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Black Sesame International Holding Limited

黑芝麻智能國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2533)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended June 30, 2024, together with comparative figures for the six months ended June 30, 2023. These interim results have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and have been reviewed by PricewaterhouseCoopers, the Company’s auditor. These interim results have also been reviewed and confirmed by the Board and the Audit Committee.

KEY HIGHLIGHTS

Financial Summary

	Six months ended June 30,		Six months ended June 30,		Period-over-period change
	2024	2023	2024	2023	
	Amount	% of revenue	Amount	% of revenue	%
	<i>(RMB in thousands, except for percentages)</i>				
Revenue	180,139	100.0	106,487	100.0	69.2
Gross profit	90,075	50.0	19,358	18.2	365.3
Profit/(loss) for the period	1,104,767	613.3	(3,729,144)	(3,502.0)	(129.6)
Non-IFRS Measures:					
Adjusted net loss	(602,301)	(334.4)	(567,583)	(533.0)	6.1

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

We are a leading automotive-grade intelligent vehicle computing SoC and SoC-based intelligent vehicle solution provider. Our proprietary automotive-grade products and technologies equip intelligent vehicles with mission-critical capabilities, including autonomous driving, smart cockpit, advanced imaging and interconnection. We provide full-stack autonomous driving capabilities to meet broad customer needs through our self-developed IP cores, algorithms and software-driven SoC and SoC-based solutions.

In the first half of 2024, we achieved significant advancement in our autonomous driving and intelligent vehicle solutions, with an increase in the number of mass-produced vehicle models, the application of navigate on autopilot (“NoA”) in selected vehicle models and cities, and the continuous optimization of our chips, algorithms, software and toolchains. Our revenue increased by 69.2% in the first half of 2024 compared to the same period in the previous year. We made notable progress in securing orders, continuously accelerating commercialization, and enhancing our core competencies in autonomous driving chips.

Commercialization

Expanding the Commercialized Product Lines and Accelerating the Fulfillment of NoA Functions

Our Huashan Series high-computing power chip A1000 has realized mass production and been installed on vehicles, which can support L2 to L3 autonomous driving functions, including memory parking, valet parking and NoA functions on highways and city expressways. Currently, we have provided NoA functions covering 13 provinces and municipalities in China such as Sichuan, Shanxi and Shandong. As of June 30, 2024, the Huashan A1000 chip was successfully applied to and installed on mass-produced Geely’s Lynk & Co 08 and other Lynk & Co series vehicle models as well as Dongfeng’s eπ007, Dongfeng’s eπ008 and other Dongfeng’s eπ vehicle models. We earned design wins for mass production of SoCs for 23 vehicle models with 16 automotive OEMs and Tier 1 suppliers. With the implementation of solutions and the maturity of algorithms, we also started to commercialize our autonomous driving algorithms, further driving our revenue growth and profit margin improvement.

We have launched the Wudang C1200 series chips, achieving the multi-domain integration such as intelligent driving and cockpit, and meeting the multi-scenario demands. We expect to collaborate with Tier 1 suppliers such as NESINEXT and Banma to launch integrated cockpit-driving solutions based on the C1200 series chips. The cross-domain integrated solution supports intelligent driving, cockpit, control and data exchange functions through a single SoC chip, thereby achieving cost reduction and efficiency improvement in demands for mainstream scenarios. Such solution can reduce system costs, while the fulfillment of cross-domain functions within a single chip can reduce the communication time-delay as well as the difficulty of multifunctional interaction, and bring better user experience to end consumers.

In the intelligent imaging solution field, we continuously strengthen the cooperation with existing customers, and actively expand new industry-leading, high-quality customers. Meanwhile, we actively layout cutting-edge technologies and apply them to various scenarios, so as to expand our business volume and maintain reasonable profit margins.

Realizing the Deep Application of Our Products in Fields Such as Vehicle-Road-Cloud Integration

In recent years, with the release of a series of policy documents such as the “Outline for Building a Strong Transportation Country” (《交通強國建設綱要》), the “Five-Year Plan of Action for Accelerating the Construction of a Strong Transportation Country (2023–2027)” (《加快建設交通強國五年行動計劃(2023–2027年)》) and the “New Energy Vehicle Industry Development Plan” (《新能源汽車產業發展規劃》), the application scenarios of autonomous driving technologies have been significantly expanded in various types of roads and sites. Vehicle-road-cloud integration, as an emerging intelligent driving technology application scenario, enables real-time information exchange among vehicles, roads, and transportation facilities via the deep integration of software and hardware, effectively reducing transportation costs and enhancing safety. Relying on the chip and algorithm advantages accumulated in the process of the installation of A1000 series products on mass-produced passenger vehicles and commercial vehicles, we have conducted precise perception and refined management based on the trajectory analysis of all participants in road traffic including pedestrians and vehicles. We have currently carried out multiple vehicle-road-cloud integration projects in Hubei, Shenzhen, Luoyang and other regions, further expanding our market in the field of intelligent transportation.

Making Continuous Efforts in the Field of Commercial Vehicles

We are expanding our product lines as we explore more diverse application scenarios for our solutions based on A1000 series chips on commercial vehicles. Under the requirements of national and industry standards such as the “Safety Specifications for Motor Vehicle Operation” (GB7258-2017) (《機動車運行安全技術條件》) and the “Safety Specifications for Commercial Bus” (《營運客車安全技術條件》), commercial vehicles shall be equipped with autonomous driving related functions such as pre-warning systems to improve driving safety. As a result, the demand for autonomous driving related systems in the commercial vehicle market has been increasing. In the first half of 2024, we upgraded Patronus 1.0, our self-developed add-on adaptive safety system, to Patronus 2.0. The new version enhanced security features while maintaining and improving the pre-warning and supervision functions. Patronus 2.0 incorporates visual and radar fusion perception, providing both detailed visual information perception and accurate spatial data. The solution adopts our self-developed high-computing power AI models to complete data closed-loop, greatly improving the reliability and efficiency of the models. Our Patronus 2.0 is being recognized among commercial vehicle customers with growing revenue contribution. Our rich product lines for commercial vehicles has helped us attract more customers and will increase the per-vehicle value and further improve our profitability.

Research and Development

We have continued to increase our research and development investment, with research and development expenses in the first half of 2024 accounting for 67% of the total operating expenses for the same period, and the proportion of research and development team members reaching 85%. We are committed to researching and developing more advanced SoC products and expanding our product lines to meet the needs of L3 and above autonomous driving functions. For example, we are in the process of developing the Huashan A2000 SoC with a designed computing power of 250+ TOPS, one of the highest in the world among automotive-grade SoCs, according to Frost & Sullivan.

As of June 30, 2024, we completed full function and performance testing for our C1200 series chips, which fully met design specifications. We also largely finished building the related software and hardware support systems and ecosystems, including hardware reference design, evaluation board, operating system, middleware, and related functional software installation and porting adaptation, being expected to be ready for mass-production soon. Meanwhile, we are developing our next-generation high-computing power autonomous driving chip, the A2000. Our visual perception algorithm for convolutional neural networks is being applied to mass-produced vehicles, enabling NoA functions on highways and city expressways. Our BEV + Transformer visual perception algorithm that we are developing successfully runs on both A1000 and C1200 series chips, achieving expected performance and effects, which lays the foundation for future memory driving and urban NoA functions.

As of June 30, 2024, we owned 58 issued patents in China, 72 issued patents in the United States, 121 patent applications in China and 45 patent applications in the United States, respectively. As of the same date, we had two integrated circuit layout designs and 96 software copyrights registered in China, two software copyrights registered in the United States and 176 registered trademarks globally.

Financial Performance

For the six months ended June 30, 2024, our revenue reached RMB180.1 million, with a gross profit margin of 50.0%. The increase in our revenue and gross profit was primarily due to the promotion and validation of our chip-based autonomous driving solutions with the installation of A1000 series chips on mass-produced Lynk & Co 08 and Dongfeng series vehicle models. We provided more diversified, intelligent and competitive product options for more OEMs and Tier 1 suppliers. Our efforts in segments such as vehicle-road-cloud integration also contributed to the growth of our revenue and gross profit.

Environmental, Social and Governance

Environment. As an autonomous driving chip design company, we outsource the production of our products. For manufacturing, we require our major suppliers to ensure raw materials and components supplied meet certain safety, health and quality requirements as well as environmental standards. In terms of our operations, we use cloud-based services in all offices to reduce paper consumption. We work to keep our carbon consumption low through various methods including active promotion and regular inspection.

Social responsibility. We believe our employees are our most valuable asset. We are dedicated to fostering a positive work environment and providing growth opportunities for our employees. We have implemented a comprehensive human resources management system, offering fair remuneration and benefits, career development trainings and development opportunities. We also prioritize our employees' health and safety by offering commercial insurance coverage.

Corporate governance. We have set up a robust governance structure and internal control system to ensure our operations are transparent and compliant. We have implemented strict internal control systems and processes, along with effective oversight mechanisms. These measures help us make scientific and rational decisions. Besides, we have established and improved our processes. We will disclose important information of the Company to our shareholders and the public in a timely manner, and enhance the transparency of our corporate governance.

BUSINESS OUTLOOK

Going forward, we will continuously focus on the field of autonomous driving and intelligent vehicle solutions, and are committed to the development of the following areas:

Accelerating the Commercialization and Continuously Expanding the Offerings of Product Lines and Solutions

We will be committed to accelerating the commercialization process of existing products and solutions as well as products and solution candidates while meeting the ever-changing market demands.

With the further popularization of L2 to L3 autonomous driving, the mass production of vehicle models based on the Huashan A1000 series products is also accelerating. We are also actively expanding our partnerships with leading domestic and international OEMs and Tier 1 suppliers, and we anticipate gradually commencing chip deliveries to leading NEV companies in the second half of this year. Meanwhile, with the strong demand from local supply chains, new vehicle models adopting the A1000 SoCs will continue to be mass produced in the second half of 2024, accelerating the shipment of our Huashan SoCs.

The commercialization of our Wudang Series C1200 product series is also accelerating, and we have conducted system optimization work based on specific customer needs, so as to ensure the excellent performance of chips in practical application scenarios, leveraging our advantages in image processing and artificial intelligence to provide more competitive products for the market. With the rapid popularization of cockpit-driving integration, the marketization of C1200 product series will usher in an explosion.

We will continuously increase our research and development efforts, committed to creating more advanced SoC products. We plan to launch the next-generation chips such as Huashan Series A2000 to support the fulfillment of L3 and above autonomous driving functions. Expected to be launched in the fourth quarter of 2024, A2000 is based on the third-generation NPU DynamAI NN and features a brand-new large core architecture for Transformer which natively supports the application of large models, and the computing power of such chip will effectively support the next-generation autonomous driving.

Our commitment to developing autonomous driving algorithms has led to the successful implementation of our algorithm products in mass-produced vehicle models, including those from Geely and Dongfeng, and the promotion and application to some Tier 1 suppliers. On this basis, the new-generation BEV algorithms based on Transformer structure have been successfully deployed on Wudang and Huashan series chips. Meanwhile, we have started developing end-to-end autonomous driving algorithms and made good progress, and such algorithms will be deployed on Wudang series products and the next-generation Huashan series products.

In terms of intelligent imaging algorithms, we are also actively exploring the application of AIGC and large models in imaging algorithms, and have proposed a specific product and technology roadmap that can be implemented on the terminal side.

We have launched more customized autonomous driving solutions by leveraging our existing SoC product lines. By utilizing our expertise in software and hardware integration accumulated in the process of mass production and autonomous driving of vehicles, we seek to address various application scenarios, including passenger vehicles, commercial vehicles, and robotaxis. Our focus is on developing a vehicle-road-cloud integration solution to enhance the safety, efficiency, and reliability of autonomous driving. Furthermore, we plan to continue refining our Patronus add-on adaptive safety system for commercial vehicles, aiming to provide users with more comprehensive driving assistance and security assurance measures. Additionally, we will explore other intelligent vehicle functions, such as vehicle-to-everything and smart cockpit, with the goal of enhancing users' driving experience in terms of convenience, comfort, and safety.

With the deepening and maturing of the applications of our chips and algorithms in the automotive autonomous driving field and the continuous enhancement of the computing power for chip products, we will not only explore more automotive application scenarios, but also actively expand into emerging fields such as humanoid robots.

In conclusion, our business will achieve a significant growth this year through making progress in aspects such as further commercialization of products and solutions, breakthroughs in new application scenarios, and the expansion of customer base. Meanwhile, we will continuously maintain our industry-leading position in terms of R&D capabilities.

Ecological System Construction

We are committed to building an open ecosystem, attracting more partners and customers, and jointly promoting the vigorous development of the intelligent vehicle industry. We will strengthen our close cooperation with Tier 1 suppliers, OEMs, and software and hardware suppliers to jointly research and develop more comprehensive intelligent vehicle solutions and improve technology and service levels.

We will continuously promote the application of autonomous driving solutions with more OEMs and vehicle models, and the A1000 series chips have gradually gained the recognition from leading OEMs in the field of autonomous driving, and will also further increase our shares in the supply chain of leading domestic electric vehicle enterprises to drive business growth in the future. As an independent chip supplier, we collaborate with Tier 1 suppliers, software service providers and other parties to leverage the strong computing power, competitiveness and other advantages of chips to support autonomous driving algorithms in various scenarios, creating a more safe, reliable and user-friendly intelligent vehicle experience.

Internationalization Strategies

We have actively expanded our internationalization strategies, and plan to expand our global influence. We will actively explore overseas markets such as the United States and Europe, establish collaborations with local automakers and Tier 1 suppliers, and promote our products and solutions. Our growing cooperation with domestic and foreign automakers will help integrate SoC products and application solutions into more vehicle models, further expand our market shares, and lead the global development of the intelligent vehicle industry.

FINANCIAL REVIEW

Revenue

Our revenue increased by 69.2% from RMB106.5 million for the six months ended June 30, 2023 to RMB180.1 million for the six months ended June 30, 2024, primarily attributable to the increase in the sales of autonomous driving products and solutions.

Autonomous Driving Products and Solutions

Our revenue from autonomous driving products and solutions increased by 85.5% from RMB90.2 million for the six months ended June 30, 2023 to RMB167.3 million for the six months ended June 30, 2024, primarily because we diversified our offering portfolio and mass-produced solutions and engaged more customers with large operating scale.

Intelligent Imaging Solutions

Our revenue from intelligent imaging solutions decreased by 21.1% from RMB16.3 million for the six months ended June 30, 2023 to RMB12.9 million for the six months ended June 30, 2024, primarily attributable to changes in customer procurement scheduling.

Cost of Sales

Our cost of sales increased by 3.4% from RMB87.1 million for the six months ended June 30, 2023 to RMB90.1 million for the six months ended June 30, 2024, primarily due to the increase in the cost of sales for autonomous driving products and solutions.

Autonomous Driving Products and Solutions

The cost of sales for autonomous driving products and solutions increased by 12.5% from RMB78.6 million for the six months ended June 30, 2023 to RMB88.3 million for the six months ended June 30, 2024, primarily representing the slight increase in the costs relating to hardware components.

Intelligent Imaging Solutions

The cost of sales for intelligent imaging solutions decreased by 80% from RMB8.6 million for the six months ended June 30, 2023 to RMB1.7 million for the six months ended June 30, 2024, primarily because we generated an increased percentage of revenue from the licensing of self-developed software and algorithms, which do not require hardware components.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit increased by 365.3% from RMB19.4 million for the six months ended June 30, 2023 to RMB90.1 million for the six months ended June 30, 2024. Our gross profit margin for autonomous driving products and solutions increased from 12.9% for the six months ended June 30, 2023 to 47.2% for the six months ended June 30, 2024, as our autonomous driving algorithms integrated in SoC-based solutions, having been refined and verified for mass production during the commercialization process, enabled our customers to choose solutions with fewer hardware components based on their needs. Our gross profit margin for intelligent imaging solutions business increased from 47.5% for the six months ended June 30, 2023 to 86.6% for the six months ended June 30, 2024, primarily attributable to an increased percentage of revenue from the licensing of self-developed software and algorithms, which do not require hardware components and entail higher gross profit margin. As a result of the foregoing, our overall gross profit margin increased from 18.2% for the six months ended June 30, 2023 to 50.0% for the six months ended June 30, 2024.

Research and Development Expenses

Our research and development expenses increased by 21.8% from RMB564.4 million for the six months ended June 30, 2023 to RMB687.3 million for the six months ended June 30, 2024, primarily because the Company simultaneously promoted the commercial adaptation of C1200 and the ongoing research and development on A2000 chips with higher performance.

Selling Expenses

Our selling expenses decreased by 4.6% from RMB53.6 million for the six months ended June 30, 2023 to RMB51.2 million for the six months ended June 30, 2024, primarily because we strategically focused our sales efforts on major customers, improving the overall sales efficiency.

General and Administrative Expenses

Our general and administrative expenses increased by 38.8% from RMB131.5 million for the six months ended June 30, 2023 to RMB182.5 million for the six months ended June 30, 2024, primarily due to an increase in the share-based compensation expenses resulting from the issuance of options to administrative management staff.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets amounted to RMB5.9 million and RMB14.0 million for the six months ended June 30, 2023 and 2024, respectively.

Other Income

Our other income decreased from RMB13.9 million for the six months ended June 30, 2023 to RMB8.2 million for the six months ended June 30, 2024, primarily due to a decrease in government grants.

Other Losses – Net

Our other losses decreased from RMB12.4 million for the six months ended June 30, 2023 to RMB3.3 million for the six months ended June 30, 2024, primarily attributable to a decrease in the foreign exchange losses due to fluctuations in exchange rate.

Finance Income – Net

Our finance income increased by 146.9% from RMB6.3 million for the six months ended June 30, 2023 to RMB15.7 million for the six months ended June 30, 2024, primarily due to increased interest income on bank deposits.

Fair Value Change in Financial Instruments Issued to Investors

We recorded fair value loss in financial instruments issued to investors of RMB2,999.7 million for the six months ended June 30, 2023 and fair value gain of RMB1,931.8 million for the six months ended June 30, 2024, primarily due to a change in fair value of the equity interests with preferred rights held by our investors.

Profit for the Period

As a result of the foregoing, we recorded a profit of RMB1,104.8 million for the six months ended June 30, 2024, compared to a loss of RMB3,729.1 million for the six months ended June 30, 2023.

Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items.

We believe adjusted net loss (non-IFRS measure) provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

The following tables reconcile our adjusted net (loss)/profit for the periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, which are net (loss)/profit for the period:

	Six Months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Reconciliation of net profit/(loss) to adjusted net loss		
(non-IFRS measure):		
Profit/(loss) for the period	1,104,767	(3,729,144)
Add:		
Fair value change in financial instruments issued to investors	(1,931,792)	2,999,708
Share-based compensation expenses	224,724	161,853
	<u>(602,301)</u>	<u>(567,583)</u>
Adjusted net loss for the period (non-IFRS measure)	(602,301)	(567,583)

LIQUIDITY AND FINANCIAL RESOURCES

We have historically funded our cash requirements principally from capital contribution from Shareholders and financing through pre-IPO investments. We had cash and cash equivalents and current financial assets at fair value through profit or loss of RMB920.0 million as of June 30, 2024, compared to the balance of RMB1,306.6 million as of December 31, 2023.

The following table sets forth a summary of our cash flows for the periods indicated:

	Six months ended June 30,	
	2024	2023
	<i>(RMB in thousands)</i>	
	(Unaudited)	
Net cash used in operating activities	(559,149)	(586,646)
Net cash (used in)/generated from investing activities	(30,250)	393,399
Net cash generated from financing activities	205,175	819,171
Net (decrease)/increase in cash and cash equivalents	(384,224)	625,924
Cash and cash equivalents at beginning of period	1,298,412	982,229
Effects of exchange rate changes on cash and cash equivalents	5,769	33,662
	<u>919,957</u>	<u>1,641,815</u>
Cash and cash equivalents at end of period	919,957	1,641,815

Indebtedness

Our indebtedness mainly includes borrowings, financial instruments issued to investors and lease liabilities. The following table sets forth a breakdown of our borrowings, financial instruments issued to investors and lease liabilities as of the dates indicated:

	As of June 30, 2024 <i>(RMB in thousands)</i> (unaudited)	As of December 31, 2023 <i>(audited)</i>
Borrowings	232,040	–
Financial instruments issued to investors	10,726,924	12,589,493
Lease liabilities	51,605	52,448
Amounts due to a related party	3,000	3,000
Total	<u>11,013,569</u>	<u>12,644,941</u>

We maintain a prudent approach in our treasury management with interest rate exposure maintained principally on a floating rate basis. We did not use any interest rate swap contracts or other financial instruments to hedge against our interest rate risk. We will continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arises.

Exposure to Exchange Rate Fluctuation

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group's businesses are principally conducted in RMB. The majority of non-RMB assets and liabilities are cash and cash equivalents denominated in USD.

We are primarily exposed to changes in RMB/USD exchange rates in our domestic subsidiaries whose functional currency is RMB. We currently do not engage in hedging activities designed or intended to manage foreign exchange rate risk. However, we will continue to monitor changes in currency exchange rates and will take necessary measures to mitigate exchange rate impact.

Employees, Training and Remuneration Policies

As of June 30, 2024, the Group had 1,001 employees. The number of employees employed by the Group varies from time to time depending on needs.

Our success depends on our ability to attract, retain and motivate qualified personnel. The remuneration package for our employees generally includes salary and bonuses. We have a unified salary management system and employee internal transfer management methods to ensure the fairness of salary and promotion, and the salary and promotion decisions stipulated in the system are based on the employee's position and performance. In addition to salary, employees also receive welfare benefits, including medical insurance, retirement benefits, occupational injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits.

Use of Proceeds

With the shares of the Company listed on the Stock Exchange on August 8, 2024, the net proceeds from the Global Offering were approximately HK\$950.8 million after deducting underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering, which will be utilized for the purposes as set out in the Prospectus. Since the Company had not been listed on the Stock Exchange as of June 30, 2024, the net proceeds from the Global Offering had not been utilized by the Company during the Reporting Period. As of the date of this announcement, there was no change in the intended use of net proceeds as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, we will only deposit the unused net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions). For details of the breakdown of the use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Gearing Ratio

Our gearing ratio, being borrowings divided by total equity and multiplied by 100%, was nil and 2.4% as of December 31, 2023 and June 30, 2024, respectively.

Contingent Liabilities

As of June 30, 2024, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that was likely to have a material and adverse effect on our business, financial condition or results of operations.

Significant Investments Held

As of June 30, 2024, we did not hold any significant investments in the equity interest of other companies.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Pledge of Assets

As of June 30, 2024, we did not pledge any of our assets.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus, as of June 30, 2024, we have no specific future plan for material investments and acquisition of capital assets. The Group will continue to identify new investment opportunities in companies with principal businesses related to the Group's core business with a view to create synergies with the Group's existing core business and improve the Group's service and products to its customers.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/
(LOSS)**

		Six months ended June 30,	
	<i>Note</i>	2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	180,139	106,487
Cost of sales	4	(90,064)	(87,129)
Gross profit		90,075	19,358
Selling expenses	4	(51,152)	(53,600)
General and administrative expenses	4	(182,529)	(131,501)
Research and development expenses	4	(687,330)	(564,384)
Net impairment losses on financial assets		(13,979)	(5,888)
Other income		8,162	13,885
Other losses – net		(3,347)	(12,437)
Operating loss		(840,100)	(734,567)
Finance income		19,018	7,831
Finance costs		(3,350)	(1,484)
Finance income, net		15,668	6,347
Share of net loss of associates accounted for using the equity method		(2,593)	(1,216)
Fair value change in financial instruments issued to investors	9	1,931,792	(2,999,708)
Profit/(loss) before income tax		1,104,767	(3,729,144)
Income tax expense	5	–	–
Profit/(loss) for the period attributable to the equity holders of the Company		1,104,767	(3,729,144)

		Six months ended June 30,	
	<i>Note</i>	2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to profit or loss</i>			
Fair value changes of redeemable convertible preferred shares (“Preferred Shares”) due to own credit risk	9	2,821	(4,475)
Change in foreign currency translation of the financial statements of the Company		(35,110)	(368,229)
<i>Items that may be subsequently reclassified to profit or loss</i>			
Change in foreign currency translation of the financial statements of the subsidiaries of the Company		(28,796)	(46,007)
Other comprehensive income/(loss)		(61,085)	(418,711)
Total comprehensive income/(loss) for the period attributable to the equity holders of the Company		1,043,682	(4,147,855)
Earnings/(loss) per share for income/(loss) attributable to the equity holders of the Company (in RMB)			
Basic	6	15.1	(52.5)
Diluted	6	(1.7)	(52.5)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		96,964	98,589
Right-of-use assets		49,227	50,848
Intangible assets		57,242	74,795
Investments accounted for using the equity method		14,583	17,176
Prepayments and other receivables		15,650	17,474
Financial assets at fair value through profit or loss ("FVPL")		20,921	20,792
Total non-current assets		254,587	279,674
Current assets			
Inventories		94,121	71,423
Trade and notes receivables	7	243,057	164,937
Prepayments and other receivables		134,730	97,697
Financial assets at FVPL		33	8,197
Cash and cash equivalents		919,957	1,298,412
Total current assets		1,391,898	1,640,666
Total assets		1,646,485	1,920,340
LIABILITIES			
Non-current liabilities			
Borrowings		121,267	–
Lease liabilities		32,075	33,927
Other payables and accruals		13,285	56,925
Total non-current liabilities		166,627	90,852

	<i>Note</i>	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
Current liabilities			
Trade payables	8	94,848	68,085
Contract liabilities		9,594	7,479
Borrowings		110,773	–
Lease liabilities		19,530	18,521
Other payables and accruals		325,895	239,526
Financial instruments issued to investors	9	10,726,924	12,589,493
Total current liabilities		11,287,564	12,923,104
Total liabilities		11,454,191	13,013,956
DEFICIT IN EQUITY			
Deficit in equity attributable to owners of the Company			
Share capital		79	46
Other equity		(17)	–
Reserves		534,707	353,580
Accumulated losses		(10,342,475)	(11,447,242)
Total deficit in equity		(9,807,706)	(11,093,616)
Total deficit in equity and liabilities		1,646,485	1,920,340

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN DEFICIT IN EQUITY

<i>Note</i>	Attributable to owners of the Company				Total RMB'000
	Share capital RMB'000	Other equity RMB'000	Reserves RMB'000	Accumulated losses RMB'000	
(Unaudited)					
As at January 1, 2024	46	–	353,580	(11,447,242)	(11,093,616)
Comprehensive income					
Profit for the period	–	–	–	1,104,767	1,104,767
Foreign currency translation	–	–	(63,906)	–	(63,906)
Fair value change on redeemable convertible preferred shares due to own credit risk	–	–	2,821	–	2,821
Total comprehensive income for the period	–	–	(61,085)	1,104,767	1,043,682
Transactions with owners in their capacity as owners					
Share-based compensation expenses	–	–	224,724	–	224,724
Issuance of ordinary shares to employee share scheme trusts	17	(17)	–	–	–
Exercise of share options	16	–	17,488	–	17,504
Total transactions with owners in their capacity as owners for the period	33	(17)	242,212	–	242,228
As at June 30, 2024	79	(17)	534,707	(10,342,475)	(9,807,706)

	<i>Note</i>	Attributable to equity holders of the Company			Total <i>RMB'000</i>
		Share capital <i>RMB'000</i>	Reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	
(Unaudited)					
As at January 1, 2023		46	85,900	(6,592,124)	(6,506,178)
Comprehensive loss					
Loss for the period		–	–	(3,729,144)	(3,729,144)
Foreign currency translation		–	(414,236)	–	(414,236)
Fair value change on redeemable convertible preferred shares due to own credit risk		–	(4,475)	–	(4,475)
Total comprehensive loss for the period		–	(418,711)	(3,729,144)	(4,147,855)
Transactions with owners in their capacity as owners					
Share-based compensation		–	161,853	–	161,853
Total transactions with owners in their capacity as owners for the period		–	161,853	–	161,853
As at June 30, 2023		46	(170,958)	(10,321,268)	(10,492,180)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended June 30,	
	2024	2023
	<i>Note</i> RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash used in operations	(577,900)	(594,223)
Interest received from cash at banks	18,751	7,577
	<u>(559,149)</u>	<u>(586,646)</u>
Cash flows from investing activities		
Payments of property, plant and equipment	(23,435)	(51,023)
Payments for intangible assets	(15,138)	(34,473)
Payments for financial assets at FVPL	–	(20,000)
Proceeds from maturity of financial assets at FVPL	8,323	498,895
	<u>(30,250)</u>	<u>393,399</u>
Cash flows from financing activities		
Proceeds from issuance of financial instruments to investors	–	853,713
Repayment of convertible notes	–	(13,634)
Repurchase of warrant	–	(4,358)
Proceeds from borrowings	234,677	–
Repayment of borrowings	–	(6,891)
Interests paid for borrowings	(659)	(264)
Payment for financing transaction costs	(23,600)	–
Principal payments of lease liabilities	(10,161)	(9,078)
Interest paid for lease liabilities	(1,509)	(745)
Payments for listing expenses	(758)	(753)
Proceeds from exercise of stock options	7,185	1,181
	<u>205,175</u>	<u>819,171</u>
Net cash generated from financing activities		
Net (decrease)/increase in cash and cash equivalents		
	(384,224)	625,924
Cash and cash equivalents at beginning of period	1,298,412	982,229
Exchange gains on cash and cash equivalents	5,769	33,662
	<u>919,957</u>	<u>1,641,815</u>
Cash and cash equivalents at end of period		

NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Black Sesame International Holding Limited (the “**Company**”) was incorporated in the Cayman Islands on July 15, 2016 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P. O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “**Group**”), primarily provide autonomous driving system on chip (“**SoC**”) and SoC-based solutions and focus on developing automotive-grade autonomous driving SoCs.

The Company completed the initial public offering (“**IPO**”) and had its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) on August 8, 2024.

This condensed consolidated interim financial information is presented in Renminbi (“**RMB**”), rounded to the nearest thousand, unless otherwise stated.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

This condensed consolidated interim financial information for the six months ended June 30, 2024 has been prepared in accordance with International Accounting Standard 34 “*Interim Financial Reporting*”.

This condensed consolidated interim financial information does not include all the notes normally included in an annual financial report. Accordingly, this condensed consolidated interim financial information should be read in conjunction with the historical financial information of the Group for the three years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2024 included in Appendix I of the Company’s prospectus dated July 31, 2024 (the “**Historical Financial Information**”) which have been prepared in accordance with IFRS Accounting Standards (“**IFRSs**”), and any public announcements made by Black Sesame International Holding Limited during the interim reporting period.

The Group is in the development phase and has been incurring losses from operations since incorporation. The Group incurred operating losses of RMB840,100 thousand for the six months ended June 30, 2024 (for the six months ended June 30, 2023: operating losses of RMB734,567 thousand). Also, the Group’s net cash used in operating activities was RMB559,149 thousand for the six months ended June 30, 2024 (for the six months ended June 30, 2023: net cash used in operating activities of RMB586,646 thousand), attributable primarily to significant research and development (“**R&D**”) expenditures. As at June 30, 2024, the Group has cash and cash equivalents of RMB919,957 thousand, net current liabilities of RMB9,895,666 thousand and net liabilities of RMB9,807,706 thousand, attributable primarily to the Preferred Shares with a carrying amount of RMB10,726,924 thousand. These adverse events and conditions may cast significant doubt about the Company’s capability to continue as a going concern for at least twelve months from the end of the reporting period as of June 30, 2024. The directors of the Company have carefully considered the future liquidity, the operation performance and the available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern for at least twelve months from June 30, 2024, taking into consideration the following plans and measures:

- (i) The Company completed the IPO with gross proceeds of HKD1.036 billion on August 8, 2024 and the Preferred Shares were automatically converted to ordinary shares of the Company upon the successful listing of the shares of the Company.

- (ii) In May 2024, the Group entered into a two-year syndicated loan agreement to provide loans to two subsidiaries with principal amounting to RMB500 million. Out of the total amount, RMB300 million and RMB200 million will be due for repayment by installments in November 2025 and May 2026 respectively. Also, the bank has the right to request the Group to make early repayment of the loans in full if the Company fails to consummate equity financing with the gross proceeds no less than a pre-determined amount by December 31, 2024. Management has evaluated the impacts of such syndicated loans and the potential early repayment on the Group's future liquidity.
- (iii) The Group will continuously make effort to capture market opportunities for revenue growth through (a) fulfilment of letter of intent on hand, (b) enhancement in reliability of its autonomous driving and cross-domain technologies, (c) successful launch and mass production of Huashan and Wudang series SoCs, and (d) achievement of additional design wins with existing or new customers.
- (iv) The Group will also take active measures to control its operating expenditures, monitor its cash position from time to time and may adjust uncommitted expenditure where necessary, including (a) prudently undertaking new major R&D projects in the future, with its resources focused on products and technologies that can quickly achieve commercialization and (b) streamlining its operations to maintain a reasonable size of management, operations and R&D teams.

The directors of the Company have reviewed the Group's cash flow projection prepared by management, which cover a period of not less than twelve months from June 30, 2024. In the opinion of the directors of the Company, taking into account the anticipated cash flows to be generated from the Group's operations as well as reasonable possible improvements to its operation, the Group's financial resources on hand and the above plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from June 30, 2024. Accordingly, the directors of the Company consider it is appropriate to prepare the financial statements on a going concern basis.

2.2 Accounting policies

The accounting policies and methods of computations used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the Historical Financial Information.

New and amended standards adopted by the Group

A number of new and revised IFRSs became applicable for the current reporting period. For the purpose of preparing this condensed consolidated interim financial information, the Group has adopted all applicable new and revised IFRSs except for any new standards or interpretation that are not yet effective for the reporting period ended June 30, 2024.

These amendments did not have significant impact except amendment to IAS 1, 'Classification of Liabilities as Current or Non-current', which has been applied throughout the Relevant Periods. As at June 30, 2024 and December 31, 2023, all the "Redeemable convertible preferred shares" were classified as current liabilities.

New standards, amendments to standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the current reporting period 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.

The Group plans to adopt these new standards, amendments to standards and annual improvements when they become effective:

IAS 21 (Amendment) ‘Lack of exchangeability’	January 1, 2025
IFRS 9 and IFRS 7 (Amendment) ‘Amendments to the Classification and Measurement of Financial Instruments’	January 1, 2026
IFRS 18 ‘Presentation and Disclosure in Financial Statements’	January 1, 2027
IFRS 19 ‘Subsidiaries without Public Accountability: Disclosures’	January 1, 2027
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 directors have performed assessment on the new standards and amendments, and has concluded on a preliminary basis that these new standards and amendments would not have a significant impact on the Group’s condensed consolidated financial statements when they become effective.

3 REVENUE

(a) Disaggregation of revenue from contracts with customers

Revenue for the six months ended June 30, 2024 and 2023 are as follows:

	Six months ended June 30,	
	2024	2023
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Revenue from customers and recognised at point in time		
Autonomous Driving Products and Solutions	167,271	90,169
Intelligent Imaging Solutions	<u>12,868</u>	<u>16,318</u>
	<u>180,139</u>	<u>106,487</u>

(b) Assets recognised from costs to fulfil a contract

The Group recognised assets in relation to costs to fulfil its provision of services contracts. This is presented within “Prepayments and other receivables” in the condensed consolidated statements of financial position.

	Six months ended June 30,	
	2024	2023
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Beginning balance	1,083	13,869
Addition	609	3,509
Recognised as cost of sales	<u>(377)</u>	<u>(7,018)</u>
Ending balance	<u>1,315</u>	<u>10,360</u>

(c) **Contract liabilities**

During the six months ended June 30, 2024 and 2023, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liability balance were primarily due to the recognition of revenues upon fulfilment of performance obligations.

The following table shows how much of the revenue recognised during the six months ended June 30, 2024 and 2023 is included in the contract liabilities:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue recognised that was included in the contract liability balance at the beginning of the period	2,818	–

4 EXPENSES BY NATURE

The detailed analysis of cost of sales, selling expenses, general and administrative expenses, and research and development expenses are as follow:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Employee benefits expenses	634,819	521,017
Design and development expenses	150,974	98,969
Intellectual property (“IP”) license expenses	9,086	26,375
Raw materials and consumables used	111,215	99,683
Changes in inventories of work in progress and finished goods	(22,580)	(38,127)
(Reversal)/provision for impairment of inventories	(118)	16,691
Depreciation of property, plant and equipment	25,036	14,887
Amortization of intangible assets	20,053	12,943
Depreciation of right-of-use assets	11,013	8,917
Outsourcing labor costs	21,820	17,734
Office and travelling expenses	19,367	19,291
Listing expenses	9,044	18,077
Marketing expenses	7,879	10,702
Legal, consulting and other professional fees	7,529	1,578
Short-term lease expenses	3,626	3,015
Recruiting expenses	579	1,840
Others	1,733	3,022
Total cost of sales, selling expenses, general and administrative expenses, and research and development expenses	1,011,075	836,614

5 INCOME TAX EXPENSE

Income tax expense is recognised based on management’s estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ended December 31, 2024 is 0% (For the year ended December 31, 2023: 0%).

6 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to the equity holders of the Company (RMB'000)	1,104,767	(3,729,144)
Weighted average number of ordinary shares outstanding (thousand shares)	73,369	71,000
Basic earnings/(loss) per share (expressed in RMB per share)	15.1	(52.5)

(b) Diluted loss per share

The calculation of the diluted loss per share is based on the profit/(loss) attributable to equity holders of the Company, adjusted to reflect the impact from any dilutive potential ordinary shares that would have been outstanding, as appropriate. The weighted average number of ordinary shares used in calculating diluted loss per share is the weighted average number of ordinary shares, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

For the six months ended June 30, 2024, the Group has two categories of potential ordinary shares, namely redeemable convertible preferred shares of the Company and share options with vesting schedule granted to the employees. Share options with vesting schedule granted to the employees were anti-dilutive for the six months ended June 30, 2024.

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to the equity holders of the Company	1,104,767	(3,729,144)
Adjustment for fair value change of the Company's redeemable convertible preferred shares through profit or loss	(1,931,792)	—
Net loss attributable to the equity holders of the Company	(827,025)	(3,729,144)
Weighted average number of shares (thousand shares):		
Weighted average number of ordinary shares outstanding (thousand shares)	73,369	71,000
Adjustment for redeemable convertible preferred shares of the Company	414,293	—
Weighted average number of shares for calculation of diluted loss per share	487,662	71,000
Diluted loss per share (expressed in RMB per share)	(1.7)	(52.5)

7 TRADE AND NOTES RECEIVABLES

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i>
Trade and notes receivables	277,598	185,499
Less: provision for impairment	<u>(34,541)</u>	<u>(20,562)</u>
	<u>243,057</u>	<u>164,937</u>

The Group usually grants a credit period of 30 days to 180 days to its customers. As at June 30, 2024 and December 31, 2023, the aging analysis of trade and notes receivables based on recognition date of gross trade and notes receivables are as follows:

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i>
Up to 3 months	137,566	103,121
3 to 6 months	3,705	2,459
6 to 9 months	58,622	8,036
9 to 12 months	381	12,876
over 12 months	<u>77,324</u>	<u>59,007</u>
	<u>277,598</u>	<u>185,499</u>

The majority of the Group's trade and notes receivables were denominated in RMB.

8 TRADE PAYABLES

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

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i>
Up to 6 months	65,872	43,439
6 to 12 months	7,064	6,347
over 12 months	<u>21,912</u>	<u>18,299</u>
	<u>94,848</u>	<u>68,085</u>

9 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i>
Redeemable convertible preferred shares	10,726,924	12,589,493

Redeemable convertible preferred shares

Since the date of incorporation, the Company has completed several rounds of financing by issuing Preferred Shares to investors, namely, Series A Preferred Shares, Series A-1 Preferred Shares, Series B-1 Preferred Shares, Series B-2 Preferred Shares, Series B-3 Preferred Shares, Series B-4 Preferred Shares, Series B+ Preferred Shares, Series C Preferred Shares and Series C+ Preferred Shares.

The key terms of the Preferred Shares are summarized as follows:

Dividend rights

Holders of Preferred Shares of later series have preference to receive any declaration or payment of any cash or non-cash dividends in the following sequence: Series C+ Preferred Shares, Series C Preferred Shares, Series B+ Preferred Shares, Series B-4 Preferred Shares, Series B-3 Preferred Shares, Series B-2 Preferred Shares, Series B-1 Preferred Shares, Series A-1 Preferred Shares, Series A Preferred Shares and ordinary shares, cumulative dividends at a simple rate of six percent (6%) per annum of the original issue price of such Preferred Shares on each such Preferred Share held by such holder, payable when, as and if declared by the board of directors.

Liquidation preference

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the shareholders shall, by reason of the shareholders' ownership of the shares, be distributed as follows:

First, the holders of the Preferred Shares shall be entitled to receive for each outstanding Preferred Share held and fully paid, as applicable, the amount equal to one hundred percent of the applicable Preferred Share's issue price, plus all declared but unpaid dividends on such Preferred Shares. If the assets and funds are insufficient for the full payment to such holders of such Preferred Shares, then the entire assets and funds legally available for distribution shall be distributed ratably among such holders in proportion. Upon the liquidation, in order of preference, first to the holders of Series C+ Preferred Shares, then to the holders of Series C Preferred Shares, Series B+ Preferred Shares, Series B-4 Preferred Shares, Series B-3 Preferred Shares, Series B-2 and B-1 Preferred Shares, Series A-1 Preferred Shares, and last to the holders of Series A Preferred Shares and ordinary shares.

Second, if there are any assets or funds remaining after the aggregate amount have been distributed or paid in full to the applicable holders of Preferred Shares as above, the remaining assets and funds legally available for distribution shall be distributed ratably among the holders of ordinary shares and holders of Preferred Shares according to the relative number of ordinary shares on an as-converted basis. Except for the holders of Series C+ Preferred Shares, Series C Preferred Shares and Series B+ Preferred Shares, the total amount that may be distributed to each holder of Preferred Shares shall not exceed three times of the applicable issue price.

Deemed Liquidation Events shall be treated as a liquidation event. Deemed Liquidation Events includes (a) any consolidation, amalgamation, scheme of arrangement or merger of any Group Company (means each subsidiary of the Company and the Group) with or into any other person or other reorganization in which the shareholders of such Group Company immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganization own less than 50% of such Group Company's voting power in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganization, or any transaction or series of related transactions to which such Group Company is a party in which in excess of 50% of such Group Company's voting power is transferred; (b) a sale, transfer, lease or other disposition of all or substantially all of the assets of any Group Company (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of such Group Company); or (c) the transfer or exclusive licensing, in a single transaction or a series of related transactions, of all or substantially all of any Group Company's IP to a third party.

Redemption rights

The Company shall redeem, at the option of any holder of outstanding Preferred Shares, all of the outstanding Preferred Shares (other than the unpaid shares) held by the requesting holder, at any time after the failure by the Company to complete a Qualified IPO as of March 31, 2026. The redemption price for each fully paid Preferred Share (other than the unpaid shares) shall be equal to one hundred percent of the Preferred Share's purchase price, plus an annual compounded interest rate of 8% accrued for the period from the Preferred Share's deemed issue date up to and until the date when such Preferred Share is redeemed, plus all declared but unpaid dividends.

Upon the redemption, in order of preference, first to the holders of Series C+ Preferred Shares, then to the holders of Series C Preferred Shares, Series B+ Preferred Shares and all Series B Preferred Shares.

Voting rights

Each Preferred Share (except for these held by the Company's founder Jizhang Shan) shall be entitled to the number of votes equal to the number of ordinary shares into which such Preferred Shares could be converted. Jizhang Shan shall have ten votes in respect of each ordinary share held, and shall be entitled to such number of votes as equals ten times the number of ordinary shares into which such Jizhang Shan's collective Preferred Shares are convertible in respect of each ordinary share held. Such right is not transferable and may be exercised only by Jizhang Shan. Preferred Shares could vote separately as a class with respect to any matters. As at June 30, 2024, the number of ordinary shares and Preferred Shares held by Jizhang Shan were 42,100,000 and 2,000,000, respectively.

Conversion

Each Preferred Share shall be convertible into such number of fully-paid and non-assessable ordinary shares at the Preferred Share-to-ordinary share conversion ratio equal to Preferred Share Purchase Price divided by the then effective conversion price for such Preferred Share. The conversion price for each Preferred Share shall initially be the applicable Preferred Share purchase price for such Preferred Share, resulting in an initial conversion ratio for the Preferred Shares of 1:1, and shall be subject to adjustment and readjustment for dilution from time to time included but not limited to stock splits, stock dividends and reorganization. Each Preferred Share may, at the option of the holders thereof, be converted at any time after the date of issuance of such Preferred Shares into ordinary shares based on the then-effective applicable Conversion Price.

Subsequent amendments to the key terms of the Preferred Shares

According to the written resolutions passed by the Shareholders on July 26, 2024, it is resolved unanimously that each shareholder of the Company expressly and irrevocably (a) acknowledges and recognises the proposed global offering does not meet the “Qualified IPO” as defined in the existing memorandum and articles of association of the Company; (b) consents to the automatic conversion of Preferred Shares on a 1:1 ratio at the time immediately upon the closing of the proposed global offering; and (c) waives any rights, entitlement or claims against the Company, whether arising at contract or in law, whether such rights, entitlement or claims are provided for under any contract to which that such shareholder is a party or under the existing memorandum and articles of association of the Company (including the redemption rights), provided that (i) the final offer price shall not be less than the cost per share for Series C+ Preferred Shares; and (ii) the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited shall take place on or before September 30, 2024.

The Company completed the IPO on August 8, 2024 and the Preferred Shares were automatically converted to ordinary shares of the Company upon the successful listing of the shares of the Company.

Accounting for the Preferred Shares

The Preferred Shares are classified as financial liabilities. In addition, the Group measures the Preferred Shares on a fair value basis and does not bifurcate any embedded derivatives from the host instruments and designates entire instruments as a financial liability at fair value through profit or loss with the changes in the fair value recorded in the condensed consolidated statements of comprehensive income/(loss), except for the gains or losses arising from the Company’s own credit risk which are presented in OCI with no subsequent reclassification to the statement of profit or loss.

As at June 30, 2024 and December 31, 2023, all the Preferred Shares were classified as current liabilities as the preferred shares may be converted into ordinary shares at the option of the preferred shareholders at any time and the conversion feature does not meet “fixed for fixed” criteria.

If the Company’s own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts.

The movements of the Preferred Shares during the six months ended June 30, 2024 and 2023 are set out as below:

	<i>RMB'000</i>
(Unaudited)	
At January 1, 2024	<u>12,589,493</u>
Change in fair value through profit or loss	(1,931,792)
Change in fair value due to own credit risk	(2,821)
Currency translation differences	<u>72,044</u>
At June 30, 2024	<u><u>10,726,924</u></u>
(Unaudited)	
At January 1, 2023	<u>8,279,244</u>
Conversion of 2020 Convertible Note for Series B-4 Preferred Shares	47,403
Issuance of Series B+ Preferred Shares	161,579
Issuance of Series C+ Preferred Shares	1,046,269
Change in fair value through profit or loss	2,686,970
Change in fair value due to own credit risk	4,475
Currency translation differences	<u>479,502</u>
At June 30, 2023	<u><u>12,705,442</u></u>

The Company applied the discount cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the Preferred Shares.

10 DIVIDEND

No dividend has been paid or declared by the Company or subsidiaries of the Company during the six months ended June 30, 2024 and 2023 and up to date of this announcement.

OTHER INFORMATION

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

The shares of the Company were first listed on the Main Board of the Stock Exchange on August 8, 2024. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange from the Listing Date up to the date of this announcement.

Events After the Reporting Period

The shares of the Company were listed on the Main Board of the Stock Exchange on August 8, 2024. In connection with the Global Offering, 37,000,000 shares of the Company were issued and allotted at the offer price of HK\$28.0 per Offer Share (as defined in the Prospectus).

Save as otherwise disclosed in this announcement, there was no other significant events that may affect the Group since the end of the Reporting Period and up to the date of this announcement.

Corporate Governance Practices

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. The principles of the Company's corporate governance are to promote effective internal control measures, to enhance transparency of the work of the Board, and to strengthen accountability to all the Shareholders.

Since the shares of the Company were listed on the Main Board of the Stock Exchange on August 8, 2024, the Corporate Governance Code was not applicable to the Company during the Reporting Period.

Save as disclosed below, the Company has complied with all applicable code provisions set out in the Corporate Governance Code throughout the period from the Listing Date up to the date of this announcement.

Pursuant to code provision C.2.1 of Part 2 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the roles of chairman of the Board and the chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Mr. Shan currently performs these two roles. The Board believes that vesting the roles of both chairman of the Board and the chief executive officer in the same person has the benefit of (i) ensuring consistent leadership within the Group, (ii) enabling more effective and efficient overall strategic planning for the Group, and (iii) facilitating the flow of information between management and the Board. The Board currently comprises three executive Directors (including Mr. Shan), one non-executive Director and three independent non-executive Directors, and therefore has a strong independent element in its composition. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company.

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2024 (for the six months ended June 30, 2023: Nil).

Model Code for Securities Transactions by Directors

The Board has adopted the Model Code as its own code of conduct regulating dealings in securities of the Company by the Directors. In response to specific enquiries made by the Board, all Directors confirmed that they have complied with the provisions of the Model Code since the Listing Date and up to the date of this announcement.

Audit Committee

The Audit Committee (comprising three independent non-executive Directors, Prof. Li Qingyuan (being the chairperson of the Audit Committee), Prof. Long Wenmao and Prof. Xu Ming), together with senior management members and the Auditor, has considered and reviewed the unaudited interim financial information of the Group for the Reporting Period, discussed matters in relation to the accounting policies and practices adopted by the Company, risk management, internal control and financial reporting and is of the view that these interim results have been prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

Publication of the Interim Results and the 2024 Interim Report

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.blacksesame.com.cn. The 2024 interim report of the Company containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company.

DEFINITIONS AND GLOSSARY

In this announcement, unless the context otherwise requires, the following expression shall have the meanings set out below:

“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the independent auditor of the Company
“Board”	the board of directors of the Company

“China”, “Mainland China” or “PRC”	the People’s Republic of China, which, for the purpose of this interim results announcement and for geographical reference only, references to “China”, “Mainland China” and the “PRC” do not apply to Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC, except where the context indicates or requires otherwise
“Company” or “our Company”	Black Sesame International Holding Limited, an exempted company incorporated under the laws of Cayman Islands with limited liability on July 15, 2016
“Corporate Governance Code”	the Corporate Governance Code, as set out in Appendix C1 to the Listing Rules
“Director(s)”	director(s) of the Company or any one of them
“Global Offering”	the Hong Kong Public Offering and the International Offering as defined in the Prospectus
“Group”, “our Group”, “our”, “we”, or “us”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	August 8, 2024
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix C3 to the Listing Rules
“Mr. Shan”	Mr. Shan Jizhang (單記章), one of the Group’s founders, chairman of the Board, an executive Director and the chief executive officer of the Company
“OEM” or “automotive OEM”	the original equipment manufacturer which assembles and installs automotive parts during the construction of a new vehicle

“Prospectus”	the prospectus of the Company dated July 31, 2024
“Reporting Period”	the six months ended June 30, 2024
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) with nominal value of US\$0.0001 each in the share capital of our Company
“Shareholder(s)”	the holder(s) of Share(s)
“SoC”	system-on-chips, an integrated circuit that integrates most or all components of a computer or other electronic system
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“TOPS”	tera operations per second, a measurement of the overall performance of a supercomputer or a high-end circuit board containing multiple processors or SoCs
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “USD”	United States Dollars, the lawful currency of the United States
“%”	per cent

By Order of the Board
Black Sesame International Holding Limited
Mr. SHAN Jizhang
*Chairman of the Board, Executive Director
and Chief Executive Officer*

Hong Kong, August 28, 2024

As at the date of this announcement, the Board comprises (i) Mr. SHAN Jizhang, Mr. LIU Weihong and Mr. ZENG Daibing as executive Directors; (ii) Dr. YANG Lei as non-executive Director; and (iii) Prof. LI Qingyuan, Prof. LONG Wenmao and Prof. XU Ming as independent non-executive Directors.