Mobvoi Inc.
出門問問有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2438)

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

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended June 30, 2024.

FINANCIAL HIGHLIGHTS

The Group's revenue was RMB162.7 million for the six months ended June 30, 2024, and was RMB261.8 million for the six months ended June 30, 2023 (the revenue was RMB123.0 million for the six months ended June 30, 2023 if we excluded the revenue recognized from the IP rights arrangements with Automotive Sub A, which was RMB138.8 million).

Among which, the AIGC business has grown rapidly. The revenue from AIGC solutions as a percentage of the Group's revenue was 8.0%, 23.2% and 56.7% in 2022, 2023 and the six months ended June 30, 2024, respectively.

As the Group actively changes its business strategy and ceases to increase revenue through traditional project-based revenue generating model, the following highlights are all comparisons with data from the first half of 2023 after deducting the revenue from IP rights arrangements with Automotive Sub A:

— The Group's revenue increased by 32.2%, from RMB123.0 million for the six months ended June 30, 2023 to RMB162.7 million for the six months ended June 30, 2024. Revenue from AIGC solutions increased by 123.8%, from RMB41.2 million for the six months ended June 30, 2023 to RMB92.3 million for the six months ended June 30, 2024.

— Our gross profit increased by 80.6%, from RMB58.3 million for the six months ended June 30, 2023 to RMB105.3 million for the six months ended June 30, 2024. Our gross profit margin increased by 17.3%, from 47.4% for the six months ended June 30, 2023 to 64.7% for the six months ended June 30, 2024.

— The adjusted net loss (non-GAAP measure) for the Reporting Period decreased by 32.7% as compared to the same period of last year, decreasing from RMB83.0 million for the six months ended June 30, 2023 to RMB55.9 million for the six months ended June 30, 2024.

RESULT REVIEW AND STRATEGIC OUTLOOK

I. Overview

2024 marks a significant milestone for the Group. As an AI company with a focus on generative AI and voice interaction technologies, we are committed to providing AIGC tools, AI government and enterprise services, and AI smart hardware for creators in multiple countries around the world. During the Reporting Period, we made significant achievements in AIGC business development, AIGC product and model integration and building our industry ecosystem, and entered a phase of accelerated growth.

In the first half of 2024, the overall revenue of the Group was RMB162.7 million, consisting of RMB92.3 million for AIGC solutions, RMB10.7 million for AI enterprise solutions, and RMB59.7 million for Smart Devices and Other Accessories. The revenue for the same period of last year was RMB261.8 million. The decrease in revenue is attributed to the completion of the IP rights arrangements with Automotive Sub A in June 2023, resulting in the discontinuation of RMB138.8 million in revenue. Therefore, the revenue for the first half of 2024 decreased by 37.9% compared to the same period in 2023. Excluding this impact, the Group's main sustainable businesses have all grown healthily, meeting expectations. Among them, the revenue from AIGC solutions increased by 123.8%, while the revenue from Smart Devices and Other Accessories showed steady growth, with an increase of 3.1%, which is consistent with the same period of last year. The revenue from AIGC solutions as a percentage of the Group's total revenue was 8.0%, 23.2% and 56.7% in 2022, 2023 and the six months ended June 30, 2024, respectively.

AIGC boasts tremendous market development potential in the industry. According to the CIC Report, the potential total market size of AIGC market in China is expected to increase from RMB1.1 billion in 2022 to RMB32.6 billion in 2027, with a compounded growth rate of 136.5%. In addition, the potential total market size of the AIGC market across the globe is expected to increase from RMB8.8 billion in 2022 to RMB127.5 billion in 2027, with a compounded growth rate of 94.4%. However, the development of the AI industry is slowing down in 2024. Computing power is no longer the focus for large language model companies. Instead, the industry as a whole pays close attention to scenario implementation and commercial applications. As a company that has been profitable and continuously profitable in the AIGC industry, our focus also lies in applications.

During the Reporting Period, we consistently adhere to the development strategy of "product and model integration", and continuously pay close attention to user needs and products, achieving a double increase in revenue from AIGC business. Meanwhile, we have been steadily building our ecosystem. We established strategic partnerships with leading upstream and downstream companies, so as to support the development of the industry. We deeply understand the commercialization of AI technology. Unlike traditional project-based models, we adhere to product-driven and user-driven growth. In addition, we adhere to the principles of "funding models with products" and "developing models on the basis of feedback on products", enabling us to self-fund our R&D and creating a virtuous cycle of profit and capital, which is a key policy for us to maintain our sustainable growth momentum. We believe that under the guidance of the above strategies, the Group's business will maintain healthy and sustainable development in the future.

Under the guidance of these product strategies and this business model, our performance during the Reporting Period is as follows:

Revenue by business segment, inclusive of revenue from IP rights arrangements with Automotive Sub A, is as follows:

	Six months ended June 30,		
	2024	2023	*% of change*
	RMB'000	*RMB'000*	
Disaggregated by major products or service lines			
AI Software Solutions			
— AIGC solutions	**92,301**	41,246	123.8%
— AI enterprise solutions	**10,724**	162,653	-93.4%
Smart Devices and Other Accessories	**59,645**	57,864	3.1%
	162,670	261,763	-37.9%

Revenue by business segment, exclusive of revenue from IP rights arrangements with Automotive Sub A, is as follows:

	Six months ended June 30,		
	2024	2023	*% of change*
	RMB'000	*RMB'000*	
Disaggregated by major products or service lines			
AI Software Solutions			
— AIGC solutions	**92,301**	41,246	123.8%
— AI enterprise solutions	**10,724**	23,901	-55.1%
Smart Devices and Other Accessories	**59,645**	57,864	3.1%
	162,670	123,011	32.2%

II. Performance Review

1. Achieving a double growth in the revenue from AIGC business by deeply understanding user needs and products

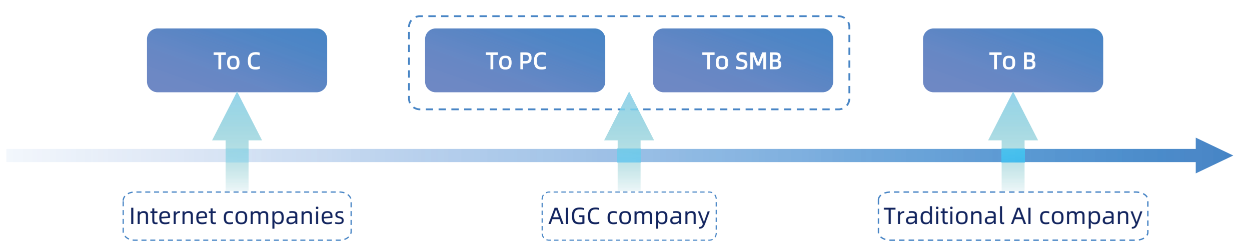
AIGC business is our core business. We have developed a series of AIGC products to meet various creation and application needs, including "Moyin Workshop", "DupDub", "Weta365" and "AI Ask365", so as to achieve scale growth through the trinity of technologies, products and commercialization. During the Reporting Period, we further enriched our AIGC product matrix with the launch of "Yuan365 (元創島)", which can efficiently support AIGC creators in video creation with one click. Since then, our AIGC product ecology has been further improved, integrating audio with video to fully meet AIGC creators' various needs. Meanwhile, we strengthened the operation strategy for our existing products, such as "Moyin Workshop", smoothed the path to scale growth and entered a new stage of accelerated growth. It is worth mentioning that, although "Yuan365 (元創島)" remains in its growth stage in respect of product features and user base, its profitability has gradually become apparent, indicating an optimistic growth prospect.

Among them, the number of registered users for "Moyin Workshop" increased by nearly 42% in the first half of 2024 as compared to the same period in 2023 with sustained growth in paying users, resulting in substantial revenue growth.

We enriched AIGC product matrix through the continuous iteration of the capabilities of our core large language model. The launch of "Yuan365 (元創島)", an AI short video generation platform, not only effectively improves AIGC's video layout, but also has a relatively optimistic growth prospect.

Meanwhile, the Group's unique AIGC business model (ToSMB/ToPC), has gained superiority. In the era of large language models, AI companies can serve small and medium enterprises (SMBs) or Professional Consumers. ToPC can avoid traditional project-based ToB and competition with internet giants of ToC for stagnant user traffic. However, ToPC requires affordable transaction value (RMB10 million or RMB10,000 per year) and a closed-loop and simple product experience, genuinely enhancing efficiency or revenues for users. We are firmly committed to the ToSMB/ToPC business model and have found a profitable path in AIGC business.

AIGC New Business Model: To PC/To SMB



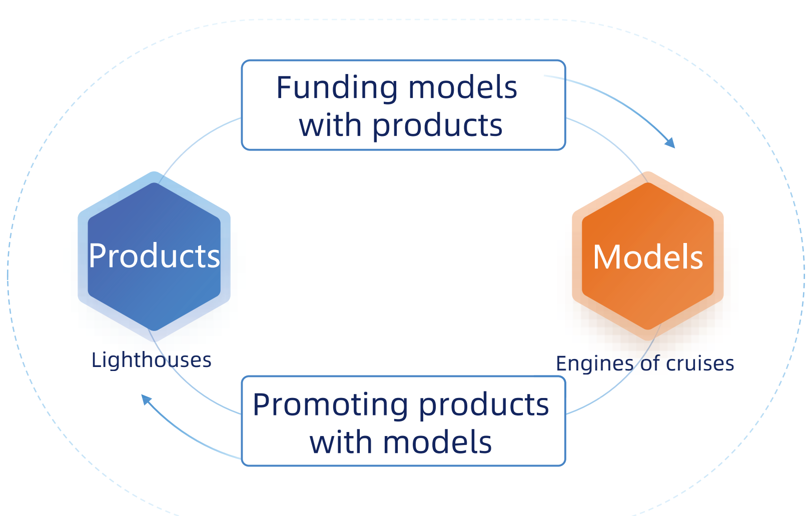
2. Adhering to the development strategy of "product and model integration" and leveraging the strengths of multi-modal products

Unlike other companies that focus on large language models or products, the Group has consistently adhered to the strategy of "product and model integration", that is, the integration of products and models to bridge the gap between products and models.

"Product and model integration" is more suitable for the domestic start-ups of large language models. The products are "lighthouses" that direct model R&D, while in-house models are "engines of cruises" that can enhance products' barriers to competition in a targeted manner. The greatest appeal of "product and model integration" lies in its ability to realize more thorough end-to-end training, so as to create a "data flywheel" effect and ultimately enable automatic data drive and updating and iteration of products.

We are a typical representative of "product and model integration" company. The essence to "product and model integration" is target-driven, specifically, funding models with products, developing models on the basis of feedback on products, promoting products with models and safeguarding production with models. "Funding models with products and developing models on the basis of feedback on products" means that the research and development of large language models requires significant financial investment. In addition, the domestic investment environment is challenging, it is especially crucial for start-ups to have a sustainable business model.

Why Do We Pursue "Product and Model Integration"



Therefore, the feedback from the application products is very important for the closed-loop development of models and the protection of scenario applications. “Promoting production with models and safeguarding production with models” means that we need to have the ability to independently develop large language models and track the latest models, so that we can protect our products from elimination upon the upgrading and iteration of large language models.

At the same time, we are continuously committed to exploring in multi modal and Agent, emphasizing the integration of large language models and multi modality, including voice large models and video large models, and thereby creating a multi modal AIGC product matrix. We have independently developed large models for generating videos from images and for generating images from anime descriptions. We have successfully released technologies such as 2.5D digital human WetaAvatar4.0, photo digital human engine WetaAvatar4.0 Talking Photo, and digital humans walking in real scenes, and have the ability to accurately realize speech-to-speech video translation, which is in line with the technological trend of developing multi modality.

3. Building our ecosystem in advance, and seeking mutual development with upstream and downstream enterprises in the industry

We deeply understand the significance and necessity of ecological construction and have always maintained close cooperation with upstream and downstream enterprises. During the Reporting Period, we established strategic partnerships with companies such as DingTalk, Hicloud, and Tencent Cloud, effectively enriched our ecological resources to better serve our users. We also joined the Large Language Model Alliance of people.cn, and utilized our extensive experience in “product and model integration” to empower the industry. We established close communication and cooperation with various peers to jointly create a responsible and trustworthy ecosystem for the development of large language models.

During the Reporting Period, our capabilities in large language models were recognized by all mainstream and vertical media and industry bodies, and won such awards as the “Top 50 Large Language Models in China”, “2024 China Start-ups in AI-based Large Language Models”, “Selection of 2024 Forbes China AI Technology Enterprises Top 50” and “China Large Language Model Platforms Top 10”. Furthermore, the Group’s influence within the industry is clearly visible. It won prestigious awards, such as the CIC “Shining Star” Enterprises, “the Most Valuable China AGI Innovative Organizations Top 50”, “Annual Cutting-edge Listed Companies”, and “Outstanding Enterprises in ESG Innovative Practice”.

We have been dedicated to establishing and maintaining steady partnerships with the world's leading technology enterprises. We maintain long-term and productive cooperation with internationally famous technology companies such as NVIDIA, Google, and Qualcomm. Through the cooperation, we not only assist each other in promoting technological innovation, but also stay ahead in the market, so as to offer superior products and services to our customers, which represents not only our focus on the quality of our products and services, but also our profound insight into industry trends and our response strategies for these trends. We also look forward to collaborating with more outstanding technology companies in the future and writing a new chapter of scientific and technological innovation together.

III. Strategies and Outlook

1. Adhering to user-driven and product-driven growth

We always deeply understand the commercialization of AI technology. Unlike traditional project-based models, we adhere to product-driven and user-driven growth. We have diversified revenue streams, including subscriptions, purchase in applications and software-hardware integration solutions. By leveraging a closed-loop AI ecosystem, we focus on the iteration of solutions to realize product-oriented growth. Specifically, in terms of user-driven growth, we place "user-centricity" at the core of our Group's development process, always prioritizing user needs.

We actively collect users' feedback of AIGC products and incorporate it into every iteration. Under this guidance, AIGC products have obtained high user stickiness. During the Reporting Period, the number of paying users increased by nearly 30% over the same period of last year, resulting in significant revenue growth and overall healthy and sustainable growth.

2. Building a robust profitable model for long-term sustainable growth

We maximize our resources and adhere to the most efficient resource allocation strategy to maintain the Group's leading position in the industry. Our cost-effective research and development capabilities are not only reflected in both our innovative technologies and products, but also reflected in our strict cost control and optimization. Through ongoing technological innovation and investment in research and development, we constantly facilitate the development of the Group to ensure that our products and services are at the first echelon in the industry all the time. Meanwhile, we focus on the sustainable utilization of resources, and strive to maintain our competitiveness while contributing to the sustainable development of our environment and society.

As a "block-building" company, we possess a distinct competitive advantage in the rapidly changing commercial environment, enabling us to adapt flexibly to various challenges and opportunities. By dividing our business into different modules, each focusing on specific functions, we have significantly enhanced our efficiency and professional level. In terms of cost efficiency, this standardized and modular way of the Group can not only reduce production costs, but also enhance the utilization efficiency of resources.

We are one of the few companies in the industry that can simultaneously empower three major scenarios. We have developed a rich product matrix of AIGC CoPilot through AIGC-empowered content creation, and established a one-stop content creation platform that empowers creators to generate content efficiently. We provide enterprise customers with C-end consumers' user experiences by utilizing our AI capabilities and experience accumulated in consumer-grade scenarios, and we empower more partners and our industry ecosystem through CoPilot. As for consumer scenarios, we have launched several consumer smart devices, such as AI smart watch — TicWatch series, and created a user-in-the-loop ecosystem for multi-scenario smart hardware based on virtual personal assistants.

Among which, consumer smart devices can steadily generate revenue and profit, and achieve self-sustaining fund, which is a key strategy for maintaining our sustainable growth. With this strategy, we can ensure that our R&D department has sufficient resources to explore new technologies, develop new products and improve existing solutions. This strategy also enables us to maintain flexibility and independence in the intensely competitive market, effectively reducing external dependencies.

3. ESG and corporate social responsibility

ESG (environmental, social and governance) principles are deeply embedded within our corporate strategy and operations. In terms of environmental protection, the Group is dedicated to reducing our carbon footprint and making positive contributions towards global sustainable development goals through optimizing energy consumption and improving resource recycling rates. It is worth mentioning that, our technology R&D team relentlessly pursues innovative technologies to minimize our environmental influence while enhancing the energy efficiency of our products and services.

In terms of corporate governance, we uphold transparent and responsible management principles, and have developed a comprehensive internal control and compliance system. Our Board of Directors and management pay high attention to the optimization of our corporate governance structure, so as to ensure fair, reasonable, and effective decision-making processes, protect the interests of all shareholders.

Meanwhile, we attach importance to our employees' career development and lifelong learning. We provide our employees with diversified trainings and development opportunities. We encourage and organize employees to engage in social services, environmental protection and public benefit activities.

We know that sustainable technology applications shall integrate with social responsibility. Thus, we are committed to collaborating with governments, NGOs, and other enterprises to promote environmental protection and sustainable development.

4. AGI vision: AGI at your fingertips, AI CoPilot everywhere

Looking ahead, we are full of expectation for the future of AI development. Productization and commercialization will remain the major concerns in the industry and the key elements that widen the gaps between different companies. Our early entry into the industry and the rapid growth of our AIGC business validates the correctness of our "product and model integration" strategy and ToSMB/ToPC business model. In the future, we will continue to pursue our original strategic objectives and development strategies, and accelerate our business growth by utilizing the data flywheel effect generated by "product and model integration". We are optimistic about our AIGC business, which is expected to see more significant growth in the number of users and revenues in the future. Furthermore, we are committed to our globalization strategy and maintain long-term, good partnerships with leading foreign technology companies. We are expected to achieve a healthy and sustainable growth in related businesses when we have a substantial share of the overseas market.

We look forward to a future driven by AGI, where everyone can benefit from the convenience and advantages brought by technologies, the popularization of technologies is realized and AGI becomes a key force in promoting social progress, just as our AGI vision: AGI at your fingertips, AI CoPilot everywhere.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Financial Results

Revenue

Revenue by business segment, inclusive of revenue from the IP rights arrangements with Automotive Sub A, is as follows:

	Six months ended June 30,		
	2024	2023	*% of change*
	RMB'000	*RMB'000*	
Disaggregated by major products or service lines			
AI Software Solutions			
— AIGC solutions	**92,301**	41,246	123.8%
— AI enterprise solutions	**10,724**	162,653	-93.4%
Smart Devices and Other Accessories	**59,645**	57,864	3.1%
	162,670	261,763	-37.9%

Revenue by business segment, exclusive of revenue from the IP rights arrangements with Automotive Sub A, is as follows:

	Six months ended June 30,		
	2024	2023	*% of change*
	RMB'000	*RMB'000*	
Disaggregated by major products or service lines			
AI Software Solutions			
— AIGC solutions	**92,301**	41,246	123.8%
— AI enterprise solutions	**10,724**	23,901	-55.1%
Smart Devices and Other Accessories	**59,645**	57,864	3.1%
	162,670	123,011	32.2%

The Group's revenue decreased from RMB261.8 million for the six months ended June 30, 2023 to RMB162.7 million for the six months ended June 30, 2024 mainly due to the decrease in revenue from AI enterprise solutions. This was primarily due to a decrease in revenue from the IP rights arrangements with Automotive Sub A, which has recognized RMB138.8 million revenue for the six months ended June 30, 2023. The Group's revenue would be RMB123.0 million for the six months ended June 30, 2023, if we exclude the revenue from the IP rights arrangement.

Revenue from our AIGC solutions increased from RMB41.2 million for the six months ended June 30, 2023 to RMB92.3 million for the six months ended June 30, 2024, primarily attributable to the increase in the number of paying users and average selling prices.

Cost of sales

The Group's cost of sales was approximately RMB57.4 million for the six months ended June 30, 2024, representing a decrease of approximately RMB7.3 million or approximately 11.3% from RMB64.7 million for the six months ended June 30, 2023; for the six months ended June 30, 2023, the Group's cost of sales as a percentage of revenue was 24.7%, compared to 35.3% in the same period of 2024. Our cost of sales primarily consists of cost of inventories, fulfilment related expenses and staff costs. Decrease in cost of sales mainly due to the decrease of impairment losses and obsoletes on inventories for the six months ended June 30, 2024.

Gross profit and gross profit margin

Our gross profit decreased by 46.6% from RMB197.1 million for the six months ended June 30, 2023 to RMB105.3 million for the six months ended June 30, 2024. Our gross profit margins were 64.7% and 75.3% for the six months ended June 30, 2024 and for the six months ended June 30, 2023, respectively. This decline was primarily due to a decrease in revenue from the IP rights arrangements with Automotive Sub A, which contributed RMB138.8 million revenue for the six months ended June 30, 2023. After deducting this revenue, the gross profit margin was 47.4% for the six months ended June 30, 2023.

Research and development expenses

Research and development expenses amounted to RMB72.6 million and RMB55.8 million for the six months ended June 30, 2023 and 2024, and the decrease in research and development expenses was mainly due to the decrease in salary, which was mainly due to the decrease in payroll and welfare and headcount.

Selling and marketing expenses

Selling and marketing expenses increased from RMB59.9 million for the six months ended June 30, 2023 to RMB91.3 million for the six months ended June 30, 2024. This was because of the increase in revenue in AIGC solutions leading to the increase of corresponding sales promotion fees.

Administrative expenses

Administrative expenses increased from RMB44.1 million to RMB55.9 million for the six months ended June 30, 2023 and 2024, which was because of increase in listing expense.

Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares

The Group had changes in the carrying amount of contingently redeemable preferred shares and ordinary shares increased by 92.2% from RMB250.0 million for the six months ended June 30, 2023 to RMB480.5 million for the six months ended June 30, 2024. Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares, which are affected primarily by the changes in the redemption price of the preferred shares and ordinary shares. We do not expect to record such changes in the future as our contingently redeemable preferred shares and ordinary shares had been automatically converted into equity upon completion of the Listing.

Non-GAAP Measures

To supplement our consolidated financial statements which are presented in accordance with GAAP, we also use adjusted net (loss)/profit (non-GAAP measure) as additional financial measure, which are not required by, or presented in accordance with, GAAP. We believe that this non-GAAP measure facilitates comparisons of operating performance from period to period and company to company and 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 the adjusted net (loss)/profit (non-GAAP measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-GAAP measure has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial conditions as reported under GAAP.

We define "adjusted net (loss)/profit" (non-GAAP measure) as loss for the year from continuing operations excluding changes in the carrying amount of contingently redeemable preferred shares and ordinary shares, share-based compensation and listing expenses. We have made adjustments to the following items consistently during the reporting period:

- Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares, which are affected primarily by the changes in the redemption price of the preferred shares and ordinary shares. We do not expect to record such changes in the future as our contingently redeemable preferred shares and ordinary shares will be automatically converted into equity upon completion of the Listing;

- Share-based compensation, which represents the non-cash employee benefit expenses incurred. It relates to the share rewards we offered to our employees under the Pre-IPO Share Option Scheme, which is a non-cash expense; and

- Listing expenses relating to the Global Offering.

The following table sets out a reconciliation of our non-GAAP financial measure for the six months ended June 30, 2024 and 2023:

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Loss for the period		
Adjusted for:	**(578,756)**	(218,344)
Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares	**480,455**	250,024
Equity-settled share-based payment expenses	**13,487**	16,502
Listing expenses	**28,959**	7,599
Adjusted net (loss)/profit (non-GAAP measure)	**(55,855)**	55,781

Due to a decrease in revenue from the IP rights arrangements with Automotive Sub A, which has recognized RMB138.8 million revenue for the six months ended June 30, 2023, we recorded an adjusted net loss (non-GAAP measure) for the six months ended June 30, 2024 and recorded adjusted net profits (non-GAAP measure) in the corresponding period in 2023.

Liquidity and financial resources

We have historically funded our cash requirements principally from capital contribution from shareholders and bank borrowings.

As at June 30, 2024, the Group had cash and cash equivalents amounting to approximately RMB385.9 million (December 31, 2023: approximately RMB144.3 million), representing an increase of approximately 167.4%. The Group has completed its listing on April 24, 2024, and the proceeds from issuance of shares by initial public offering has led to a substantial increase in cash and cash equivalents.

Bank loan

During the six months ended June 30, 2024, the Group borrowed RMB20,000,000 from a bank at a fixed interest rate of 2.9% per annum for one year, which will be repaid in May 2025. The bank loan was unsecured and repayable within one year.

Gearing ratio

As of June 30, 2024, gearing ratio of the Group (total liabilities/total assets) reached 33.4%, which was much lower than gearing ratio of 1,114.5% as of December 31, 2023, mainly due to the proceeds from the initial public offering and the expiration of the redemption rights upon the listing of the Company's shares.

Net current assets/(liabilities)

The Group recorded net current assets of approximately RMB467.4 million as at June 30, 2024, as compared with net current liabilities of approximately RMB4,121.2 million as at December 31, 2023. The current ratio, calculated by dividing the current assets by current liabilities, was approximately 3.3 as at June 30, 2024 (December 31, 2023: approximately 0.09). The net current liabilities as at December 31, 2023 are mainly composed of contingently redeemable preferred shares and ordinary shares that can be temporarily redeemed. Redeemable preferred shares and ordinary shares issued by the Group were converted from liabilities to equity due to their automatic conversion into ordinary shares, so they had been converted from net liabilities to net assets after listing.

Capital structure

The Company's capital comprises ordinary shares and reserves. The Group finances its working capital, capital expenditures and other liquidity requirements through a combination of its cash and cash equivalents, cash flows generated from operations, bank facilities, and net proceeds from the initial public offering of the Company.

Contingent liabilities

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

Human Resources

As at June 30, 2024, the Group had a total of over 300 full-time employees in the Mainland China, Hong Kong, China and other countries or regions. For the six months ended June 30, 2024, the total staff costs, including the directors' emoluments, amounted to RMB81.0 million.

The Group's emolument policies are formulated based on the performance and experience of employees and in line with the salary trends in the Mainland China, Hong Kong, China and other countries and regions. Other employee benefits include annual bonuses, insurance and medical coverage and share options. The fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in share-based payment reserve. The fair value is measured at grant date using the Binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based payment reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognized in the share-based payment reserve until either the option is exercised (when it is included in the amount recognized in share capital and share premium for the shares issued) or the option expires (when it is released directly to retained profits).

In terms of employee training, the Group has integrated a comprehensive approach tailored to developmental needs. This includes an ongoing commitment to new employee onboarding, deepening the cultivation of core workplace competencies, reinforcing our internal training team's capabilities, and vigorously supporting pivotal talent development programs. Additionally, the Group organize professional and vocational training sessions to broaden its employees' skill sets and enhance their overall competency.

Financial Risks

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, bills receivable is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to represent low credit risk. The Group's exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account the remaining lease term and the period covered by the rental deposits.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses, participation in supplier finance arrangements with banks and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank loans.

(d) ***Currency risk***

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily USD, EUR, TWD, GBP, HKD, SGD and AUD. The impact of the foreign exchange risk is low, therefore no financial instruments for hedging purposes are considered necessary. To enhance overall risk management, the Group will continue to keep track of the foreign exchange risk and take prudent measures to mitigate exchange risk, and take appropriate action where necessary.

OTHER INFORMATION

Interim Dividend

After due consideration of the long-term interests of the Shareholders and the Company, the Board does not recommend the payment of an interim dividend for the six months ended June 30, 2024 (six months ended June 30, 2023: RMBNil).

Corporate Governance

Since the Company was listed on the Stock Exchange on April 24, 2024, the CG Code set out in Appendix C1 to the Listing Rules was not applicable to the Company prior to the Listing Date.

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of 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 below, the Company has been in compliance with all applicable code provisions under the CG Code for the period from the Listing Date to the date of this announcement. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the code provisions under the CG Code.

Pursuant to code provision C.2.1 in the CG Code, the roles of chairman of the board and chief executive officer should be separate and should not be performed by the same individual. Dr. Li Zhifei is serving as the chairman of the Board as well as the chief executive officer of our Company. As Dr. Li Zhifei has been managing our Group's business and overall strategic planning for several years, our Directors consider that vesting the roles of chairman and chief executive officer in Dr. Li Zhifei is beneficial to the business prospects and management of our Group by ensuring consistent leadership within our Group. Taking into account all the corporate governance measures implemented by the Group, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Accordingly, our Company had not segregated the roles of its chairman and chief executive officer. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at an appropriate time if necessary, taking into account the circumstances of our Group as a whole.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) from the Listing Date to June 30, 2024. As at June 30, 2024, there is no treasury shares held by the Company.

Compliance with Model Code of Listing Rules

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions of the Directors. Since the listing of the Company's Shares on the Stock Exchange commenced on April 24, 2024, the Model Code was not applicable to the Company for most of the Reporting Period. Having made specific enquiry with all Directors, each Director has confirmed his/her compliance with the Model Code from the Listing Date to the date of this announcement.

Subsequent Events

On July 22, 2024, the Group subscribed for a wealth management product with a subscription amount of US$8,877,000 (equivalent to approximately RMB63,324,000). For details, please refer to the announcement of the Company dated July 22, 2024.

Save as disclosed above, there are no significant events after June 30, 2024 and up to the date of this announcement that would have a material impact on the operating and financial performance of the Group.

Review of the Interim Results

The unaudited consolidated results of the Group for the six months ended June 30, 2024 have not been reviewed by the external auditor but have been reviewed by the Company's Audit Committee, comprising three independent non-executive Directors, namely Mr. Chen Yilyu (chairman of the Audit Committee), Prof. Lu Yuanzhu and Mr. Yang Zhe.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 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 https://www.chumenwenwen.com/.

The 2024 interim report of the Company will be published on the website of the Stock Exchange and the website of the Company in due course.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2024 — unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended June 30,	
	Note	**2024**	2023
		RMB'000	*RMB'000*
Revenue	*3*	**162,670**	261,763
Cost of sales		**(57,364)**	(64,696)
Gross profit	*3*	**105,306**	197,067
Research and development expenses		**(55,814)**	(72,620)
Selling and marketing expenses		**(91,291)**	(59,927)
Administrative expenses		**(55,881)**	(44,123)
Other income and loss, net		**(694)**	12,279
Reversal of impairment losses on trade receivables		**255**	140
(Loss)/profit from operations		**(98,119)**	32,816
Finance costs	*4(a)*	**(171)**	(167)
Gain on disposal of subsidiaries		**—**	773
Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares	*14*	**(480,455)**	(250,024)
Loss before taxation	*4*	**(578,745)**	(216,602)
Income tax	*5*	**(11)**	(1,742)
Loss for the period		**(578,756)**	(218,344)

	Note	Six months ended June 30, 2024 RMB'000	2023 RMB'000
Other comprehensive income for the period (after tax):			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements		**(3,206)**	(88,445)
Items that may be reclassified subsequently to profit or loss:			
Change in the fair value of financial assets measured at fair value through other comprehensive income		**(375)**	—
Exchange differences on translation of financial statements of overseas subsidiaries		**(2,047)**	(50,872)
Other comprehensive income for the period		**(5,628)**	(139,317)
Total comprehensive income for the period attributable to equity shareholders of the Company		**(584,384)**	(357,661)
Loss per share	*6*		
Basic and diluted *(RMB)*		**(0.55)**	(0.30)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2024 — unaudited
(Expressed in RMB)

	Note	**At June 30, 2024** *RMB'000*	At December 31, 2023 *RMB'000*
Non-current assets			
Property, plant and equipment		**3,170**	2,343
Right-of-use assets		**10,748**	3,293
Intangible assets		**4,053**	5,291
		17,971	10,927
Current assets			
Inventories	*7*	**90,360**	66,734
Trade receivables	*8*	**31,412**	57,981
Prepayments, deposits and other receivables	*9*	**79,598**	44,484
Financial assets measured at fair value through profit or loss		**30,822**	34,844
Financial assets measured at fair value through other comprehensive income		**47,647**	47,066
Time and restricted deposits		**766**	780
Cash and cash equivalents	*10*	**385,884**	144,324
		666,489	396,213

	Note	At June 30, 2024 RMB'000	At December 31, 2023 RMB'000
Current liabilities			
Trade payables	*11*	**36,047**	24,552
Other payables and accruals	*12*	**54,157**	63,312
Contract liabilities		**62,324**	53,131
Bank loan	*13*	**20,000**	—
Lease liabilities		**3,273**	3,148
Contingently redeemable preferred shares and ordinary shares	*14*	**—**	4,353,833
Current taxation		**983**	975
Warranty provisions		**18,540**	18,479
Other current liabilities		**3,781**	—
		199,105	4,517,430
Net current assets/(liabilities)		**467,384**	(4,121,217)
Total assets less current liabilities		**485,355**	(4,110,290)
Non-current liabilities			
Lease liabilities		**7,892**	313
Other non-current liabilities		**21,785**	19,738
		29,677	20,051
NET ASSETS/(LIABILITIES)		**455,678**	(4,130,341)
CAPITAL AND RESERVES			
Share capital		**494**	138
Reserves		**455,184**	(4,130,479)
TOTAL EQUITY/(DEFICIT) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**455,678**	(4,130,341)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 Basis of preparation

Mobvoi Inc. (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands on August 31, 2012. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 24 April 2024 (the "**Listing**"). The Company is an investment holding company. The Company and its subsidiaries, (together, the "**Group**") are principally engaged in rendering of Artificial Intelligence ("**AI**") software solutions and sale of smart devices and other accessories to enterprise and individual customers.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**"). It was authorized for issue on August 23, 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards as issued by the IASB.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2 Changes in accounting policies

The Group has applied the following amendments to IFRS Accounting Standards issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("**2020 amendments**")*
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("**2022 amendments**")*
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows and IFRS 7, Financial instruments: Disclosures — Supplier finance arrangements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IAS 1, Presentation of financial statements ("2020 and 2022 amendments", or collectively the "IAS 1 amendments")

The IAS 1 amendments impact the classification of a liability as current or non-current, and are applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions in a full set of financial statements.

Upon the adoption of the amendments, the Group has reassessed the classification of its liabilities as current or non-current and did not identify any reclassification to be made.

Amendments to IFRS 16, Leases: Lease liability in a sale and leaseback

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these financial statements as the Group has not entered into any sale and leaseback transactions.

Amendments to IAS 7, Statement of cash flows and IFRS 7, Financial instruments: Disclosures — Supplier finance arrangements

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. Since those disclosures are not required for any interim period presented within the annual reporting period in which the amendments are initially applied, the Group has not made additional disclosures in this interim financial report.

3 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are providing Artificial Intelligence ("**AI**") Software Solutions and sale of Smart Devices and Other Accessories. AI Software Solutions mainly include making use of AI technologies to assist users in content generation ("**AIGC solutions**") and innovative full-stack AI solutions to enterprise customers ("**AI enterprise solutions**"). Smart Devices and Other Accessories include the sale of smart devices. Further details regarding the Group's principal activities are disclosed in Note 3(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
AI Software Solutions		
— AIGC solutions	**92,301**	41,246
— AI enterprise solutions	**10,724**	162,653
Smart Devices and Other Accessories	**59,645**	57,864
	162,670	261,763

(b) Segment reporting

The Group manages its businesses by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("**CODM**") for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- AI Software Solutions: this segment includes AI enterprise solutions and AIGC solutions.

  AI enterprise solutions: this segment includes innovative full-stack AI-based solutions primarily to enterprise customers; and

  AIGC solutions: this segment includes the use of AI technologies to assist users to generate content.

- Smart Devices and Other Accessories: this segment includes the sale of smart devices.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the periods ended June 30, 2024 and 2023 is set out below.

	Six months ended June 30, 2024			
	AI software solutions			
	AIGC solutions *RMB'000*	**AI enterprise solutions** *RMB'000*	**Smart Devices and Other Accessories** *RMB'000*	**Total** *RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	**15,074**	**7,622**	**59,645**	**82,341**
Over time	**77,227**	**3,102**	**—**	**80,329**
Revenue from external customers and reportable segment revenue	**92,301**	**10,724**	**59,645**	**162,670**
Reportable segment gross profit	**82,800**	**3,595**	**18,911**	**105,306**

	Six months ended June 30, 2023			
	AI software solutions			
	AIGC solutions	AI enterprise solutions	Smart Devices and Other Accessories	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	3,618	154,820	57,864	216,302
Over time	37,628	7,833	—	45,461
Revenue from external customers and reportable segment revenue	41,246	162,653	57,864	261,763
Reportable segment gross profit	37,640	149,820	9,607	197,067

(ii) Reconciliations of reportable segment results

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Reportable segment adjusted gross profit	**105,306**	197,067
Research and development expenses	**(55,814)**	(72,620)
Selling and marketing expenses	**(91,291)**	(59,927)
Administrative expenses	**(55,881)**	(44,123)
Other income and loss, net	**(694)**	12,279
Reversal of impairment losses on trade receivables	**255**	140
Finance costs	**(171)**	(167)
Gain on disposal of subsidiaries	**—**	773
Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares	**(480,455)**	(250,024)
Loss before taxation	**(578,745)**	(216,602)

(iii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

	Revenue from external customers Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Mainland China	**91,935**	193,247
The United States	**8,917**	18,094
Other countries or regions	**61,818**	50,422
	162,670	261,763

4 Loss before taxation

(a) Finance costs

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Interest on bank loans	**71**	19
Interest on lease liabilities	**100**	148
	171	167

(b) *Staff costs*

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**67,502**	87,557
Equity-settled share-based payment expenses	**13,487**	16,502
	80,989	104,059

(c) *Other items*

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Depreciation charge		
— property, plant and equipment	**721**	284
— right-of-use assets	**3,217**	3,363
Amortization cost of intangible assets	**1,579**	1,301
Reversal of impairment losses recognized		
— trade receivables	**(255)**	(140)
Listing expenses	**28,959**	7,599
Increase in warranty	**61**	275

5 Income tax

Taxation in the consolidated statements of profit or loss and other comprehensive income represent:

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Current tax		
Provision for the period	**11**	1,742

Notes:

(i) Under the PRC Income Tax Laws, an enterprise which qualifies as a High and New Technology Enterprise ("**the HNTE**") is entitled to a preferential tax rate of 15% provided it continues to meet HNTE qualification standards on an annual basis.

Beijing Yushanzhi Information Technology Company Limited and Wenwen Smart Information Technology Company Limited qualify as an HNTE and is entitled for a preferential tax rate of 15% from 2020 to 2025. Mobvoi Information Technology Company Limited qualifies as an HNTE and is entitled for a preferential tax rate of 15% from 2024 to 2026. Mobvoi Innovation Technology Company Limited qualifies as an HNTE and is entitled for a preferential tax rate of 15% from 2022 to 2024. In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries are also entitled to an additional tax deduction allowance calculated at 100% of their qualified research and development costs incurred in corresponding period, other subsidiaries are entitled to an additional tax deductible allowance calculated at 100% of qualified research and development costs incurred from October 1, 2022.

All other PRC subsidiaries of the Group are subject to the statutory enterprise income tax rate of 25%.

(ii) The Company was incorporated in the Cayman Islands and it is tax exempted under the tax laws of the Cayman Islands.

(iii) The provision for Hong Kong Profits Tax for the reporting period is calculated at 16.5% of the estimated assessable profits for the period, except for one subsidiary of the Group which is under the two-tiered profits tax rate regime, i.e. the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

(iv) Mobvoi US, LLC is a Washington corporation that is subject to U.S. corporate income tax on its taxable income at a rate of up to 24.53% for the reporting period.

(v) Mobvoi Taiwan Corporation is a Taipei corporation that is subject to corporate income tax of Taiwan on its taxable income at a rate of up to 20% for the reporting period.

6 Loss per share

(a) Basic and diluted loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB578,756,000 (six months ended June 30, 2023: RMB218,344,000) and the weighted average of 1,057,551,000 ordinary shares (2023: 723,698,000 ordinary shares) deemed to be in issue during the interim period, calculated as follows:

Notwithstanding that most of the issued ordinary shares are classified as puttable financial instruments and the Company's obligation to redeem those ordinary shares give rise to a financial liability until the ninth amended and restated memorandum and articles of association of the Company becomes effective on the date of Listing (Note 14), the calculation of weighted average number of ordinary shares was determined based on all issued ordinary shares (including those that give rise to a financial liability) as all of these ordinary shares are of the same class having the same rights to receive dividends.

Weighted average number of ordinary shares

	Six months ended June 30,	
	2024	2023
	'000	*'000*
Issued ordinary shares at January 1,	**736,698**	736,698
Effect of conversion of contingently redeemable preferred shares to ordinary shares	**287,315**	—
Effect of ordinary shares issued by initial public offering and over-allotment option	**33,538**	—
Weighted average number of ordinary shares at June 30,	**1,057,551**	723,698

For the six months ended June 30, 2024 and 2023, the contingently redeemable preferred shares (Note 14) and share options issued under the Company's share option scheme were not included in the calculation of diluted loss per share as their inclusion would have been anti-dilutive. Accordingly, diluted loss per share for the six months ended June 30, 2024 and 2023 are the same as basic loss per share for the respective periods.

(b) Adjusted basic and diluted loss per share

As disclosed in Note 14, the changes in the carrying amount of the financial liability arising from the Company's obligation to redeem those ordinary shares classified as puttable financial instruments is recognised in profit or loss. Consistent with treating all issued ordinary shares (including those that give rise to a financial liability) as outstanding and included in the calculation of weighted average number of ordinary shares above, the following additional information is provided to adjust for the changes in the carrying amount of the above-mentioned financial liability in arriving at the "adjusted loss attributable to ordinary equity shareholders of the Company":

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Loss attributable to ordinary equity shareholders of the Company	**(578,756)**	(218,344)
Changes in the carrying amount of contingently redeemable ordinary shares	**260,074**	110,860
Adjusted loss attributable to ordinary equity shareholders of the Company	**(318,682)**	(107,484)

	Six months ended June 30,	
	2024	2023
Basic and diluted loss per share excluding changes in the carrying amount of contingently redeemable ordinary shares *(RMB)*	**(0.30)**	(0.15)

The denominators used in the calculation of adjusted basic and diluted loss per share for the period ended June 30, 2024 and 2023 are the same as those detailed in the calculation of basic and diluted loss per share.

7 Inventories

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Finished goods	**97,549**	87,397
Raw materials	**8,276**	9,041
	105,825	96,438
Less: write down of inventories	**(15,465)**	(29,704)
	90,360	66,734

	Six months ended June 30, 2024 *RMB'000*	2023 *RMB'000*
Carrying amount of inventories sold	**32,139**	35,296
Write down of inventories	**1,305**	13,825
	33,444	49,121

8 Trade receivables

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Amounts due from third parties	**42,443**	69,266
Less: loss allowance	**(11,031)**	(11,285)
Trade receivables, net	**31,412**	57,981

All of the trade receivables are expected to be recovered or recognized as expense within one year.

Aging analysis

As at the end of each reporting period, the aging analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Within 90 days	**29,274**	56,592
90–360 days	**2,138**	1,389
	31,412	57,981

Trade receivables are generally due within 90 days from the invoice date.

9 Prepayments, deposits and other receivables

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Prepayments for:		
— Commissioned processing fee and inventory	**2,423**	1,912
— Service fees	**4,656**	4,133
— Costs incurred in connection with the proposed listing of the Company's shares *(Note (i))*	**—**	1,666
	7,079	7,711
Loan to a third party	**19,955**	—
Deductible input VAT	**11,951**	9,321
Refundable VAT for export sales	**16,411**	17,637
Deposits	**5,204**	4,083
Due from a related party	**4,971**	4,971
Others	**14,081**	815
	72,573	36,827
Less: loss allowance	**(54)**	(54)
	72,519	36,773
	79,598	44,484

Note:

(i) The balances were transferred to the share premium account within equity upon the Listing of the Company's shares on the Stock Exchange.

10 Cash and cash equivalents

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Cash at bank	**33,268**	31,001
Time deposits and highly liquid investments with initial terms within three months *(Note (i))*	**289,348**	113,323
Deposits with other financial institutions *(Note (ii))*	**63,268**	—
	385,884	144,324

Notes:

(i) As at June 30, 2024 and December 31, 2023, time deposits and highly liquid investments with initial terms within three months represented bank deposits with original maturities within three months and redeemable on maturity.

(ii) As at June 30, 2024, deposits with other financial institutions represented deposits held in securities trading accounts for the purpose of the Group's securities investment.

11 Trade payables

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Trade payables due to a related party	**2,594**	—
Trade payables due to third parties	**33,453**	24,552
	36,047	24,552

As at the end of each reporting period, the aging analysis of trade payables, based on the invoice date, is as follows:

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Within one year or on demand	**36,047**	24,552

12 Other payables and accruals

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Payables for services	**9,996**	6,602
Payables for advertising	**5,269**	8,851
Payables for research and development related costs	**138**	1,402
Others	**875**	2,417
Financial liabilities measured at amortized cost	**16,278**	19,272
Payroll and welfare payable	**9,648**	18,005
Other tax payables	**28,231**	26,035
	54,157	63,312

13 Bank loan

At June 30, 2024, the bank loan was unsecured and repayable within one year.

During the six months ended June 30, 2024, the Group borrowed RMB20,000,000 from a bank at a fixed interest rate of 2.9% per annum for one year which will be repaid in May 2025.

14 Contingently redeemable preferred shares and ordinary shares

The Group and the Company

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Contingently redeemable preferred shares	**—**	2,458,493
Contingently redeemable ordinary shares	**—**	1,895,340
	—	4,353,833

The movements of the contingently redeemable preferred shares and ordinary shares during the periods ended June 30, 2024 and December 31, 2023 are set out as below:

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
The Group and the Company		
At January 1	**4,353,833**	3,536,115
Changes in the carrying amount of financial liabilities	**480,455**	753,785
Extinguishment of contingently redeemable ordinary shares of the Company upon the Listing	**(2,158,590)**	—
Conversion of contingently redeemable preferred shares into ordinary shares of the Company upon the Listing	**(2,689,306)**	—
Effect of foreign exchange rate changes	**13,608**	63,933
At June 30/December 31	**—**	4,353,833

(a) Issuance of the contingently redeemable preferred shares and ordinary shares

The key terms of the preferred shares and ordinary shares are summarized as follow:

Redemption features

Upon the occurrence of certain specified triggering events including failure of a qualified IPO or share sale by a specified date ("**Maturity Redemption Event**") and the earlier of (1) captive structure of certain entities within the Group becoming invalid, illegal or unenforceable pursuant to applicable laws and (2) a material breach of the representations and warranties or undertakings ("**Breach Redemption Event**"), which are not all within the control of the Company, the Company shall redeem all or part of the then issued and outstanding preferred shares upon request at the redemption price of 100% of the issue price with an 8% compound per annum return calculated from the issue date, plus any accrued but unpaid dividends upon a Maturity Redemption Event, or 150% of the issue price plus any accrued but unpaid dividends upon a Breach Redemption Event.

In addition to the above redemption rights, in the event that, as a result of any person holding a direct or indirect interest in any shares (the "**Subject Shares**"), any Governmental Authority shall (a) prohibit any of the Group companies from distributing all or any part of the earnings or cash or other assets thereof to its shareholders based outside of the PRC, or (b) refuse to grant, revoke or suspend any consent, approval, license or permit (the "**Consent**") necessary for the operation, maintenance, ownership or status of any Group Company, or the conduct of its business in the ordinary course, and the Person holding such interest fails to cure such situation within 30 days after receiving written notice from the Company, then to the extent necessary to eliminate such prohibition or to secure such Consent, the Company shall, at the request of the Board or the Majority Investors, repurchase up to all of such Subject Shares (the "**Redeemed Shares**") at the redemption price per share equal to the higher of (i) with (A) respect to the Ordinary Shares, the original subscription price thereof (as adjusted for any share dividends, combinations, splits, recapitalizations and the like), (B) with respect to the Preferred Shares, the breach redemption price, and (ii) the fair market value thereof as determined by an independent appraiser as appointed by the Board of Directors in good faith. Subject to the restriction under the Cayman Companies Act, the Company's obligation to repurchase ordinary shares and preferred shares will not cause the Company to redeem all its shares such that there will be at least one share that is not puttable to the Company.

Except for the share that is not puttable to the Company due to the restriction under the Cayman Companies Act, the issued ordinary shares and preferred shares of the Company are puttable financial instruments, which include the contractual obligation for the Company to repurchase the shares upon the occurrence of the event as mentioned above. The Company's obligation to redeem the ordinary shares and preferred shares give rise to a financial liability, which is measured at the present value of the redemption amount under the worst-case approach. Changes in the carrying amount of the financial liability arising from the remeasurement of the redemption amount is recognised in profit or loss as "Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares".

Liquidation preference

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or in the event of any Deemed Liquidation Event, all assets and funds of the Company legally available for distribution shall be distributed at the issue price of the preferred shares in the following order: Series D Preferred shares, Series C Preferred shares, Series B Preferred shares, Series A-2 preferred shares, Series A-1 Preferred shares and Series A Preferred shares. After the preference amount of preferred shares have been paid in full, the remaining assets and funds of the Company available for distribution shall be ratably distributed among all ordinary shareholders and preferred shareholders on an as-converted basis.

Conversion features

Any preferred share may, at the option of the holder, be converted at any time after the date of issuance of such shares into fully-paid and non-assessable ordinary shares based on the applicable then-effective conversion Price.

Each preferred share shall automatically be converted, based on the applicable then-effective conversion price into fully-paid and non-assessable ordinary shares upon the earlier of (i) the closing of a Qualified IPO, or (ii) the date specified by written consent or agreement of the majority of certain series of preferred shareholders.

The then-effective conversion price shall initially be the issue price of preferred shares and shall be subject to adjustment and readjustment from time to time as including but not limited to share splits and combinations, provided that the conversion price shall not be less than the par value of the ordinary Shares.

(b) Expiration of the contingently redeemable preferred shares and ordinary shares

The preferential rights to redeem the preferred shares upon the occurrence of a Maturity Redemption Event or a Breach Redemption Event and the liquidation priority of the preferred shares have expired when the preferred shares were automatically converted into ordinary shares upon the listing of the Company's shares on the Stock Exchange.

The contractual obligation for the Company to repurchase the ordinary and preferred shares upon the occurrence of the event as mentioned under redemption features in Note 14(a) has been terminated upon the ninth amended and restated memorandum and articles of association of the Company becoming effective on the date on which the Company's shares are listed on the Stock Exchange.

Accordingly, the carrying amount of the financial liabilities arising from the Company's contingent redemption obligation were reclassified to share capital, share premium and capital reserve within equity.

15 Dividends

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June, 2024 (six months ended 30 June, 2023: RMBNil).

16 Non-adjusting events after the reporting period

On July 22, 2024, the Company subscribed for a wealth management product with a subscription amount of US$8,877,000 (equivalent to approximately RMB63,324,000).

DEFINITION

"AGI"	artificial general intelligence
"AI"	artificial intelligence
"AI company"	a company that uses AI technologies to provide AI-empowered products and services to individual consumers or enterprises
"AI CoPilot"	an AI assistant, which was optimized iteratively and developed based on Sequence Monkey, has the capabilities to conduct tasks such as image-text comprehension and speech synthesis together with the possession of voice interaction and content generation technologies to be integrated into our AIGC solution matrix including but not limited to "Moyin Workshop" and "Weta365". It is designed to provide guidance, interactive editing, copy-write functionalities and to help people complete tasks in various application scenarios, such as automotive, finance, TMT and others such as healthcare and retail industries
"AI Software Solutions"	comprise AIGC solutions and AI enterprise solutions
"AIGC"	AI-generated content, meaning leveraging artificial intelligence to automate content generation and to generate personalized content according to user-inputted keywords or requirements
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Automotive Sub A"	a limited liability company incorporated under the laws of China and principally engages in investment and research and development in technologies, which is a subsidiary of Automotive Corporation Group
"Board"	board of directors

"CG Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"CIC Report"	an independent market research report commissioned by us and prepared by China Insights Industry Consultancy Limited for the purpose of the prospectus of the Company
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	Mobvoi Inc. (出門問問有限公司), an exempted company with limited liability incorporated in the Cayman Islands on August 31, 2012, the Shares of which were listed on the Main Board of the Stock Exchange (stock code: 2438)
"Director(s)"	the director(s) of the Company
"DupDub"	an overseas integrated version of certain of the applications in our Group's AIGC solution matrix, namely (i) "Moyin Workshop", (ii) "AI Ask365", (iii) "Qi Miao Wen" and (iv) "Weta365"
"end-to-end"	the process from users beginning to interact with a machine till the machine has completed the generation of outcomes, and specifically includes the procedures of noise reduction, voice recognition, semantic understanding, searching and voice synthesis
"Global Offering"	has the meaning ascribed thereto in the prospectus of the Company dated April 16, 2024
"Group", "our", "we" or "us"	the Company and our subsidiaries from time to time or, where the context so requires, in respect of the period before the Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"large language model"	a large-scale model that is trained with more than 1 billion parameters and is able to perform multi-domain tasks, understand and generate humanized text
"Listing Date"	April 24, 2024, being the date on which dealings in the Shares first commenced on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended. supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
"multi-modal"	an ability of a large language model to generate diverse content that incorporates, integrates and encompasses multiple modes and modalities from difference sources, such as texts, audios, images and videos
"paying user"	in any given year/period, a user who makes payment(s) for subscription, renewal and/or other purchases on any of our content creation platforms among our AIGC solutions
"PRC" or "China"	the People's Republic of China, for the purposes of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of PRC and Taiwan
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by our Company on October 19, 2015, the principal terms of which are set out in the section headed "Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Share Option Scheme" in Appendix IV in the prospectus of the Company
"prospectus"	the prospectus of the Company dated April 16, 2024

"registered user"	a user account that registered for any of our content creation platforms among our AIGC solutions
"Reporting Period"	six months ended June 30, 2024
"RMB"	Renminbi, the lawful currency of the PRC
"Sequence Monkey"	an upgraded large language model self-developed by our Company based on UCLAI in 2023, which is equipped with multi-modal generative capability (i.e. being able to generate image, video and speech recognition in addition to text) and possesses natural language understanding, knowledge, logic and reasoning capabilities, and is able to conduct much larger scale of model trainings than UCLAI
"Share(s)"	ordinary share(s) of nominal value of US$0.0000479889 each in the capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Smart Devices and Other Accessories"	comprise hardware-software smart devices such as AI smart watches and AI smart treadmills that are integrated with AI modules, IoT, voice AI interaction technologies and software apps, and other accessories
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"treasury share(s)"	has the meaning ascribed thereto under the Listing Rules
"UCLAI"	a universal Chinese language AI, a large language model self-developed by our Company in 2020

"user-in-the-loop"	enhancing model training and optimizing output through utilization of human-machine interaction data
"%"	per cent.

By order of the Board
Mobvoi Inc.
Dr. LI Zhifei
Chief Executive Officer, Chairman and Executive Director

Hong Kong, August 23, 2024

As at the date of this announcement, the Board of the Company comprises Dr. Li Zhifei and Ms. Li Yuanyuan as executive Directors; and Mr. Chen Yilyu, Prof. Lu Yuanzhu and Mr. Yang Zhe as independent non-executive Directors.