,109
	515,451	1,425	343	517,219

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

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

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, management of the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amounts of dividends paid to equity holders, return capital to equity holders, issue new shares or repurchase the Company's shares. In the opinion of the management of the Company, the Group's capital risk is low. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

As at 31 December 2023 and 2022, the debt equity ratio were as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Net cash (Note 36)	**(724,163)**	(497,236)
Total equity	**1,123,708**	666,467
Net debt equity ratio	**N/A**	N/A

3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted investment with preferred rights securities.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2023 and 2022:

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As at 31 December 2023				
Financial assets:				
Financial assets at FVPL (Note 22)				
– Investment in private funds	–	–	118,544	118,544
– Wealth management products ("WMPs")	79,658	–	30,075	109,733
– Unlisted investment with preferred rights	–	–	3,517	3,517
Financial assets at FVOCI (Note 20)				
– Bank acceptance notes	–	–	7,098	7,098
Total financial assets	79,658	–	159,234	238,892
Financial liability:				
Derivative financial instruments (Note 33)	–	–	293	293

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As at 31 December 2022				
Financial assets at FVPL (Note 22)				
– WMPs	–	–	185,408	185,408

The Group's policy is to recognize transfers into and out of fair value hierarchy levels as at the end of each reporting period.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(b) Valuation techniques used to determine level 2 and level 3 fair values

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- For unlisted investment with preferred rights securities, the Group used its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each date of statement of financial position. Back-solve method was used to determine the share value held by the Group and an equity allocation based on Option Pricing Model ("OPM model") is performed as well, and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no changes in valuation techniques during the years ended 31 December 2023.

The fair value of trade and notes receivables, other receivables, restricted cash and cash and cash equivalents approximated their carrying amounts.

The fair value of trade and notes payables, other payables and accruals (excluding payroll and welfare payables and other tax payables) and current borrowings approximated their carrying amounts.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 31 December 2023 and 2022:

	Financial assets at FVPL *RMB'000*	Financial assets at FVOCI *RMB'000*	Total *RMB'000*
As at 1 January 2023	**185,408**	**–**	**185,408**
Acquisitions	**1,748,336**	**22,006**	**1,770,342**
Disposals	**(1,790,922)**	**(14,908)**	**(1,805,830)**
Fair value changes	**9,314**	**–**	**9,314**
As at 31 December 2023	**152,136**	**7,098**	**159,234**
As at 1 January 2022	245,832	–	245,832
Acquisitions	1,940,749	–	1,940,749
Disposals	(2,008,902)	–	(2,008,902)
Fair value changes	7,729	–	7,729
As at 31 December 2022	185,408	–	185,408

More details about the financial assets at FVPL as at 31 December 2023 have been presented in Note 22.

(d) There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(e) Valuation inputs and relationships to fair value

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

As at 31 December 2023

Description	Fair value *RMB'000*	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Financial assets:				
Investment in private funds	**118,544**	Net asset value	N/A	The higher the net asset value, the higher the fair value
Wealth management products ("WMPs") (i)	**30,075**	Expected rate of return	2.67%	The higher the expected rate of return, the higher the fair value
Unlisted investment with preferred rights (ii)	**3,517**	Risk free interest rate and volatility	Risk free interest rate: 2.4% Volatility: 49.3%	The higher the risk free interest rate and volatility, the lower the fair value
Bank acceptance notes (iii)	**7,098**	Discount rates	2.95%	The higher the discount rate, the lower the fair value
	159,234			
Financial liability:				
Foreign exchange options contracts	**293**	Risk free interest rate and fixing rate	Risk free interest rate: 1.6% Fixing rate: 7.08	The higher the risk free interest rate and fixing rate, the higher the fair value

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(e) Valuation inputs and relationships to fair value (Continued)

As at 31 December 2022

Description	Fair value *RMB'000*	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
WMPs	182,408	Expected rate of return	2.2%-4.2%	The higher the expected rate of return, the higher the fair value

(i) All of these WMPs are sponsored and managed by state-owned or reputable national banks and financial institutes in the PRC. These WMPs are short-term investments which are denominated in RMB. The expected rate of return of the WMPs are updated by the security companies and banks periodically on a quarterly or more frequent basis. Management uses the expected rate of return for approximation for cash flow assessment in evaluating the fair values of the WMPs.

As at 31 December 2023, if expected rate of return higher/lower by 0.5%, fair value of WMPs would have been approximately RMB339,000 higher/lower (2022: RMB331,800 higher/lower).

(ii) If risk free interest rate or volatility higher/lower by 0.5%, the fair values of unlisted investment with preferred rights would have been approximately RMB19,000 lower/higher or RMB7,000 lower/higher.

(iii) If discount rates higher/lower by 0.5%, the fair values of bank acceptance notes would have been approximately RMB9,000 lower/higher.

(f) Valuation processes

External valuation experts will be involved when necessary.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Fair value of financial assets at FVPL

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. Details of the assumptions and estimates in determination of the fair value are disclosed in Note 3.3.

(b) Recognition of share-based payment expenses

As detailed in Note 27, certain shares transfer and grant of shares under the share award schemes have resulted in share-based payments expenses.

The Group has engaged an independent valuer to determine the total fair value of the equity incentive awards granted to employees. The discounted cash flow method and back-solve method were used to determine the total equity value of the Company and then equity allocation model was adopted to determine the fair value of the equity incentive awards. Significant estimates on assumptions, such as risk-free interest rate, volatility and dividend yield are made based on management's best estimates. Further details are included in Note 27.

As the awards granted in equity-settled share-based payment plan are conditional on a Qualified Initial Public Offerings ("QIPO"). The Group has estimated whether the QIPO is probable or not and QIPO date when they calculated share-based payment expenses at 31 December 2022. Since QIPO condition is considered as vesting condition, the entity also needs to consider when the QIPO is probable. If the service period under the service condition ends before QIPO, then the vesting period will end on QIPO date; if the service period under the service condition ends after QIPO, then the vesting period will end according to the service conditions. As at 31 December 2023, the Company successfully completed its initial public offering. The Company's H shares have been listed on The Main Board of The Stock Exchange of Hong Kong Limited since 20 December 2023.

The Group also has to estimate the expected forfeiture rate at the end of vesting periods ("Forfeiture Rate") of the restricted shares granted in order to determine the amount of share-based payment expenses charged to profit or loss. The Forfeiture Rate of the restricted shares awarded of the Group to managements and employees were assessed to be 25% to 45% as at 31 December 2023 (As at 31 December 2022: 25% to 45%).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Write-down of inventories

The Group's management reviews the condition of inventories, as stated in Note 18 to the consolidated financial statements, at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

(d) Income taxes and deferred income tax

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provisions for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognizes deferred income tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilized. The recognition of deferred income tax assets mainly involves management's judgments and estimations about the timing and the amount of taxable profits of the companies who has tax losses. No deferred income tax asset has been recognized in respect of such tax losses due to the unpredictability of future taxable income and details of unrecognized tax losses have been set out in Note 11.

(e) Warranty provisions

The Group provides product warranties on all new goods based on the contracts with its customers at the time of sale of goods. The Group accrues a warranty reserve for the goods sold by multiplying the expected unit costs for warranty services by the sales volume, which includes the best estimate of projected costs to repair or replace items under warranties. These estimates are primarily based on the estimates of the nature, frequency and average costs of future claims. These estimates are inherently uncertain given the Group's relatively short history of sales, and changes to the historical or projected warranty experience may cause material changes to the warranty provisions in the future. The portion of the warranty reserve expected to be incurred within the next 12 months is included within the accrued a warranty provision included in other current liabilities while the remaining balance is included within other non-current liabilities on the consolidated balance sheets. Warranty cost is recorded as a component of selling expenses in the consolidated statements of comprehensive loss. The Group re-evaluates the adequacy of the warranty accrual on a regular basis.

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION

(a) Description of segments and principal activities

During the year ended 31 December 2023, the Group is engaged in the production, research and development and sales of autonomous driving products and solutions in the PRC. The executive directors of the Company (i.e., the CODM) review the operating results of the business as one operating segment to make strategic decisions and resources allocation. Therefore, the Group regards that there is only one segment which is used to make strategic decisions.

Geographical information

Most of the Group's business and operations are conducted in Mainland China and currently, the Group's principal market, majority of revenue, operating loss and non-current assets are derived from/located in the PRC. Accordingly, no geographical segment information is presented.

(b) Revenue during the reporting period

Revenue represents the invoiced value of goods sold and rendering of services, which is net of rebate and discounts.

Revenue mainly comprises sales of autonomous driving solutions and other products and rendering of services. An analysis of the Group's revenue by category for the years ended 31 December 2023 and 2022 is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Autonomous driving solutions and products	**1,130,440**	1,252,949
Autonomous driving-related R&D services	**63,112**	37,956
Sales of PCBA products	**22,735**	34,977
	1,216,287	1,325,882

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

For the year ended 31 December 2023, Geely Group was the Group's largest customer and the Group's revenue from Geely Group was RMB1,135.1 million (2022: RMB1,277.5 million), representing approximately 93.3% (2022: 96.4%) of the Group's total revenue during the same year.

5 REVENUE AND SEGMENT INFORMATION (Continued)

(c) Assets and liabilities related to contracts with customers

The Group recognized the following assets and liabilities related to the contracts with customers:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Non-current assets recognised for costs incurred to acquire contracts	**5,250**	11,667
Current assets recognised for costs incurred to acquire contracts	**1,750**	2,916
Total assets recognised for costs incurred to acquire contracts (i)	**7,000**	14,583
Non-current assets recognised for costs incurred to fulfill contracts	**529**	6,380
Current assets recognised for costs incurred to fulfill contracts	**44,659**	28,246
Total assets recognised for costs incurred to fulfill contracts (ii)	**45,188**	34,626
Non-current liabilities – rendering of services (iii)	**1,450**	6,750
Current liabilities – rendering of services (iv)	**10,337**	26,364
Current liabilities – sales of products (v)	**310**	181
Total contract liabilities	**12,097**	33,295

(i) Assets recognised from costs to acquire contracts

In addition to the contract balances disclosed above, the Group has also recognised an asset in relation to costs to acquire contracts. This is presented within other current assets (Note 21) and non-current assets (Note 17) in the balance sheet.

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Assets recognised from costs incurred to acquire contracts	**14,583**	17,500
Decrease in contract acquisition costs due to termination of a contract	**(4,000)**	–
Amortisation recognised as cost of selling products during the year	**(3,583)**	(2,917)
	7,000	14,583

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

(ii) Assets recognised from costs to fulfill contracts

In addition to the contract balances disclosed above, the Group has also recognised assets in relation to costs to fulfill contracts. This is presented within other current assets (Note 21) and non-current assets (Note 17) in the balance sheet.

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Assets recognised from costs incurred to fulfill contracts	**47,653**	39,388
Less: provisions for impairment of contract fulfillment costs	**(2,465)**	(4,762)
	45,188	34,626

Contract fulfillment costs represented costs that relate directly to a contract for autonomous driving related R&D services provided by the Company, primarily including direct labour, direct materials and allocations of costs incurred in providing the promised services directly to the customers. The provision for impairment of contract fulfillment costs as recognized was RMB617,000 (2022: RMB4,421,000) for the year ended 31 December 2023.

(iii) Significant changes in contract liabilities

The decrease was due to the fulfillment of obligations with respect to the contract liabilities, and the amount of contract liabilities was recognised as revenue during the year ended 31 December 2023.

(iv) Revenue recognised in relation to contract liabilities

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year	**24,088**	753

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

(v) Transaction price allocated to the unsatisfied performance obligations

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Aggregate amount of transaction price allocated to contracts that are partially or fully unsatisfied		
Rendering of services	**49,995**	97,398
Sales of products	**179,632**	246,130
	229,627	343,528

The above remaining performance obligations are mainly related to the contracts of rendering of services and sales of products. Management expects that the unsatisfied obligations of RMB224,027,000 as of 31 December 2023 will be recognised as revenue within the next twelve months. The remaining unsatisfied obligations will be recognised in one to two year(s).

6 OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Government grants	**7,676**	4,710

During the year ended 31 December 2023, the government grants mainly include government subsidies for the Group's research and development expenditures as well as construction for advanced industry base. There are no unfulfilled conditions or other contingencies attaching to the grants recognized.

Notes to the Consolidated Financial Statements

7 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Net fair value gains on financial assets at FVPL (Note 22)	**9,296**	7,729
Net gains/(losses) on disposals of property, plant and equipment and intangible assets	**87**	(73)
Net fair value losses on derivative financial instruments (Note 33)	**(293)**	(2,252)
Net foreign exchange losses	**(3,493)**	(6,284)
Others	**121**	252
	5,718	(628)

8 EXPENSES BY NATURE

The detailed analysis of cost of sales, selling expenses, administrative expenses and research and development expenses is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Changes in inventories of finished goods	**184,627**	(195,619)
Raw materials and consumables used	**863,058**	1,328,028
Employee benefit expenses (Note 9)	**247,782**	154,971
Design and testing expenses	**50,033**	56,861
Listing expenses	**29,232**	2,056
Depreciation and amortization expenses (Notes 14, 15 and 16)	**17,606**	13,953
Warranty	**10,740**	3,746
Travel expense	**5,160**	5,039
Advertising and publicity expenses	**3,021**	2,157
Legal, consulting and other professional fees	**2,957**	3,969
Business development expenses	**2,522**	1,606
Provision for impairment of contract fulfillment costs	**617**	4,421
Provision for impairment of inventories	**602**	25
Expenses relating to short-term leases (Note 14)	**384**	727
Others	**9,812**	6,614
Total	**1,428,153**	1,388,554

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**139,321**	92,935
Share-based payment expenses (Note 27)	**85,105**	44,026
Pension obligations, housing funds, medical insurances and other social insurances (a)	**21,645**	15,941
Other employee benefits (b)	**1,711**	2,069
	247,782	154,971

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

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

No forfeited contributions were utilized during the year end 31 December 2023 to offset the Group's contribution to the abovementioned retirement benefit schemes.

(b) Other employee benefits

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

Notes to the Consolidated Financial Statements

9 EMPLOYEE BENEFIT EXPENSES (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2023 include 2 (2022: 2) directors, whose emoluments are disclosed in the Note 38. The emoluments payable to the remaining 3 (2022: 3) highest paid individuals in 2023 are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**2,205**	2,168
Pension obligations, housing funds, medical insurances and other social insurances	**196**	167
Other employee benefits	**10**	10
Share-based payment expenses	**28,478**	8,357
	30,889	10,702

The remaining highest paid individuals fell within the following bands:

	Year ended 31 December	
	2023	2022
Emolument bands		
HKD3,000,001-HKD3,500,000	**–**	1
HKD4,000,001-HKD4,500,000	**–**	1
HKD5,000,001-HKD5,500,000	**–**	1
HKD9,000,001-HKD9,500,000	**2**	–
HKD15,000,001-HKD15,500,000	**1**	–

Notes to the Consolidated Financial Statements

10 FINANCE INCOME/(COSTS) – NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Finance income:		
Interest income on cash at banks	**3,109**	100
Finance costs:		
Interest expenses on bank and other borrowings	**(1,238)**	(484)
Financial cost on financial instruments with preferred rights at amortized cost (Note 29)	**–**	(279,420)
Interest and finance charges on lease liabilities (Note 14)	**(169)**	(265)
	(1,407)	(280,169)
Less: borrowing costs capitalized in property, plant and equipment	**61**	–
Finance costs	**(1,346)**	(280,169)
Finance income/(costs) – net	**1,763**	(280,069)

During the year ended 31 December 2023, the interest rate applicable to the Group's capitalization of borrowings costs in construction in progress was 3.00% (2022: Nil).

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current income tax expense	**–**	–
Deferred income tax expense	**–**	–
Income tax expense	**–**	–

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSE (Continued)

The Group's principal applicable taxes and tax rates are as follows:

The Company was entitled to a preferential corporate income tax rate of 15% during the years ended 31 December 2023 and 2022. The Company obtained its High and New Technology Enterprises ("HNTE") qualification in year 2019, and hence it is entitled to a preferential tax rate of 15% for a three-year period commencing 2019. This qualification is subject to a requirement that the Company should reapply for HNTE qualification every three years. The Company re-applied for HNTE qualification and the application was approved for another three-year period commencing 2022.

In accordance with the Public Notice Issued by State Taxation Administration ("STA") Regarding Certain Matters in Relation to the Implementation of Preferential Income Tax Policies for Small and Micro Enterprises ("SMEs") and Individual Businesses (STA Public Notice [2021] No.8), from 1 January 2021 to 31 December 2022, a small low-profit enterprise, the taxable income of which, is not more than RMB1 million shall be subject to the corporate income tax at a tax rate of 20%, based on 12.5% of the taxable income.

In accordance with the Public Notice Jointly Issued by the Ministry of Finance ("MOF") and SAT on Further Implementing the Preferential CIT Policies for Small and Thin-Profit Enterprises (MOF&STA Public Notice [2022] No.13), from 1 January 2022 to 31 December 2024, a small low-profit enterprise, the taxable income of which, is more than RMB1 million but no more than RMB3 million shall be subject to the corporate income tax at a tax rate of 20%, based on 25% of the taxable income.

In accordance with the Public Notice Jointly Issued by the MOF and STA Regarding the Further Supporting of Preferential Tax Policies for Small and Micro Enterprises ("SMEs") and Individual Businesses (STA Public Notice [2023] No.6), for SMEs, the policy that the first RMB 1 million of their annual taxable income shall be reduced by 75% and subject to CIT at the rate of 20% was extended to 31 December 2027.

Except for iMotion Electronics Technology (Suzhou) Co., Ltd., the Company's subsidiaries qualified as a small low-profit enterprise and enjoyed the above preferential income tax policy. The effective corporate income tax rate was 20% during the years ended 31 December 2023 and 2022.

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 175% from 2018 onwards (subsequently raised to 200% from 2021 onwards) of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the "Super Deduction").

11 INCOME TAX EXPENSE (Continued)

A reconciliation of the expected income tax calculated at the applicable corporate income tax rate and loss before income tax, with the actual corporate income tax is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss before income tax	**(195,108)**	(342,376)
Income tax credit computed at the applicable income tax rate of 25%	**(48,778)**	(85,593)
Tax effects of:		
Preferential tax rate	**20,428**	34,541
Expenses not deductible for taxation purposes	**259**	42,010
Super Deduction in respect of R&D expenditures	**(23,098)**	(10,450)
Utilisation of previously unrecognised tax losses	**(2,337)**	(304)
Tax losses for which no deferred income tax assets was recognized	**38,956**	11,649
Other Temporary differences for which no deferred income tax assets were recognised	**14,570**	8,147
Income tax expense	**–**	–

As at 31 December 2023, the Group had unused tax losses of approximately RMB534,932,000 (2022: RMB287,308,000) that can be carried forward against future taxable income, respectively. No deferred income tax asset has been recognized in respect of such tax losses due to the unpredictability of future taxable income.

The Group principally conducted its business in Mainland China, where the accumulated tax losses will normally expire within 5 years. Pursuant to the relevant regulations on extension for expiries of unused tax losses of HNTE issued in August 2018, the expiry period of the accumulated unexpired tax losses of the Company, which is qualified as HNTE, from 2018 had been extended from 5 years to 10 years. The Company re-applied for HNTE status in 2022 and the approval was obtained in October 2022.

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSE (Continued)

Deductible losses that are not recognized for deferred income tax assets will expire as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Expiry year		
2023	–	2,510
2024	**1,330**	8,348
2025	**167**	167
2026	**2,466**	3,170
2027	**4,566**	4,602
2028	**27,731**	27,592
2029	**45,639**	45,639
2030	**54,205**	54,205
2031	**66,757**	66,757
2032	**74,318**	74,318
2033	**257,753**	–
	534,932	287,308

12 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share for the years ended 31 December 2023 and 2022 are calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2023	2022
Loss attributable to the equity holders of the Company (RMB'000)	**(195,108)**	(342,376)
Weighted average number of ordinary shares outstanding (thousand shares) (Note)	**204,881**	193,459
Basic loss per share (expressed in RMB per share)	**(0.95)**	(1.77)

Note:

The weighted average number of ordinary shares in issue before the Company's conversion into a joint stock Company was determined assuming the paid-in capital had been fully converted into the Company's share capital at the same conversion ratio of 1:1 as upon conversion into joint stock Company in August 2022.

In addition to the aforementioned, the weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effect of the Capitalization Issue (as defined in Note 25) completed on 23 March 2023.

Notes to the Consolidated Financial Statements

12 LOSS PER SHARE (Continued)

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive instruments. For the years ended 31 December 2023 and 2022, diluted loss per share was the same as basic loss per share as there were no potentially dilutive ordinary shares outstanding during the year.

13 SUBSIDIARIES

(a) Subsidiaries of the Company

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Name of entity	Date of incorporation	Place of incorporation and place of operations and kind of legal entity	Registered share capital *In thousand*	Effective interest held by the Group As at 31 December 2023	2022	Principal activities
Directly held:						
iMotion Electronics Technology (Suzhou) Co., Ltd. 知辛電子科技(蘇州)有限公司(i)	19 June 2018	Suzhou, China, limited liability Company	RMB40,000	**100%**	100%	Manufacturing and assembly of products
iMotion Automotive Technology (Changshu) Co., Ltd. 知行汽車科技(常熟)有限公司(i)	04 December 2017	Suzhou, China, limited liability Company	RMB3,500	**100%**	100%	Autonomous driving testing
Shanghai Aimoxing Automobile Technology Co., Ltd. 上海艾摩星汽車科技有限公司(i)	15 September 2021	Shanghai, China. limited liability Company	RMB4,000	**100%**	100%	Research and development
iMotion Automotive Technology (Tianjin) Co., Ltd. 知行汽車科技(天津)有限公司(i)	20 March 2022	Tianjin, China, limited liability Company	RMB15,000	**100%**	100%	Research and development
iMotion Automotive GmbH	17 October 2023	Germany, limited liability Company	EUR250	**100%**	N/A	Research and development
iMotion Automotive Technology (Hong Kong) Co., Limited 知行汽車科技(香港)有限公司(i)	06 December 2023	Hong Kong ("HK"), limited liability company	HKD100	**100%**	N/A	Research and development
Indirectly held:						
iMotion Electronics (Hong Kong) Technology Co., Limited (ii)	03 January 2022	Hong Kong ("HK"), limited liability Company	USD50	**N/A**	100%	Research and development

(i) The English name of the subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

(ii) In August 2023, iMotion Electronics (Hong Kong) Technology Co., Limited was dissolved.

Notes to the Consolidated Financial Statements

14 LEASES

(a) Amounts recognized in the consolidated balance sheet of the Group

The consolidated balance sheet show the following amounts relating to leases:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Right-of-use assets		
Land use rights	**31,659**	32,792
Leased buildings (i)	**2,825**	4,616
	34,484	37,408
Lease liabilities		
Current	**1,797**	3,341
Non-current	**630**	1,572
	2,427	4,913

(i) Additions to leased buildings during the year ended 31 December 2023 were approximately RMB1,205,000 (2022: RMB1,808,000).

Notes to the Consolidated Financial Statements

14 LEASES (Continued)

(b) Amounts recognized in consolidated statement of comprehensive loss of the Group

The consolidated statement of comprehensive loss show the following amounts relating to leases:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
Land use rights	**473**	1,134
Leased buildings	**2,996**	2,616
	3,469	3,750
Interest expenses (included in finance cost) (Note 10)	**169**	265
Expenses relating to short-term leases (included in cost of sales, administrative expenses and research and development expenses) (Note 8)	**384**	727

The total cash outflows for leases of buildings in 2023 were approximately RMB4,244,000 (2022: RMB3,800,000).

(c) The Group's leasing activities and how these are accounted for

In addition to land use rights, the Group leases certain buildings. Rental contracts are typically made for fixed periods of 3 years to 5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT

	Machinery and molds RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Furniture RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2022							
Cost	10,697	2,371	7,788	1,660	6,227	–	28,743
Accumulated depreciation	(5,013)	(1,207)	(3,698)	(975)	(3,105)	–	(13,998)
Net book amount	5,684	1,164	4,090	685	3,122	–	14,745
Year ended 31 December 2022							
Opening net book amount	5,684	1,164	4,090	685	3,122	–	14,745
Additions	10,748	417	7,268	1,318	2,882	189	22,822
Disposals	–	(14)	(84)	–	–	–	(98)
Depreciation charge (Note 8)	(1,790)	(402)	(2,466)	(424)	(1,683)	–	(6,765)
Closing net book amount	14,642	1,165	8,808	1,579	4,321	189	30,704
As at 31 December 2022							
Cost	21,445	2,648	14,847	2,978	9,109	189	51,216
Accumulated depreciation	(6,803)	(1,483)	(6,039)	(1,399)	(4,788)	–	(20,512)
Net book amount	14,642	1,165	8,808	1,579	4,321	189	30,704
Year ended 31 December 2023							
Opening net book amount	**14,642**	**1,165**	**8,808**	**1,579**	**4,321**	**189**	**30,704**
Exchange differences	**–**	**(1)**	**–***	**–***	**–**	**–**	**(1)**
Additions	**5,605**	**1,395**	**4,737**	**52**	**127**	**61,537**	**73,453**
Transfers	**1,116**	**–**	**–**	**–**	**–**	**(1,116)**	**–**
Disposals	**–**	**–**	**(3)**	**–**	**–**	**–**	**(3)**
Depreciation charge (Note 8)	**(2,997)**	**(509)**	**(3,827)**	**(425)**	**(2,151)**	**–**	**(9,909)**
Closing net book amount	**18,366**	**2,050**	**9,715**	**1,206**	**2,297**	**60,610**	**94,244**
As at 31 December 2023							
Cost	**28,166**	**3,719**	**19,534**	**3,030**	**9,236**	**60,610**	**124,295**
Accumulated depreciation	**(9,800)**	**(1,669)**	**(9,819)**	**(1,824)**	**(6,939)**	**–**	**(30,051)**
Net book amount	**18,366**	**2,050**	**9,715**	**1,206**	**2,297**	**60,610**	**94,244**

* The balance represents an amount less than RMB1,000.

Notes to the Consolidated Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Year ended 31 December	
	2023	2022
Research and development expenses	**5,471**	3,201
Cost of sales	**3,687**	2,909
Administrative expenses	**730**	642
Selling expenses	**21**	13
	9,909	6,765

16 INTANGIBLE ASSETS

	Purchased software
	RMB'000
As at 1 January 2022	
Cost	11,205
Accumulated amortization	(4,241)
Net book amount	6,964
Year ended 31 December 2022	
Opening net book amount	6,964
Additions	1,333
Amortization charge (Note 8)	(3,438)
Closing net book amount	4,859
As at 31 December 2022	
Cost	12,538
Accumulated amortization	(7,679)
Net book amount	4,859
Year ended 31 December 2023	
Opening net book amount	**4,859**
Additions	**10,605**
Amortization charge (Note 8)	**(4,228)**
Closing net book amount	**11,236**
As at 31 December 2023	
Cost	**23,143**
Accumulated amortization	**(11,907)**
Net book amount	**11,236**

Notes to the Consolidated Financial Statements

16 INTANGIBLE ASSETS (Continued)

(a) Amortization of intangible assets has been charged to profit or loss for the years ended 31 December 2023 and 2022 as follows:

	Year ended 31 December	
	2023	2022
Research and development expenses	**3,261**	2,009
Administrative expenses	**608**	249
Cost of sales	**359**	1,180
	4,228	3,438

17 OTHER NON-CURRENT ASSETS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Contract fulfillment costs (a)	**529**	8,212
Less: provisions for impairment of contract fulfillment costs (Note 21)	**–**	(1,832)
	529	6,380
Prepayment for property, plant and equipment	**14,926**	1,885
Capitalized upfront fee (b)	**7,000**	14,583
Less: Non-current capitalized upfront fee to be settled within one year (Note 21)	**(1,750)**	(2,916)
	5,250	11,667
	20,705	19,932

(a) The amortisation of contract fulfillment costs charged to cost of sales was RMB39,195,000 (2022: RMB12,628,000) for the year ended 31 December 2023.

(b) Capitalized upfront fee represents the payments to customers made by the Company in order to obtain certain contracts, which are amortized to offsetting revenue based on the transfer of relevant goods and services. The amount of amortization to net sales was RMB3,583,000 (2022: RMB2,917,000) for the year ended 31 December 2023.

As at 31 December 2023, there have been no impairment losses in relation to the costs capitalized.

Notes to the Consolidated Financial Statements

18 INVENTORIES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Raw materials	**205,824**	36,700
Semi-finished goods	**481**	624
Work in progress	**399**	3,180
Finished goods	**49,937**	231,640
	256,641	272,144
Less: provision for impairment	**(624)**	(170)
	256,017	271,974

Raw materials primarily consist of materials for volume production which will be transferred into production cost when incurred as well as using for research and development.

Finished goods include products ready for transit at production plants and products delivered to customers but acceptance has not been obtained yet.

During the year ended 31 December 2023, inventories recognized as cost of sales amounted to approximately RMB1,046,150,000 (2022: RMB1,128,160,000), and the provision for impairment of inventories as recognized for the year amounted to approximately RMB602,000 (2022: RMB25,000). All these expenses and impairment charge have been included in "cost of sales" in the consolidated statement of comprehensive loss.

Notes to the Consolidated Financial Statements

19 TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Notes receivables	–	750
Trade receivables (a)		
Due from third parties	**222,813**	293,978
Provisions for impairment	**(3,720)**	(5,370)
	219,093	288,608
Total	**219,093**	289,358

The carrying amounts of the Group's trade and notes receivables are denominated in the following currencies:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
RMB	**217,944**	286,549
USD	**4,869**	8,179
	222,813	294,728

19 TRADE AND NOTES RECEIVABLES (Continued)

(a) Trade receivables

(i) Aging analysis of the trade receivables

As at 31 December 2023 and 2022, the aging analysis of the trade receivables based on date of revenue recognition is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**213,474**	273,481
3 to 6 months	**8,098**	20,031
6 to 12 months	**–**	466
Over 12 months	**1,241**	–
Total	**222,813**	293,978

(ii) Fair values of the trade receivables

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

(iii) Impairment and risk exposure

Trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Details of the allowance for impairment and the movement in the allowance balance has been set out in Note 3.1(b).

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current		
Debt investments		
– bank acceptance notes (a)	**7,098**	–

(a) As at 31 December 2023, notes receivable were bank acceptance notes aged less than six months.

Notes to the Consolidated Financial Statements

21 OTHER CURRENT ASSETS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Other receivables (a)		
– Refundable deposits (i)	**5,403**	1,416
– Payments on behalf of employees	**60**	40
– Others	**571**	77
	6,034	1,533
Provisions for impairment (ii)	**(70)**	(21)
	5,964	1,512
Prepayments for (b)		
– raw materials to third parties	**549**	5,932
– other taxes	**169**	931
– capitalized upfront fee (Note 17)	**1,750**	2,916
– other operating expenses	**4,261**	1,891
	6,729	11,670
Contract fulfillment costs	**47,124**	31,176
Less: provisions for impairment of contract fulfillment costs	**(2,465)**	(2,930)
	44,659	28,246
Deferred listing expenses	**–**	1,754
Input VAT to be deducted	**19,770**	1,996
Total other current assets	**77,122**	45,178

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

Notes to the Consolidated Financial Statements

21 OTHER CURRENT ASSETS (Continued)

(a) Other receivables

(i) Refundable deposits

Refundable deposits consist primarily of security deposits for rental of buildings and customs deposits.

(ii) Impairment and risk exposure

For other receivables, management performs periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences incorporating forward-looking information. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Expected credit loss ("ECL") model for other receivables, as summarized below:

- The other receivables that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis;

- If a significant increase in credit risk (as defined below) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis;

- If the financial instrument is credit-impaired (as defined below), the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis; and

- Under Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting period to the amortized cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The loss allowance recognized in the year is impacted by a variety of factors, as described below:

- Transfer between stage 1, stage 2 or stage 3 due to other receivables experiencing significant increases (or decreases) of credit risk in the period, and the subsequent "step up" (or "step down") between 12-month and lifetime ECL;

- Additional allowances for new financial instruments recognized, as well as releases for other receivables derecognized in the period; and

- Other receivables derecognized and write-offs of allowance related to assets that were written off during the year.

21 OTHER CURRENT ASSETS (Continued)

(a) Other receivables (Continued)

(ii) Impairment and risk exposure (Continued)

The Group considers counter-parties as follows:

- 'Stage 1' — Counter-parties who have a low risk of default and a strong capacity to meet contractual cash flows;
- 'Stage 2' — Counter-parties whose repayments are past due but with reasonable expectation of recovery; and
- 'Stage 3' — Counter-parties whose repayments are past due and with low reasonable expectation of recovery.

The following tables summarized the loss allowance for other receivables as analyzed by different stages:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at 31 December 2023 (RMB'000)	**6,034**	**–**	**–**	**6,034**
Loss allowance as at 31 December 2023 (RMB'000)	**(70)**	**–**	**–**	**(70)**
Expected credit loss rate	**1.16%**	**–**	**–**	**1.16%**
Gross carrying amount as at 31 December 2022 (RMB'000)	1,533	–	–	1,533
Loss allowance as at 31 December 2022 (RMB'000)	(21)	–	–	(21)
Expected credit loss rate	1.34%	–	–	1.34%

(b) The prepayments represented prepayments to third parties during the reporting period.

Notes to the Consolidated Financial Statements

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Classification of financial assets at FVPL

The Group classifies the followings as financial assets at FVPL:

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

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Non-current assets		
Unlisted investment with preferred rights (i)	**3,517**	3,000
Current assets		
Investments in wealth management products issued by banks and financial institutes	**109,733**	182,408
Investment in private funds (ii)	**118,544**	–
	228,277	182,408

Information about the Group's exposure to financial risk and information about the methods and assumptions used in determining fair value of these financial assets at FVPL are set out in Note 3.3(c).

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

(ii) The investments represented three private funds. Investment objectives were mainly to invest in short-term monetary instruments (including cash and cash equivalents), national debt, and other short-term securities, etc.. Subsequently in March 2024, the Group has redeemed approximately RMB59 million of the investments.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(b) During the year, the following net fair value gains were recognized in the consolidated statements of comprehensive loss:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Net fair value gains on financial assets at FVPL recognized in other gains/(losses) – net (Note 7)		
– realized	**6,608**	6,321
– unrealized	**2,688**	1,408
	9,296	7,729

23 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and cash equivalents

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cash at banks	**720,759**	366,580
Less: restricted cash (b)	**(306)**	(835)
Cash and cash equivalents	**720,453**	365,745

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

Notes to the Consolidated Financial Statements

23 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (Continued)

(b) Restricted cash

As at 31 December 2023, restricted cash with amount of RMB306,000 (31 December 2022: RMB300,000) were government grants reserved in separate account, mainly for subsidizing the Group's purchases of equipment, which can not be withdrawn without prior application.

As at 31 December 2022, restricted cash with amount of RMB535,000 were guarantee deposits for forward exchange agreements.

Cash and cash equivalents are denominated in:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
RMB	**157,530**	340,082
HKD	**514,761**	–
USD	**48,050**	25,663
EUR	**112**	–
	720,453	365,745

24 PAID-IN CAPITAL

	Paid-in capital
	RMB'000
As at 1 January 2022	9,087
Capital contributions from series C-2 investor (a)	358
Capital contributions from series C-3 investor (b)	766
Conversion into a joint stock Company (Note 25(c))	(10,211)
As at 31 December 2022 and 2023	–

(a) In February 2022, the Company entered into capital contribution agreement with series C-2 investors, pursuant to which total capital of RMB98,500,000 was contributed to the Company. The proceeds of RMB66,500,000 and RMB32,000,000 were received by the Company in Feb 2022 and March 2022 respectively, with approximately RMB358,023 (approximately 3.5% of total paid-in capital before the Company's conversion into a joint stock Company (Note 25(c))) and RMB98,141,977 credited to the Company's paid-in capital and capital reserves, respectively (Note 26). Certain preferred rights upon capital contribution were granted to series C-2 investors (Note 29).

(b) On 31 July 2022, the Company entered into capital contribution agreement with series C-3 investor, pursuant to which total capital of RMB247,500,000 was contributed to the Company. The proceeds of RMB247,500,000 were received by the Company in August 2022, with approximately RMB765,804 (approximately 7.5% of total paid-in capital before the Company's conversion into a joint stock Company (Note 25(c))) and RMB246,734,196 credited to the Company's paid-in capital and capital reserves, respectively (Note 26). Certain preferred rights upon capital contribution were granted to series C-3 investor (Note 29).

Notes to the Consolidated Financial Statements

25 SHARE CAPITAL

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

	Number of shares	Share capital *RMB'000*
As at 1 January 2023	**10,210,717**	**10,211**
Capitalization Issue (a)	**194,003,623**	**194,003**
Issuance of ordinary shares upon global offering (b)	**22,116,000**	**22,116**
As at 31 December 2023	**226,330,340**	**226,330**
As at 1 January 2022	–	–
Conversion into a joint stock limited Company (c)	10,210,717	10,211
As at 31 December 2022	10,210,717	10,211

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

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

Share issuance costs related to the global offering mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other costs. Incremental costs that are directly attributable to the issue of the new shares amounting to approximately RMB35,364,000 was treated as a deduction against the share premium arising from the issuance.

(c) In December 2022, the Company was converted into a joint stock Company with limited liability under the Company Law of the PRC. The net assets of the Company as at the conversion date were converted into approximately 10,210,717 ordinary shares at RMB1 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's share premium (Note 26).

Notes to the Consolidated Financial Statements

26 TREASURY STOCK AND RESERVE

	Treasury stock RMB'000	Share premium RMB'000	Capital reserves RMB'000	Special reserves	Other reserves RMB'000	Foreign currency translation RMB'000	Total RMB'000
				Reserves			
As at 1 January 2022	(465,516)	–	461,750	–	31,041	–	492,791
Capital contributions from series C-2 investor	–	–	98,142	–	–	–	98,142
Capital contributions from series C-3 investor	–	–	246,734	–	–	–	246,734
Recognition of financial instruments with preferred rights at amortized cost (a)	(346,000)	–	–	–	–	–	–
Derecognition of financial instruments with preferred rights at amortized cost (b)	811,516	–	711,635	–	–	–	711,635
Conversion into a joint stock Company (Note 25(c))	–	666,951	(1,518,261)	–	(60,468)	–	(911,778)
Share-based payment (Note 27)	–	–	–	–	44,026	–	44,026
As at 31 December 2022	–	666,951	–	–	14,599	–	681,550
As at 1 January 2023	**–**	**666,951**	**–**	**–**	**14,599**	**–**	**681,550**
Capitalization Issue (Note 25(a))	**–**	**(194,003)**	**–**	**–**	**–**	**–**	**(194,003)**
Issuance of ordinary shares upon global offering (Note 25(b))	**–**	**539,236**	**–**	**–**	**–**	**–**	**539,236**
Share-based payment (Note 27)	**–**	**–**	**–**	**–**	**90,989**	**–**	**90,989**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**8**	**8**
Provision of safety fund surplus reserve (d)	**–**	**–**	**–**	**362**	**–**	**–**	**362**
Utilisation of safety fund surplus reserve (d)	**–**	**–**	**–**	**(362)**	**–**	**–**	**(362)**
As at 31 December 2023	**–**	**1,012,184**	**–**	**–**	**105,588**	**8**	**1,117,780**

Notes to the Consolidated Financial Statements

26 TREASURY STOCK AND RESERVE (Continued)

(a) The Group recorded treasury stock to reflect the carrying amount of the financial instruments with preferred rights at the date of issuance of the Series Pre-A financing to Series C-3 financing. Further details are described in Note 29(a).

On 30 August 2022, upon termination of the preferred rights among the Series Pre-A Investors to Series C-3 Investors, all the treasury stock was derecognized and the difference between the derecognition of the financial instruments with preferred rights and the treasury stock was credited to the capital reserves. Further details are described in Note 29(b).

(b) Treasury stock is recorded to reflect the carrying amount of the financial instruments with preferred rights when the financial instruments with preferred rights are initially reclassified from equity, and will be reversed when the financial instruments with preferred rights are derecognized upon when the Group's obligations in connection with those financial instruments are discharged, canceled or have expired which will then be reclassified back to equity. Details of the financial instruments with preferred rights at amortized cost have been set out in Note 29.

(c) The Group recorded other reserves to reflect the contributions from shareholders for share award schemes of employees (Note 27).

(d) According to the Administrative Measures for the Collection and Utilisation of Enterprise Work Safety Funds (Cai Zi [2022] No. 136) jointly issued by the Ministry of Finance and the State Administration of Emergency Management, the subsidiary of the Group, iMotion Electronics Technology (Suzhou) Co., Ltd. is required to establish a safety fund surplus reserve based on a certain percentage of the prior year's revenue during the year ended 31 December 2023.

27 SHARE-BASED PAYMENT

(a) Share award schemes

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

As the Company did not have power to govern the relevant activities of the Vehicles nor repurchase or settlement obligations but only derive benefits from the contributions of the eligible employees who are awarded with the shares under the ESOP, the directors of the Company consider it does not control and not to consolidate the Vehicles. No statutory financial statements had been prepared by the Vehicles during the year ended 31 December 2023.

In July 2022, 145,195 RSUs were granted to certain directors, managements and employees (the "Grantees") at a consideration of RMB4.75 per share under the ESOP through Suzhou Lanchi and Suzhou Zichi as rewards for their services, full time devotion and professional expertise to the Group.

Notes to the Consolidated Financial Statements

27 SHARE-BASED PAYMENT (Continued)

(a) Share award schemes (Continued)

(i) (Continued)

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

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

Key assumptions

	Years ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Risk-free interest rate	**N/A**	2.17%
Volatility	**N/A**	55.12%
WACC	**18%**	N/A
Terminal growth rate	**2.3%**	N/A

The fair values of the RSUs granted to the Grantees during the Track Record Period were as follows:

	Years ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Fair value of one RSU	**0.38**	0.32

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

Notes to the Consolidated Financial Statements

27 SHARE-BASED PAYMENT (Continued)

(a) Share award schemes (Continued)

(i) (Continued)

Set out below are the movement in the number of awarded restricted shares under the Share Incentive Plans:

As at 1 January 2023	**1,062,662**
Granted	**137,700**
Forfeited	**(312,695)**
Capitalization Issue	**23,121,293**
As at 31 December 2023	**24,008,960**
As at 1 January 2022	1,337,857
Granted	145,195
Forfeited	(420,390)
As at 31 December 2022	1,062,662

(ii) Modification of the ESOP

In December 2021, the Vehicles entered into supplemental agreements with the Grantees to modify the service condition under the original ESOP. As a result, the 1,169,734 shares granted to the Grantees in April 2019, October 2019 and December 2020 will be vested if Grantees remain as employees of the Group as at the IPO date. No expenses related to vesting of restricted share was impacted upon modification since the estimated vesting date was not changed.

(b) Expenses arising from share-based payment transactions

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Share-based payment expenses	**85,105**	44,026

Notes to the Consolidated Financial Statements

28 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Financial assets		
Financial assets at amortized cost:		
– Trade and notes receivables (Note 19)	**219,093**	289,358
– Other receivables (Note 21)	**5,964**	1,512
– Cash and cash equivalents (Note 23)	**720,453**	365,745
– Restricted cash (Note 23)	**306**	835
Financial assets at FVPL (Note 22)	**231,794**	185,408
Financial assets at FVOCI (Note 20)	**7,098**	–
	1,184,708	842,858

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Financial liabilities		
Liabilities at amortized cost:		
– Borrowings (Note 30)	**225,657**	49,004
– Trade and notes payables (Note 34)	**185,528**	438,417
– Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 35)	**76,750**	24,510
– Lease liabilities (Note 14)	**2,427**	4,913
Derivative financial instruments (Note 33)	**293**	–
	490,655	516,844

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Notes to the Consolidated Financial Statements

29 FINANCIAL INSTRUMENTS WITH PREFERRED RIGHTS AT AMORTIZED COST

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Financial instruments with preferred rights at amortized cost	**–**	–

The financial instruments with preferred rights represent redemption rights granted to certain investors.

The movements of financial instruments with preferred rights at amortized cost for the years ended 31 December 2023 and 2022 were as follows:

	Financial instruments with preferred rights at amortized cost
	RMB'000
As at 1 January 2022	897,731
Recognition of financial instruments with preferred rights at amortized cost (a)	346,000
Financial cost on financial instruments with preferred rights at amortized cost	279,420
Derecognition of financial instruments with preferred rights at amortized cost (b)	(1,523,151)
As at 31 December 2022 and 2023	–

(a) In February 2022, the Company entered into an investment agreement with certain series C-2 investors. The Company had initially recognized the related financial instruments with preferred rights of RMB98,500,000 (present values of the estimated amount to be paid out by the Company) in 2022. The Company applied a discount rate of 9.40% to derive the present value of the issued financial instruments.

In July 2022, the Company entered into an investment agreement with a series C-3 investor. The Company had initially recognized the related financial instruments with preferred rights of RMB247,500,000 (present values of the estimated amount to be paid out by the Company) in 2022. The Company applied a discount rate of 9.60% to derive the present value of the issued financial instruments.

Series C-2 investors and series C-3 investor are collectively referred as "Series C Investors".

In accordance with Series Pre-A investment agreements to Series C investment agreements, Series Pre-A Investors to Series C Investors had been granted with certain preferred rights (the "Preferred Rights") upon capital contribution. These Preferred Rights mainly included the followings:

Notes to the Consolidated Financial Statements

29 FINANCIAL INSTRUMENTS WITH PREFERRED RIGHTS AT AMORTIZED COST (Continued)

(a) (Continued)

Most favorable terms

If the rights granted by the Group to any shareholders (including the new investor brought in) is more favorable than existing shareholders, the existing shareholders are also entitled to such terms, conditions or rights.

Redemption right

Investors have a right to require the Company to redeem their investment if (i) the Company failed to QIPO before a certain date; (ii) during the period from the issuance date to before the Company's QIPO, the Company and its existing shareholders have committed a major breach to the agreements.

Before August 2021, the redemption amount is calculated as: regarding to the scenario (i), the original investment principal from investors, plus an annual simple rate of 10% of the original investment principal for a period of time commencing from the delivery date to the actual payments date of the settlement (calculated as 365 days in a calendar year); regarding to the scenario (ii), the original investment principal from investors, plus an annual simple rate of 15% of the original investment principal for a period of time commencing from the delivery date to the actual payments date of the settlement (calculated as 365 days in a calendar year) ((i) and (ii) are collectively referred as "P+I").

In August 2021, the Company entered into an investment agreement with certain series C-1 investors, and the redemption amount of C-1 Investors is calculated as the higher of (i) P+I; and (ii) The fair value of the redeemed capital ("FV").

Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, Series Pre-A Investors to Series C Investors shall be entitled to receive the liquidation preference amount, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the other holders of ordinary shares of the Company.

The liquidation preference amount of Series Pre-A Investors to Series C Investors is calculated as the original investment principal plus 10% annualized simple interest from Series Pre-A Investors to Series C Investors respectively ("Liquidation Preference Cap"). If the amount of distributable assets of the Company is less than the total Liquidation Preference Cap, Series Pre-A Investors to Series C Investors shall be entitled the amount based on the percentage of each investor's share.

The following events shall be treated as a "Deemed Liquidation Event": (i) any sale, disposition or conveyance by the Company of all or substantially all of its assets (including the exclusive licensing of all or substantially all the intellectual property assets of the Company); (ii) any merger, consolidation or other transactions resulting in the Company acquired by other entity or after which change the substantial control of the Company.

Notes to the Consolidated Financial Statements

29 FINANCIAL INSTRUMENTS WITH PREFERRED RIGHTS AT AMORTIZED COST (Continued)

(a) (Continued)

Anti-dilution right

If the Company increases its paid-in capital at a price lower than the price paid by Series Pre-A Investors to Series C Investors on a per paid-in capital basis, Series Pre-A Investors to Series C Investors have a right to require (i) the Company to issue new paid-in capital for nil consideration (or lowest price allowed by law) to Series Pre-A Investors to Series C Investors; or (ii) existing shareholders to transfer the equity interests of the Company directly or indirectly held to Series Pre-A Investors to Series C Investors for nil consideration (or lowest price allowed by law), so that the total amount paid by Series Pre-A Investors to Series C Investors divided by the total amount of paid-in capital obtained is equal to the price per paid-in capital in the new issuance.

The directors of the Company considered that the fair value of the anti-dilution right was immaterial and therefore no liability was recognized by the Company.

(b) Termination of Preferred Rights

On 30 August 2022, the Company entered into a termination agreement to terminate the abovementioned Preferred Rights with Series C Investors. Pursuant to the termination agreement, the financial instruments with preferred rights at amortized cost of approximately RMB1,523,151,000 and the treasury stock of approximately RMB811,516,000 were derecognized accordingly. The difference of approximately RMB711,635,000 was credited to capital reserves (Note 26).

30 BORROWINGS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Borrowings included in non-current liabilities:		
Secured		
Bank borrowings (a)	**24,159**	–
Borrowings included in current liabilities:		
Unsecured		
Bank borrowings (b)	**140,967**	–
Other loans (c)	**35,414**	48,857
Bills payable (d)	**24,933**	–
Interest payables	**184**	147
	201,498	49,004
Total borrowings	**225,657**	49,004

Notes to the Consolidated Financial Statements

30 BORROWINGS (Continued)

(a) The Group has pledged its land use rights with carrying amounts of approximately RMB31,659,000 to bank as the security for the long-term bank borrowings of RMB24,159,000 as at 31 December 2023. The Group's long-term interest bearing borrowings were RMB-denominated borrowings with floating rates linked to LPR. Interest is payable quarterly. The principal for the borrowings are payable in batches from 21 June 2026 to 21 December 2026.

(b) As at 31 December 2023, the Company had short-term borrowings from a PRC bank with amounts totalling RMB94,930,000 and an effective interest of 2.95% per annum.

As at 31 December 2023, the Company had short-term borrowings from a PRC bank with amounts totalling USD6,500,000 and an effective interest of 5.75% per annum.

(c) As at 31 December 2023, the Company had import bill advance paid by a PRC bank with amounts totalling RMB35,414,000 (31 December 2022: RMB48,857,000) and an effective interest of nil (31 December 2022: 2.4%) per annum.

(d) Borrowings of RMB24,933,000 comprise of short-term borrowings as obtained from the discounting of bank acceptance notes. The Group recognised the cash obtained from the discount of notes receivable that did not satisfy the derecognition criteria as short-term borrowings and the interests thereon was calculated based on the effective interest rate method and included as borrowing interest expenses.

(e) Other disclosures

During the years ended 31 December 2023 and 2022, the Group had not been in violation of any of the covenants pursuant to the applicable borrowing agreements that the Group entered with the lenders.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity date, whichever is earlier, were as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Less than 6 months	**24,933**	48,857
Between 6 and 12 months	**176,381**	–
Between 2 and 5 years	**24,159**	–
	225,473	48,857

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

Notes to the Consolidated Financial Statements

30 BORROWINGS (Continued)

(e) Other disclosures (Continued)

As at 31 December 2023 and 2022, the Group has the following undrawn bank facilities:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
RMB facilities	**472,094**	326,894

31 PROVISIONS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Non-current		
Onerous contract to be executed (i)	**–**	1,700
Warranties (ii)	**6,968**	1,581
	6,968	3,281
Current		
Onerous contract to be executed (i)	**1,039**	–
Warranties	**3,692**	1,262
	4,731	1,262
	11,699	4,543

Notes to the Consolidated Financial Statements

31 PROVISIONS (Continued)

(i) The Group entered into irrevocable contracts with certain customers to provide autonomous driving related R&D services. The costs estimated to execute the contracts exceed the expected revenue to be received under the contracts. As at 31 December 2023, the Group has recognised provision for any excess of unavoidable costs over expected benefits after the contract fulfillment cost have been tested for impairment (Note 21).

(ii) The Group provides warranties for certain products and undertakes the obligation to repair or replace items that fail to perform satisfactorily. The amount of provisions for product warranties is estimated based on the sales volume and industry experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and is revised when appropriate.

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

	Onerous contract to be executed *RMB'000*	Warranties *RMB'000*	Total *RMB'000*
As at 1 January 2023	**1,700**	**2,843**	**4,543**
Provisions for the year	**–**	**11,663**	**11,663**
Amounts utilized during the year	**(661)**	**(3,846)**	**(4,507)**
Aa at 31 December 2023	**1,039**	**10,660**	**11,699**
As at 1 January 2022	–	198	198
Provisions for the year	1,700	3,746	5,446
Amounts utilized during the year	–	(1,101)	(1,101)
Aa at 31 December 2022	1,700	2,843	4,543

32 DEFERRED INCOME

	As at 31 December	
	2023 ***RMB'000***	2022 *RMB'000*
Government grants	**3,548**	883

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

Notes to the Consolidated Financial Statements

33 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Foreign exchange options contract	**293**	–

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

Amount recognized in profit or loss is set out below:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Fair value (losses)/gains – net (Note 7)		
– realized	**–**	(2,252)
– unrealized	**(293)**	–
	(293)	(2,252)

34 TRADE AND NOTES PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables		
– Payables for materials	**184,649**	291,910
Notes payables (a)		
– Payables for materials	**879**	146,507
	185,528	438,417

Notes to the Consolidated Financial Statements

34 TRADE AND NOTES PAYABLES (Continued)

(a) The notes payables have maturity terms ranging from 2 to 6 months.

As at 31 December 2023 and 2022, the Company had guaranteed notes payables from a PRC bank with amounts totalling nil and RMB110,864,000 respectively, which were guaranteed by Mr. Song Yang.

(b) The carrying amounts of trade payables approximate their fair values due to their short-term maturity in nature.

(c) The aging analysis of the trade payables based on purchase date at the end of each reporting period is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Up to 1 year	**184,649**	291,826
1 to 2 years	**–**	84
	184,649	291,910

35 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Payroll and welfare payables	**28,994**	20,539
Accruals	**7,144**	5,089
Other taxes payables	**1,851**	8,830
Payables for purchases of property, plant and equipment	**26,306**	1,656
Accrued listing expenses	**18,020**	3,811
Others (a)	**25,280**	13,954
	107,595	53,879
Less: non-current portion (b)	**(2,155)**	–
	105,440	53,879

(a) The Group agreed to collect service fees from an OEM customer and pay on behalf of the customer to a supplier, who provided part of the R&D services in relation to its hardware and software used in autonomous driving products. As at 31 December 2023, the service fees collected by the Company from the customer but unpaid to the supplier were approximately RMB21,713,000 (2022: RMB12,920,000).

(b) The Group makes the payment based on the pre-determined payment milestone in the acquisition contracts of certain softwares. In August 2023, the Company has agreed with the supplier to specify the payment schedule of unpaid amounts. Accordingly, the Company has or will pay USD200,000, USD250,000 and USD300,000 to the supplier in November 2023, 2024 and 2025, respectively. As a result, as at 31 December 2023, USD300,000 of unpaid amount which would be settled beyond 12 months were reclassified to non-current portion of other payables and accruals.

Notes to the Consolidated Financial Statements

36 CASH FLOW INFORMATION

(a) Reconciliation of loss before income tax to net cash used in operations

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss before income tax	**(195,108)**	(342,376)
Adjustments for:		
(Reversal of impairment losses)/net impairment losses on financial assets (Note 3.1)	**(1,601)**	3,717
Depreciation of property, plant and equipment (Note 15)	**9,909**	6,765
Depreciation of right-of-use assets (Note 14)	**3,469**	3,750
Amortization of intangible assets (Note 16)	**4,228**	3,438
Net (gains)/losses on disposals of property, plant and equipment, intangible assets (Note 7)	**(87)**	73
Provisions for impairment of inventories (Note 8)	**602**	25
Provisions for impairment of contract fulfillment costs (Note 8)	**617**	4,421
Share-based payment expenses (Note 27)	**85,105**	44,026
Net fair value gains on financial assets at FVPL (Note 7)	**(9,296)**	(7,729)
Net fair value losses on derivative financial instruments (Note 7)	**293**	2,252
Finance (income)/costs – net (Note 10)	**(1,763)**	280,073
Amortization of government grants	**(311)**	(333)
Net foreign exchange differences	**1,650**	(1,922)
Operating loss before changes in working capital:	**(102,293)**	(3,820)
Decrease/(increase) in inventories	**15,367**	(224,994)
Decrease/(increase) in trade and notes receivables	**64,817**	(181,783)
Increase in other assets	**(26,730)**	(36,208)
Decrease/(increase) in restricted cash	**528**	(2)
Decrease/(increase) in other operating assets	**12,267**	(14,583)
(Decrease)/increase in trade and notes payables	**(252,889)**	347,976
Increase in other payables and accruals	**38,066**	26,633
(Decrease)/increase in contract liabilities	**(21,188)**	16,769
Increase in provisions	**7,156**	4,345
Net cash used in operations	**(264,899)**	(65,667)

36 CASH FLOW INFORMATION (Continued)

(b) Major non-cash operating, investing and financing activities

Major non-cash operating, investing and financing activities disclosed in other notes are:

- additions to right-of-use assets in respect of leased buildings (Note 14).
- recognition and derecognition of financial instruments with preferred rights at amortized cost (Note 29).
- Purchase of inventories by bank acceptance notes.
- Conversion into joint stock company.

(c) Net cash

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cash and cash equivalents (Note 23)	**720,453**	365,745
Financial assets at fair value through profit or loss (Note 22)	**231,794**	185,408
Lease liabilities (Note 14)	**(2,427)**	(4,913)
Borrowings (Note 30)	**(225,657)**	(49,004)
Net cash	**724,163**	497,236

36 CASH FLOW INFORMATION (Continued)

(d) Reconciliation of liabilities from financing activities

	Financial instruments with preferred rights at amortized cost *RMB'000*	Lease liabilities *RMB'000*	Borrowings *RMB'000*	Total *RMB'000*
As at 1 January 2023	**–**	**4,913**	**49,004**	**53,917**
Cash flows	**–**	**(3,860)**	**175,476**	**171,616**
New leases	**–**	**1,205**	**–**	**1,205**
Interest expenses	**–**	**169**	**1,177**	**1,346**
As at 31 December 2023	**–**	**2,427**	**225,657**	**228,084**
As at 1 January 2022	897,731	5,913	35,538	939,182
Cash flows	–	(3,073)	12,982	9,909
New leases	–	1,808	–	1,808
Interest expenses	–	265	484	749
Financial cost on financial instruments with preferred rights at amortized cost	279,420	–	–	279,420
Recognition of financial instruments with preferred rights at amortized cost (Note 29)	346,000	–	–	346,000
Derecognition of financial instruments with preferred rights at amortized cost (Note 29)	(1,523,151)	–	–	(1,523,151)
As at 31 December 2022	–	4,913	49,004	53,917

37 RELATED PARTY TRANSACTIONS

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

(a) Key management personnel compensation

The directors consider the key management personnel to be the members of the Board of Directors of the Company who have responsibilities for planning, directing and controlling the activities of the Group. Their compensations are disclosed in Note 38(a).

Notes to the Consolidated Financial Statements

38 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors and supervisors

Details of the emoluments paid or payable to the directors and supervisors for the years ended 31 December 2023 and 2022 are set out as follows:

	Fees	Wages and salaries	Discretionary bonuses	Share-based payment	Social security costs, housing benefits and employee welfare	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023						
Name of directors:						
Mr. Song Yang (i)	–	1,392	305	–	90	1,787
Mr. Li Shuangjiang (ii)	–	720	155	–	90	965
Mr. Lu Yukun (iii)	–	930	200	10,323	90	11,543
Mr. Li Chengsheng (iv)	–	–	–	–	–	–
Mr. Fan Ze (v)	–	–	–	–	–	–
Mr. Tao Zhixin (vi)	–	–	–	–	–	–
Mr. Yang Yuankui (vii)	–	–	–	–	–	–
Mr. Zhang Weigong (viii)	100	–	–	–	–	100
Mr. Yang Xiaojian (ix)	100	–	–	–	–	100
Mr. Liu Yong (x)	23	–	–	–	–	23
Mrs. Xue Rui (xi)	4	–	–	–	–	4
	227	3,042	660	10,323	270	14,522
Name of supervisor:						
Mr. Luo Hong (xii)	–	860	185	826	90	1,961
Mr. Wang Binjie (xiii)	–	740	166	3,411	90	4,407
Mr. Zhu Qinghua (xiv)	–	930	200	3,178	90	4,398
	–	2,530	551	7,415	270	10,766

Notes to the Consolidated Financial Statements

38 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors and supervisors (Continued)

	Fees *RMB'000*	Wages and salaries *RMB'000*	Discretionary bonuses *RMB'000*	Share-based payment *RMB'000*	Social security costs, housing benefits and employee welfare *RMB'000*	Total *RMB'000*
Year ended 31 December 2022						
Name of directors:						
Mr. Song Yang (i)	–	914	240	–	82	1,236
Mr. Li Shuangjiang (ii)	–	624	108	–	82	814
Mr. Lu Yukun (iii)	–	760	130	3,996	82	4,968
Mr. Li Chengsheng (iv)	–	–	–	–	–	–
Mr. Zeng Yingzhe (xv)	–	–	–	–	–	–
Mr. Zheng Kaizhong (xvi)	–	–	–	–	–	–
Mr. Fan Ze (v)	–	–	–	–	–	–
Mr. Tao Zhixin (vi)	–	–	–	–	–	–
Mr. Zhang Weigong (viii)	–	–	–	–	–	–
Mr. Yang Xiaojian (ix)	–	–	–	–	–	–
Mr. Liu Yong (x)	–	–	–	–	–	–
	–	2,298	478	3,996	246	7,018
Name of supervisor:						
Mr. Luo Hong (xii)	–	702	157	320	82	1,261
Mr. Wang Binjie (xiii)	–	60	103	762	7	932
Mr. Zhu Qinghua (xiv)	–	733	160	1,515	82	2,490
	–	1,495	420	2,597	171	4,683

Notes to the Consolidated Financial Statements

38 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors and supervisors (Continued)

(i) Mr. Song Yang was reappointed as the executive Director and Chairman on 17 November 2022.

(ii) Mr. Li Shuangjiang was reappointed as an executive Director on 17 November 2022.

(iii) Mr. Lu Yukun was reappointed as an executive Director on 17 November 2022.

(iv) Mr. Li Chengsheng was reappointed as a non-executive Director on 17 November 2022.

(v) Mr. Fan Ze was resigned from the Company's director on 23 March 2023.

(vi) Mr. Tao Zhixin was appointed as the non-executive Director on 17 November 2022.

(vii) Mr. Yang Yuankui was appointed as the director of the Company on 23 March 2023.

(viii) Mr. Zhang Weigong was appointed as an independent non-executive director of the Company on 17 November 2022.

(ix) Mr. Yang Xiaojian was appointed as an independent non-executive director of the Company on 17 November 2022 and resigned from the Company's independent non-executive director on 23 March 2023.

(x) Mr. Liu Yong was appointed as an independent non-executive director of the Company on 17 November 2022.

(xi) Ms. Xue Rui was appointed as an independent non-executive director of the Company on 20 December 2023.

(xii) Mr. Luo Hong was appointed as the supervisor of the Company on 31 August 2018.

(xiii) Mr. Wang Binjie was appointed as a supervisor on 17 November 2022.

(xiv) Mr. Zhu Qinghua was appointed as the director of the Company on 24 June 2020 and resigned from the Company's director on 17 November 2022. Mr. Zhu Qinghua was designated as the supervisor of the Company on 17 November 2022.

(xv) Mr. Zeng Yingzhe was appointed as the director of the Company on 10 October 2017 and resigned from the Company's director on 22 February 2022.

(xvi) Mr. Zheng Kaizhong was appointed as the director on 22 February 2022 and resigned from the Company's director on 17 November 2022.

38 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors and supervisors' retirement benefits

None of the directors or supervisors received any retirement benefits during the years ended 31 December 2023 and 2022.

(c) Directors and supervisors' termination benefits

None of the directors or supervisors received any termination benefits during the years ended 31 December 2023 and 2022.

(d) Consideration provided to third parties for making available directors and supervisors' services

During the years ended 31 December 2023 and 2022, the Company did not pay consideration to any third parties for making available directors or supervisors' services.

(e) Information about loans, quasi-loans and other dealings in favor of directors, supervisors and bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favor of directors, supervisors or controlled bodies corporate by and connected entities with such directors or supervisors during the years ended 31 December 2023 and 2022.

(f) Directors and supervisors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements

39 CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognized as liabilities is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Property, plant and equipment	**151,363**	1,874

40 CONTINGENCIES

As at 31 December 2023, there were no significant contingency items for the Group.

41 DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2023 and 2022.

42 SUBSEQUENT EVENTS

On 15 January 2024, the Company incorporated a wholly-owned subsidiary, iMotion Automotive Technology (Jiaxing) Co., Ltd., in Jiaxing, Zhejiang Province, with a registered capital of RMB250 million.

Notes to the Consolidated Financial Statements

43 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**88,976**	24,154
Right-of-use assets	**33,488**	36,117
Intangible assets	**11,209**	3,999
Investments in subsidiaries	**68,684**	51,712
Other non-current assets	**20,705**	19,932
	223,062	135,914
Current assets		
Inventories	**152,530**	232,390
Other current assets	**78,487**	44,906
Trade and notes receivables	**266,354**	303,087
Financial assets at fair value through profit or loss	**228,277**	182,408
Financial assets at fair value through other comprehensive income	**7,098**	–
Restricted cash	**306**	835
Cash and cash equivalents	**717,678**	356,904
	1,450,730	1,120,530
Total assets	**1,673,792**	1,256,444
EQUITY		
Paid-in capital	**–**	–
Share capital	**226,330**	10,211
Reserves	**1,117,772**	681,550
Accumulated losses	**(214,147)**	(12,493)
Total equity	**1,129,955**	679,268

43 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Balance sheet of the Company (Continued)

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
LIABILITIES		
Non-current liabilities		
Other payables and accruals	**2,155**	–
Borrowings	**24,159**	–
Lease liabilities	**339**	1,572
Contract liabilities	**1,450**	6,750
Provisions	**6,968**	3,281
Deferred income	**3,548**	883
	38,619	12,486
Current liabilities		
Trade and notes payables	**197,045**	434,104
Other payables and accruals	**115,016**	51,783
Contract liabilities	**10,348**	26,542
Borrowings	**176,552**	49,004
Lease liabilities	**1,233**	1,995
Derivative financial instruments	**293**	–
Provisions	**4,731**	1,262
	505,218	564,690
Total liabilities	**543,837**	577,176
Total equity and liabilities	**1,673,792**	1,256,444
Net current assets	**945,512**	555,840

The balance sheet of the Company was approved by the Board of Directors on 28 March 2024 and was signed on its behalf.

Director *Chief Financial Officer*

43 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium *RMB'000*	Reserves Capital reserves *RMB'000*	Other reserves *RMB'000*	Total *RMB'000*
As at 1 January 2023	**666,951**	**–**	**14,599**	**681,550**
Capitalization Issue (Note 25(a))	**(194,003)**	**–**	**–**	**(194,003)**
Issuance of ordinary shares upon global offering (Note 25(b))	**539,236**	**–**	**–**	**539,236**
Share-based payment (Note 27)	**–**	**–**	**90,989**	**90,989**
As at 31 December 2023	**1,012,184**	**–**	**105,588**	**1,117,772**
As at 1 January 2022	–	461,750	31,041	492,791
Capital contributions from series C-2 investor	–	98,142	–	98,142
Capital contributions from series C-3 investor	–	246,734	–	246,734
Derecognition of financial instruments with preferred rights at amortized cost (Note 29)	–	711,635	–	711,635
Conversion into a joint stock Company (Note 25(c))	666,951	(1,518,261)	(60,468)	(911,778)
Share-based payment (Note 27)	–	–	44,026	44,026
As at 31 December 2022	666,951	–	14,599	681,550

Notes to the Consolidated Financial Statements

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

44.1 Principles of consolidation and equity accounting

Subsidiaries

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

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

44.2 Business combinations

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

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

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

Notes to the Consolidated Financial Statements

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

44.2 Business combinations (Continued)

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

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

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

44.3 Separate financial statements

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

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

Notes to the Consolidated Financial Statements

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

44.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

44.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and the subsidiaries in PRC is RMB. The functional currency of the subsidiary in Germany is Euro. The consolidated financial statements are presented in RMB which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other gains/(losses).

44.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

44.7 Cash and cash equivalents

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

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

44.8 Share capital/paid-in capital

Ordinary shares are classified as equity.

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

44.9 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

44.10 Borrowings

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

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

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

44.11 Borrowing costs

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

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

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

Notes to the Consolidated Financial Statements

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

44.12 Employee benefits

(a) Short-term obligations

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

(b) Pension obligations

In accordance with the rules and regulations in the PRC, the employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

(c) Housing funds, medical insurances and other social insurances

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

(d) Bonus plan

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

Notes to the Consolidated Financial Statements

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

44.12 Employee benefits (Continued)

(e) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

44.13 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Where the grants related to an expense item, it is recognised as income on a systematic basis over the period that the costs, which it is intended to compensate, are expensed. Where the grants related to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset on straight-line basis.

44.14 Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing:

the loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, and

by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury stock.

(b) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Financial Summary

Financial Summary

A Summary of our results and assets and liabilities of our Group for the last four financial years, as extracted from the audited financial statements of our Group is set out below:

	Year ended 31 December			
	2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*	**2023** ***RMB'000***
Revenue	47,655	178,258	1,325,882	**1,216,287**
Cost of sales	(38,059)	(141,475)	(1,215,309)	**(1,095,334)**
Gross profit	9,596	36,783	110,573	**120,953**
Selling expenses	(3,046)	(9,403)	(27,681)	**(32,277)**
Administrative expenses	(8,591)	(29,715)	(41,517)	**(83,918)**
Research and development expenses	(44,141)	(54,948)	(104,047)	**(216,624)**
(Net impairment)/reversal of impairment losses on financial assets	(90)	(1,453)	(3,717)	**1,601**
Other income	3,716	3,421	4,710	**7,676**
Other (losses)/gains – net	(387)	4,929	(628)	**5,718**
Operating loss	(42,943)	(50,386)	(62,307)	**(196,871)**
Finance income	9	94	100	**3,109**
Finance costs	(10,893)	(413,907)	(280,169)	**(1,346)**
Finance (costs)/income – net	(10,884)	(413,813)	(280,069)	**1,763**
Loss before income tax	(53,827)	(464,199)	(342,376)	**(195,108)**
Income tax expense	–	–	–	**–**
Loss for the year	(53,827)	(464,199)	(342,376)	**(195,108)**
Loss and total comprehensive loss for the year attributable to the equity holders of the Company	(53,824)	(464,205)	(342,376)	**(195,100)**

Financial Summary

Financial Summary (Continued)

	As at 31 December			
	2020	2021	2022	**2023**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Total current assets	73,580	446,235	1,155,498	**1,508,366**
Total non-current assets	33,639	70,269	95,903	**164,186**
Total assets	107,219	516,504	1,251,401	**1,672,552**
Total current liabilities	56,095	156,618	572,448	**509,934**
Total non-current liabilities	167,481	918,220	12,486	**38,910**
Total liabilities	223,576	1,074,838	584,934	**548,844**
Total (deficits)/equity	(116,357)	(558,334)	666,467	**1,123,708**
Total (deficits)/equity and liabilities	107,219	516,504	1,251,401	**1,672,552**