



SenseTime Group Inc.
商汤集团股份有限公司

(a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)

Stock Code: 0020

Smart Business •

Smart City •

Smart Life •

Smart Auto •

INTERIM REPORT
2022

Contents

Corporate Information	2
Key Highlights	4
Chairman's Statement	5
Management Discussion and Analysis	12
Report on Review of Interim Financial Information	23
Interim Condensed Consolidated Income Statement	24
Interim Condensed Consolidated Statement of Comprehensive Loss	25
Interim Condensed Consolidated Balance Sheet	26
Interim Condensed Consolidated Statement of Changes in Equity	28
Interim Condensed Consolidated Statement of Cash Flows	29
Notes to the Interim Condensed Consolidated Financial Information	31
Other Information	78
Definitions	93

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. XU Li (徐立) (*Executive Chairman of the Board*)
Prof. TANG Xiao'ou (湯曉鷗)
Dr. WANG Xiaogang (王曉剛)
Mr. XU Bing (徐冰)

Non-executive Director

Ms. FAN Yuanyuan (范瑗瑗)

Independent non-executive Directors

Prof. XUE Lan (薛瀾)
Mr. LYN Frank Yee Chon (林怡仲)
Mr. LI Wei (厲偉)

AUDIT COMMITTEE

Mr. LYN Frank Yee Chon (林怡仲) (*Chairperson*)
Ms. FAN Yuanyuan (范瑗瑗)
Mr. LI Wei (厲偉)

REMUNERATION COMMITTEE

Mr. LI Wei (厲偉) (*Chairperson*)
Mr. LYN Frank Yee Chon (林怡仲)
Dr. XU Li (徐立)

NOMINATION COMMITTEE

Mr. LI Wei (厲偉) (*Chairperson*)
Dr. XU Li (徐立)
Prof. XUE Lan (薛瀾)

CORPORATE GOVERNANCE COMMITTEE

Prof. XUE Lan (薛瀾) (*Chairperson*)
Mr. LI Wei (厲偉)
Mr. LYN Frank Yee Chon (林怡仲)

JOINT COMPANY SECRETARIES

Ms. LIN Jiemin (林潔敏)
Ms. WONG Wai Yee Ella (黃慧兒) (*FCG, HKFCG*)

AUTHORIZED REPRESENTATIVES

Mr. XU Bing (徐冰)
Ms. LIN Jiemin (林潔敏)

AUDITOR

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

REGISTERED OFFICE

Second Floor, Century Yard
Cricket Square P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1900 Hongmei Road
Xuhui District
Shanghai 200233
PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2/F, Harbour View 1
12 Science Park East Avenue
Hong Kong Science & Technology Park
Shatin
Hong Kong

HONG KONG LEGAL ADVISOR

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

COMPLIANCE ADVISOR

Haitong International Capital Limited
Suites 3001-3006 and 3015-3016
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

HONG KONG SHARE REGISTRAR

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

**PRINCIPAL SHARE REGISTRAR AND
TRANSFER OFFICE**

Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard
Cricket Square P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

PRINCIPAL BANKS

China Construction Bank
No. 25, Finance Street
Xicheng District
Beijing
PRC

Industrial and Commercial Bank of China Limited
Shanghai Municipal Branch
No. 9 Pudong Avenue
Pudong New District
Shanghai
PRC

China Merchants Bank
Merchants Bank Tower
No. 7088 Shennan Boulevard
Futian District
Shenzhen
PRC

STOCK CODE

0020

COMPANY'S WEBSITE

www.sensetime.com

Key Highlights

FINANCIAL SUMMARY

	Six months ended June 30,		2021		Period-over-period change
	2022	As a percentage of revenue	Amount	As a percentage of revenue	
	Amount (Unaudited) (RMB in thousands, except for percentages)		Amount (RMB in thousands, except for percentages)		
Revenue	1,415,343	100.0	1,651,809	100.0	-14.3%
Gross Profit	934,043	66.0	1,205,067	73.0	-22.5%
Loss for the period	(3,207,988)	(226.7)	(3,712,873)	(224.8)	-13.6%
Non-IFRS Measures:					
Adjusted EBITDA	(2,322,546)	(164.1)	(556,160)	(33.7)	317.6%
Adjusted net loss	(2,564,180)	(181.2)	(702,665)	(42.5)	264.9%

OPERATING METRICS

	Six months ended June 30,		Period-over-period change
	2022	2021	
Number of customers in Smart Business	512	635	-19.4%
Number of customers in Smart Life	183	155	18.1%
Number of customers in Smart Auto	20	13	53.8%

	As at June 30, 2022	As at December 31, 2021	Change
Number of cities served in Smart City	155	140	10.7%

Chairman's Statement

OVERALL PERFORMANCE

The first half of 2022 was challenging for both the domestic and international environments. We continued to lead innovation in the AI industry by proactively responding to changes in the macro environment including the pandemic. In the first half of 2022, our Smart Auto and Smart Life segments achieved significant growth; our new infrastructure, the Shanghai Lingang Artificial Intelligence Data Center (“AIDC”), which has launched services to empower the industry digitization, is getting strong market demand, while driving our AI R&D capability to another level. Although our Smart City and Smart Business segments were impacted by the pandemic, resulting in projects delay and deferred revenue recognition, we have relatively high quality customer base that consists of large enterprises and cities, which demonstrated even greater needs for digitization under the pandemic, while rapid recoveries in related industries have started since June. Thanks to our advanced AI infrastructure and diversified business profile, we have continued to maintain our industry-leading market position and strong business resilience, and we are confident in the future long-term growth of the AI market.

For the six months ended June 30, 2022, the Group's total revenue was RMB1.42 billion, the gross profit was RMB0.93 billion, with gross profit margin of 66.0%. For the six months ended June 30, 2022, the Group invested RMB1.88 billion in research and development, excluding share-based compensation expenses, representing 133.1% of revenue. For the six months ended June 30, 2022, the Group's net loss was RMB3.21 billion; adjusted net loss was RMB2.56 billion. As of June 30, 2022, the total balance of cash at banks and in hand, structured deposits and fair value of investments in bonds and other fixed income products held by the Group was RMB19.51 billion.

BUSINESS SUMMARY

In the first half of 2022, the integration of AI and the real economy made encouraging progress. During the “14th Five-Year Plan” period, the industrialization and commercialization of AI will be further accelerated. As a leading AI software company in China, SenseTime, with our advanced AI infrastructure and diversified business scenarios, continues to reduce the cost of AI model production, improve the penetration efficiency of standardized products, and enable AI to benefit more scenarios and industries, thus continuing to further solidify the largest market share in this highly competitive market.

In the first half of 2022, thanks to the industry-leading AI infrastructure, SenseTime continued to promote the industrialized innovation of AI technology and the mass production of AI models. We have built and launched the world's leading AI supercomputing power of over 2.5 exaFLOPS, an expansion of 114% compared to 1.17 exaFLOPS at the end of 2021. Our newly opened Shanghai Lingang AIDC has been officially launched, with 1.745 exaFLOPS of computing power and has received strong market demand. As of August 2022, Shanghai Lingang AIDC has been servicing external clients with computing power exceeding 1 exaFLOPS. The industrial value of Shanghai Lingang AIDC has been successfully verified and has been awarded the title of “Shanghai Artificial Intelligence Integration Empowerment Center” by Shanghai Municipal Commission of Economy and Information, and “Key Regional Comprehensive Artificial Intelligence Infrastructure Demonstration Project” by the National Development and Reform Commission.

Chairman's Statement

In the first half of 2022, we continued to promote the implementation of AI technology in Smart Business, Smart City, Smart Life and Smart Auto. In the first half of 2022, the revenue contribution of the four revenue streams accounted for 40%, 31%, 21% and 9% respectively, while revenue contribution of the four revenue streams was 42%, 46%, 9% and 4% in the full year of 2021, hence a healthy uptick in both Smart Life and Smart Auto. Geographically, our Mainland China and overseas markets each contributed 81% and 19% of our revenues. Overseas revenues increased by approximately 760 bps, compared with the full year of 2021. Overall, our business was affected by the pandemic in some regions from March to May, but has witnessed visible recovery after entering June.

SMART BUSINESS

Due to the impact of the COVID-19 pandemic, some of the customers of our Smart Business segment were unable to complete the launch of SenseFoundry-Enterprise products as originally planned due to restrictions on containment and control measures during the pandemic, resulting in a delay in the recognition of some of our sales revenue. In the first half of 2022, revenue from Smart Business reached RMB0.57 billion, a decrease of 12% year-on-year. We served 512 customers, during the period 19% year-on-year, while revenue per customer increased by 9%. Smart Business still maintains a high quality customers base, of which more than 100 are either Fortune 500 companies or listed companies, spanning industries from utility management, manufacturing, infrastructure operation and maintenance, logistics, transportation, park management, retail to financial.

Despite the short-term impact of the pandemic, we see strong demand for digital transformation and smart management among smart business customers. In the first half of 2022, we further expanded the integrated digital energy management platform and industrial intelligent analysis engine business. We have gained the industry's leading position in the digital energy under the "dual carbon" policy, offering the industry's premier AI technology to a leading lithium battery company and power battery manufacturers in the energy industry, and to State Grid, with a total contract value of the related business exceeding RMB1 billion. Our advanced

technology also allows us to achieve great leap forward in commercialization in several existing vertical scenarios. For example, in the subway scenario, we have implemented digital security checks and face payment for ticket verification in 640 stations on over 30 subway lines across China. We have implemented face payment in subway across the mega city with a population of up to over 20 million people, which only takes less than 400ms for passengers to pass through the recognition and payment, and the misrecognition rate is less than one millionth, which meets the payment-level accuracy standard. At the same time, it supports mask-on facial recognition which can ensure the efficiency of passage under pandemic prevention measures. In the consumer household smart door lock market, 90% of smart door lock mainstream brands, including Dessmann, Kaadas, Philips, Panasonic, Bosch, TCL, etc., are embedded with SenseTime's 3D facial recognition module, and the cumulative shipments are nearly 1 million units, which is the only one on the market that has passed the certification of the Ministry of Public Security's Safety and Police Electronic Product Quality Inspection Center, as well as the first solution that has passed the testing and certification of China Bank Card Inspection Center.

SMART CITY

Due to the pandemic outbreak in some regions of Mainland China in the first half of 2022, our Smart City segment was negatively impacted mainly by the postponement of some smart city projects. In the first half of 2022, revenue from Smart City reached RMB0.43 billion, representing a decrease of 45% year-on-year. There was an addition of 15 cities in the Smart City business. Due to the pandemic, the growth rate of the number of cities has slowed down. However, in the long run, as pandemic has brought higher complexity to city management, it is getting more important and urgent for cities to be fully digitalized and intelligent; in the face of unexpected public events, managing authorities of municipalities need management tools like SenseFoundry that can perceive and process massive data instantly and provide closed-loop decision-making capabilities. The driving force for cities to accelerate digitalization has become stronger amid the pandemic. Since June, related businesses have begun to recover rapidly.

Under an era of fully digitalized city management, the penetration rate of SenseFoundry has continued to grow, its functions have been continuously enhanced, and the coverage of long-tail scenarios has continued to increase. As of June 30, 2022, the number of IoT devices connected and empowered by SenseFoundry has increased by over 1.5 million, an increase of about 26% within half a year; around 29,000 units of AI models are installed, an increase of about 28% within half a year, so that more long-tail and fragmented analysis needs can be effectively met. As of June 30, 2022, a total of 155 cities have deployed SenseFoundry, 16 were mega cities with population over 10 million, and 4 were overseas cities. The market share of our computer vision software for smart cities in China remains #1¹ and our market share in China's smart emergency AI and big data sub-markets also ranks #1².

SMART LIFE

In the first half of 2022, our Smart Life segment continued to serve our consumer-facing enterprises, such as mobile phone manufacturers, APP, game developers, medical and educational institutions, etc.. We achieved revenue of RMB0.29 billion, an increase of 98% period-over-period, accounting for 21% of the Group's total revenue, this is a considerable increase from 9% recorded during the full year of 2021. Smart Life served 183 customers during the period, an increase of 18% period-over-period, and revenue per customer increased by 67%. A number of major business lines of Smart Life segment have achieved significant growth in the first half of 2022.

In smart phones, SenseTime is the leading AI software supplier. As of June 30, 2022, a total of over 1.7 billion mobile phones of more than 180 mobile phone models have been pre-installed with various AI algorithms of SenseTime, covering mainstream top-notch mobile phone manufacturers. Functions such as face unlock, super-resolution, night view enhancement and smart albums are now standard configuration of smart phones. In order to further consolidate our leading edge and breakthroughs in next-generation AI perception and imaging, in the

first half of 2022, we established joint research and development with the world's leading image sensor manufacturers, and completed and delivered 5 AI sensors with leading functions. Among them, the RGBW AI sensor has undergone mass production and launched with the flagship model of a top-notch mobile phone manufacturer. This type of sensor can significantly improve the photo effect in low light conditions. For the R&D of ISP (Image Signal Processor) chips, the R&D progress and various core indicators of the first AI ISP chip were in line with expectations during the Reporting Period. It is expected to undergo mass production and be launched to the market in 2023, which will further enhance our product competitiveness.

In the first half of 2022, our SenseMARS platform made commercial breakthrough. Surrounding people-object-location, three product pillars have taken shape – Digital Human Metaverse, Intelligent Agent and Decision and 3D Metaverse. Our products were used in the 2022 Beijing Winter Olympics, Saudi Arabia's top cultural and recreational event Jeddah Season, Dunhuang Museum, Forbidden City Culture, etc. and were also widely deployed in more than 200 APPs such as Xiaohongshu, Weibo, bilibili, ZEPETO, Line, etc. Based on SenseMARS, our clients built key elements for their Metaverse experience, i.e. reconstructing digital space, digital human and digital collectibles. As of June 30, 2022, SenseMARS platform covered 10 million square meter of physical space, was widely deployed in more than 120 theme parks, malls, banks, museums, airports, hospitals, etc. The 50 or so digital human products created by SenseMARS are also equipped with natural language capabilities. According to the "2022 China Digital Human Market Observation Report – Milestones (《2022年中國數字人市場觀測報告—里程碑》)" released by Frost & Sullivan, SenseTime's digital human products have entered the "mature stage" to become the market leader, and have achieved six highest scores in ten evaluation indicators, with overall competitiveness ranking #1. Since 2022, leveraging on SenseMARS's breakthrough in the commercialization

¹ Source: IDC's "2021 H2 China Artificial Intelligence Software and Application Market Tracking Report" released in June, 2022

² Source: IDC's "Market Share of Smart Emergency Solutions in China, 2021" released in 2022

Chairman's Statement

of digital collectibles, we cooperated with top IPs such as Dunhuang Museum, Xu Beihong Art Gallery, etc. to generate and launch nearly 15,000 pieces of limited edition digital collectibles, which were sold out rapidly. SenseMARS has become one of the metaverse engines with the most complete functional modules, the largest coverage of scenarios, the largest number of applications driven, and maximum access to users in the industry.

In regard to Smart Health, our smart diagnosis and treatment platform, SenseCare, now has 18 AI modules in place, including "Liver CT and MR Intelligent Analysis System", "Liver Intelligent Surgery Planning System", "Lung Intelligent Surgery Planning System", "Cardiac Coronary Intelligent Analysis System", "Head and Neck Vascular Intelligent Analysis System", covering six clinical directions such as cardiovascular and cerebrovascular, abdomen, chest, etc.. It has obtained a total of 16 certifications, including domestic NMPA Class III and Class II medical device registration certificates, EU CE, Singapore, Saudi Arabia, United Arab Emirates and other domestic and foreign medical device certifications, and landed in 75 hospitals and medical institutions, helping physicians to analyze millions of medical tests.

We have also achieved breakthroughs in the business of artificial intelligence consumer products for household. In August 2022, the SenseTime AI Chinese chess robot "SenseRobot (元蘿蔔)" was officially released. This product has been certified by the Chinese Xiangqi Association and integrates traditional Chinese chess culture and artificial intelligence technology, targeting 200 million Chinese chess enthusiasts, with demand quickly ramped up over 10,000 since launching. We will continue to expand production capacity to enhance our delivery capabilities. As the first robot equipped with a robotic arm launched by SenseTime, "SenseRobot" integrates AI vision, robotic arms and AI decision-making intelligence, realizes production cost control of consumer products as well as safety assurance of household products. With chess and card game as the first application scene, it has created a new category of intelligent home robots, further bringing AI to everyday life.

SMART AUTO

In the first half of 2022, our SenseAuto intelligent automotive application platform continued to bring its products to commercialization. In the first half of 2022, revenue from Smart Auto amounted to RMB0.12 billion, representing a year-on-year increase of 71%, and accounting for 9% of the total revenue of the Group, a considerable increase from the 4% recorded in the full year of 2021. Smart Auto segment served 20 customers during the period, an increase of 54% period-over-period, and revenue per customer also increased by 11%.

In the first half of 2022, through in-depth cooperation with automobile companies, we continued to innovate and integrate our smart auto technological capabilities and launched several new products, including the "SenseAuto Automatic Parking Assistance", "Autonomous Street Sweeping Vehicle", vehicle-2-city network system, etc. In the first half of 2022, our smart cabin products were delivered in mass production to many partners, including SAIC, GAC, Dongfeng, BYD, Nio, Chery, etc. and captured the largest market share in the industry offering pre-installed AI software for Smart Cabin of passenger cars in China³. We have entered into strategic agreement with GAC Group to accelerate the development and mass production of "intelligent vehicles". Several models in the field of intelligent connected vehicle with GAC Chuanqi and GAC AION will be launched in mass production soon. In the first half of 2022, SenseAuto received confirmation letter for mass production of over 3 million new vehicles. For V2X (Vehicle to Everything), we have been awarded road test licenses in Shanghai, Beijing and Chengdu, and we are building an industry-leading cloud-based data base and center for V2X coordination, which can empower application that can be integrated into smart city. Our autonomous minibuses have been deployed in Beijing, Shanghai Lingang, Wuxi, Xi'an and other places, where it realized industry-leading multi-storey viaduct driving and safely travel over long distances in tunnel scenarios without GNSS signals. It also solved various problems that the industry encountered in long-tail scenarios, such as easing traffic across the roads under the construction and unprotected left turns. In July 2022, we reach a cooperative intention with the Alfa Romeo F1 team ORLEN to jointly explore various ways to integrate AI technologies with the motorsport racing industry.

³ Source: High-tech Intelligent Vehicle Research Institute: Ranking of Standard Loading of pre-installed AI Software Supplier for Smart Cabin of Passenger Cars in China Market 2021.

As a large number of smart autos start to go “on the road”, more and more in-vehicle data needs to be “on the cloud”. We offer automobile companies with AI-as-a-Service based on SenseCore, and integrated the core technology of super-large base model into the autonomous driving R&D, thus lowering the cost of autonomous driving data production and labeling by hundreds of times. For data security and privacy protection, the “Technical Requirements and Methods for Automobile Transmission Video and Image Desensitization” jointly developed by China Association of Automobile Manufacturers, SenseTime and Shanghai Motor Vehicle Inspection Certification Tech Innovation Center was officially released in August 2022. This clarifies the desensitization method of the vehicle data captured by automobile, setting the security standards for data captured by automobile in China. SenseAuto provides a one-stop desensitization solution for automobile companies, helping customers process data securely and at low cost so together we promote and accelerate autonomous driving industry as a whole.

SENSECORE AND R&D

SenseTime firmly believes that AI will be ubiquitous in the next 20 years. It is a subversive technology that goes beyond cycles. The development of AI industry takes persistency and tenacity.

In the first half of 2022, our R&D expenditure reached RMB2.04 billion, and the cumulative investment in R&D from 2018 to date has exceeded RMB10 billion. SenseTime continues to lead China's R&D in AI, and has continued to strengthen its full-stack technological capabilities from AI infrastructure construction to industry application development. As of June 30, 2022, we had 4,093 R&D talents, accounting for 69% of the total workforce. Our per capita R&D efficiency continues to improve, the annual average number of models produced by the R&D team per person has further increased by 15% to 6.8 models compared to 2021, and the cumulative number of commercial models has increased by 40% to more than 49,000 models. During the Reporting Period, we added 2,136 patents, bringing the total number of patents to 12,502.

In the first half of 2022, the launch of Shanghai Lingang AIDC has brought SenseCore's capabilities to a new level, driving our AI model production to continue to improve in terms of scale, accuracy, and speed. Our super-large base model leads the visual large-model track, achieves over 90% accuracy in ImageNet large-scale recognition tasks, and ranks among top three globally along side Google and Microsoft. The automatic data production line based on the large model increases the speed of automatic data labeling by 600 times compared to traditional manual labeling, and the cost is reduced to 1/500, with comparable accuracy. It has been applied to smart cities, autonomous driving, etc. With the outstanding performance of SenseCore in the production of AI models, a number of academic institutions and enterprises (in particular automobile company customers) have subscribed and used SenseCore's AI-as-a-Service service. As of August 2022, the computing power of Shanghai Lingang AIDC's external services has exceeded 1 exaFLOPS. We continue to improve the computing power scheduling efficiency of AIDC, and optimize the performance of chips and servers. On the premise of not increasing energy consumption indicators, Shanghai Lingang AIDC can achieve larger-scale computing power output. The peak computing power is expected to exceed 5 exaFLOPS, which is 33% higher than the original plan, while further reducing the computing power cost and unit energy consumption, and drives overall cost of AI production down. During the “14th Five-Year Plan” period, China's AI computing power demand is expected to continue to expand. We have started preparatory work for AIDCs in other cities using Lingang as blue print, strategizing a nation wide computing power network.

Chairman's Statement

In the first half of 2022, based on SenseCore's multimodal data processing capabilities, we successfully self developed natural language processing and speech recognition and with lower R&D cost than the industrial average. We also achieve commercialization in digital humans, smart cabin and other related products; our decision-making intelligent model in StarCraft 2 took only five weeks of training time to complete 100 million rounds of game, reaching the highest human ranking possible grandmaster level, and was open sourced on GitHub, making it the strongest AI decision-making model among open source projects in the industry, and will achieve commercialized utilization in businesses such as AI games, among others.

We continue to build the AI chip alliance ecosystem around SenseCore. As of June 30, 2022, five types of domestic-made chips, including Huawei Ascend and Enflame Tech, have achieved training adaptation on SenseCore; Shanghai Lingang AIDC is using 260 petaFLOPS of domestic-made computing power, accounting for 15% of its active computing power scale.

We actively open source and share research results with the world, and our open source platform has collected over 60,000 stars on GitHub, with over 2,000 open source models. In the first half of 2022, we published 71 papers at the world's top computer vision academic conferences, and accumulated 633 papers at the top three conferences of computer vision, i.e., CVPR, ICCV and ECCV, continuing to be the global leader in the field of computer vision.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We fully integrate enterprise social responsibility into our R&D, business and management, and actively promote the sustainable development of the AI industry. In February 2022, we released our first post-IPO corporate social responsibility report, committed to the development of heartwarming AI and insisting on solving social issues with technology. We believe that cutting-edge technology exploration and research is an important cornerstone

for the high-quality development of society. In terms of basic scientific research, AI technology based on strong computing power will help explore the frontier areas of science and technology, and in terms of AI innovation ecology, we play an active role in AI open source community, and establish open partnerships with many research institutions and industry players to achieve the democratization of AI technology, hence lowering the entry barrier of AI for small and medium enterprises. As of June 30, 2022, our open source project received over 60,000 stars on GitHub, making us one of the most popular open source projects in the industry, while promoting positive and sustainable development of society.

From March to May 2022, when the pandemic was hitting Shanghai hardest, we actively supported Shanghai's anti-pandemic work by donating anti-pandemic and living necessities to some local communities, schools and institutions, and organized employee volunteers to participate in community service work. At the early stage of the pandemic's outbreak in Shanghai, we rapidly launched the SenseThunder-Air "All-in-One" pandemic prevention smart system and donated the system to medial facilities and other public places, facilitating flow work automation. At the Shanghai Lingang Fangcang Hospital, our SenseAuto self-driving shuttle minibus and self-driving taxi project team completed the commissioning of the self-driving route in one day to provide technical support to the transportation for anti-pandemic work. During the pandemic, our education platform also provided remote online teaching support to some primary and secondary schools in Shanghai. Our smart diagnosis and treatment platform, SenseCare, improves the efficiency of online imaging diagnosis when doctors work from home.

We are devoted to realizing "human centric AI technology". In the first half of 2022, we officially delivered our "AI-powered Intelligent Nursing System" developed for ALS (Amyotrophic Lateral Sclerosis) patients. By monitoring the patients' key vital signs and events, it provides ALS patients around-the-clock contactless care, bringing warmth to the patients, and effectively relieves the pressure of the patients' family.

As a leading AI company, SenseTime is fully committed to data security and privacy protection, and strives to follow the highest standards of management practices. In May 2022, we were recognized once again by authoritative auditing agencies in personal information and privacy protection. We received the BS10012:2017 Certification for Personal Information Management Systems (PIMS) from the British Standards Institution (BSI), after consecutively receiving three authoritative certifications from ISO/IEC. BS10012:2017 is the world's first personal privacy protection standard. It sets out the compliance requirements for organizations to collect, store, process and retain personal privacy records, and is internationally recognized. The certification reaffirms SenseTime's firm commitment and practice in personal information security and privacy protection management. In the future, we will continue to improve and promote personal information and privacy data protection system as well as AI technology security system to ensure that the technology is applied responsibly for customers and the industry globally.

STRATEGIC VISION

Looking ahead, despite the challenging domestic and international environment, digital transformation and intelligent development will remain the key drivers of China's economic and social development plan as stipulated in the 14th Five-Year Plan period, and the popularization of AI technologies will continue to bring profound changes to the means of production, life and governance. We are confident that we can maintain and widen our competitive edge. In the second half of 2022, the Smart Life and Smart Auto segments will accelerate to realize their potential: AI sensors and metaverse in the Smart Life segment will enter the scale commercialization stage and continue in healthy momentum; in the Smart Auto segment, with the launch of targeted car models, our revenue from mass production continues to increase, and the AI-as-a-Service of SenseAuto could even provide open, co-developed and cutting-edge self-driving capabilities to various car companies. We also continue to lead the AI computing market and develop more incremental markets.

We will continue to strengthen our comprehensive edges and adhere to our following established strategies to drive growth and value enhancement, and create more returns for our shareholders;

1. maintain the leading edge in products and markets for Smart City and Smart Business, and accelerate commercialization expansion and market penetration;
2. continue to establish a comprehensive technology barrier and cooperation ecology in the field of Smart Auto, and continue to break through the industry-leading self-driving technology;
3. continue to promote the development and commercialization of AI sensors, AI ISP chips, SenseMARS metaverse engine and consumer-grade home robotics products;
4. continue to enhance the algorithm production capability and customer expansion through SenseCore, establishing ourselves as the leader in domestication of AI technology;
5. strengthen our human capital, lean management, continuously optimize cash flow management, and strive for continuous improvement of operation quality.

Management Discussion and Analysis

Six months ended June 30, 2022 compared to six months ended June 30, 2021

The following table sets forth the comparative figures for the six months ended June 30, 2022 and 2021:

	Six months ended June 30	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Revenue	1,415,343	1,651,809
Cost of sales	(481,300)	(446,742)
Gross profit	934,043	1,205,067
Selling expenses	(402,148)	(292,388)
Administrative expenses	(768,629)	(1,443,031)
Research and development expenses	(2,035,330)	(1,771,749)
Net impairment losses on financial assets and contract assets	(542,183)	(178,650)
Other income	193,347	123,565
Other (losses)/gains – net	(798,784)	206,446
Operating loss	(3,419,684)	(2,150,740)
Finance income	122,489	96,606
Finance costs	(19,128)	(21,785)
Finance income – net	103,361	74,821
Share of losses of investments accounted for using the equity method	(835)	(3,380)
Fair value losses of preferred share and other financial liabilities	(5,134)	(1,713,610)
Loss before income tax	(3,322,292)	(3,792,909)
Income tax credit	114,304	80,036
Loss for the period	(3,207,988)	(3,712,873)
Loss is attributable to:		
Equity holders of the Company	(3,157,653)	(3,702,589)
Non-controlling interests	(50,335)	(10,284)
	(3,207,988)	(3,712,873)
Non-IFRS measures:		
Adjusted EBITDA	(2,322,546)	(556,160)
Adjusted net loss	(2,564,180)	(702,665)

Management Discussion and Analysis

Six months ended June 30, 2022 compared to six months ended June 30, 2021

Revenue

Our revenue decreased by 14.3% to RMB1,415.3 million in the six months ended June 30, 2022, compared to RMB1,651.8 million in the six months ended June 30, 2021, primarily due to the decrease in Smart City and Smart Business revenues, partially offset by the increase in Smart Life and Smart Auto revenues. The following table sets out a breakdown of our revenue streams in absolute amounts and as percentages of our total revenue for the periods indicated:

	Six months ended June 30			
	2022		2021	
	RMB million (Unaudited)	%	RMB million	%
Smart Business	568.3	40.2	647.1	39.2
Smart City	434.1	30.7	786.3	47.6
Smart Life	292.1	20.6	147.8	8.9
Smart Auto	120.8	8.5	70.6	4.3
Total	1,415.3	100.0	1,651.8	100.0

Our Smart Business revenue decreased by 12.2% to RMB568.3 million in the six months ended June 30, 2022, compared to RMB647.1 million in the six months ended June 30, 2021. This primarily reflected customers' delayed AI spending and deployment of our products on their sites due to the COVID-19 pandemic and related lock-down situations in certain cities of Mainland China.

Our Smart City revenue decreased by 44.8% to RMB434.1 million in the six months ended June 30, 2022, compared to RMB786.3 million in the six months ended June 30, 2021. Our revenue was negatively affected by the COVID-19 pandemic, as some city administrators in Mainland China delayed deployment of certain Smart City operations to prioritize counter-pandemic efforts, especially in cities under lock-down in the first half of 2022. However, we have continued our expansion in domestic city coverage and has deployed our SenseFoundry into 15 new cities in the first half of 2022.

Our Smart Life revenue increased by 97.6% to RMB292.1 million in the six months ended June 30, 2022, compared to RMB147.8 million in the six months ended June 30, 2021. The increase was primarily due to (i) the expansion of our customer base with our Smart Life customers number increasing from 155 in the six months ended June 30, 2021 to 183 in the six months ended June 30, 2022, (ii) increasing revenue from customers in healthcare and education industries, and (iii) successful introduction of SenseMARS, our Metaverse-enabling platform, into international markets.

Our Smart Auto revenue increased by 71.1% to RMB120.8 million in the six months ended June 30, 2022, compared to RMB70.6 million in the six months ended June 30, 2021, primarily due to (i) the expansion of our customer base with our Smart Auto customer numbers increasing from 13 in the six months ended June 30, 2021 to 20 in the six months ended June 30, 2022, and (ii) entering into new R&D collaboration for commercialization of advanced driver assistance systems, leveraging our leading technological capabilities.

Management Discussion and Analysis

Six months ended June 30, 2022 compared to six months ended June 30, 2021

Cost of sales

Our cost of sales increased by 7.7% from RMB446.7 million in the six months ended June 30, 2021 to RMB481.3 million in the six months ended June 30, 2022. The following table sets out a breakdown of our cost of sales by nature in absolute amounts and as percentages of our cost of sales for the periods indicated:

	Six months ended June 30			
	2022		2021	
	RMB million (Unaudited)	%	RMB million	%
Hardware costs and subcontracting service fees	417.4	86.7	383.0	85.7
Server operation and cloud-based service fees	11.6	2.4	0.9	0.2
Employee benefit expenses	30.8	6.4	24.1	5.4
Depreciation and amortization	12.0	2.5	–	–
Other expenses	9.5	2.0	38.7	8.7
Total	481.3	100.0	446.7	100.0

The increase in cost of sales was primarily attributable to the increase in hardware costs and subcontracting service fees, partially offset by the decrease of other expenses.

Gross Profit and Gross Margin

Our gross profit decreased by 22.5% from RMB1,205.1 million in the six months ended June 30, 2021 to RMB934.0 million in the six months ended June 30, 2022, primarily due to the decrease of our revenue and increasing cost of sales. Our gross margin decreased from 73.0% in the six months ended June 30, 2021 to 66.0% in the six months ended June 30, 2022, partially due to higher hardware contribution in our cost of sales, as driven by customer demand in the first half of 2022.

Research and Development Expenses

Our research and development expenses increased by 14.9% from RMB1,771.7 million in the six months ended June 30, 2021 to RMB2,035.3 million in the six months ended June 30, 2022, primarily due to (i) an increase of depreciation and amortization which is generally in line with the increasing investment in property, plant and equipment and intangible assets related to our research and development activities, and (ii) an increase in professional service and other consulting fees as we continue our investment in technology innovation.

Selling Expenses

Our selling expenses increased by 37.5% from RMB292.4 million in the six months ended June 30, 2021 to RMB402.1 million in the six months ended June 30, 2022, primarily due to an increase in employee benefit expenses as a result of the expansion of our sales and marketing force.

Six months ended June 30, 2022 compared to six months ended June 30, 2021

Administrative Expenses

Our administrative expenses decreased by 46.7% from RMB1,443.0 million in the six months ended June 30, 2021 to RMB768.6 million in the six months ended June 30, 2022, primarily due to a decrease in the share-based compensation expenses to our management team and administrative staff.

Net Impairment Losses on Financial Assets and Contract Assets

Our net impairment losses on financial assets and contract assets increased by 203.4% from RMB178.7 million in the six months ended June 30, 2021 to RMB542.2 million in the six months ended June 30, 2022. This increase is primarily due to increased impairment provision for trade receivables, which is generally in line with the flow of our trade receivables' aging schedule as described in "Trade Receivables". We have taken prudent views in making impairment loss, considering the uncertain macro economy environment and the delays on collection in reporting periods.

Other Income

Our other income increased by 56.4% from RMB123.6 million in the six months ended June 30, 2021 to RMB193.3 million in the six months ended June 30, 2022, primarily due to an increase in government grants.

Other (Losses)/Gains – Net

We had net other losses of RMB798.8 million in the six months ended June 30, 2022 compared to net other gains of RMB206.4 million in the six months ended June 30, 2021. The net other losses in the six months ended June 30, 2022 primarily consist of net foreign exchange losses of RMB447.5 million and fair value losses on financial assets at fair value through profit or loss amounting to RMB339.3 million. The net foreign exchange losses mainly result from the unrealized foreign exchange losses on balances of offshore financial assets denominated in RMB, held by entities whose functional currency was HKD, as RMB depreciated against HKD by 4.4% in the six months ended June 30, 2022.

Finance Income – Net

Net finance income increased from RMB74.8 million in the six months ended June 30, 2021 to RMB103.4 million in the six months ended June 30, 2022, primarily due to an increase in interest income earned from financial assets that are held for cash management purposes.

Fair Value Losses of Preferred Share and Other Financial Liabilities

Fair value losses of preferred share and other financial liabilities decreased from RMB1,713.6 million in the six months ended June 30, 2021 to RMB5.1 million in the six months ended June 30, 2022. As our initial public offering was completed at the end of 2021, preferred shares issued by the Company has been re-designated from financial liabilities to equity as a result of the automatic conversion into ordinary shares. Fair value losses of preferred share and other financial liabilities of RMB5.1 million in the six months ended June 30, 2022 represented the fair value change of preferred shares issued by a subsidiary of the Company.

Income tax credit

We had income tax credit of RMB114.3 million in the six months ended June 30, 2022, compared to income tax credit of RMB80.0 million in the six months ended June 30, 2021 primarily due to an increase in deductible tax losses.

Loss for the period

As a result of the foregoing, we had a loss of RMB3,208.0 million in the six months ended June 30, 2022, primarily due to our R&D efforts, net impairment losses on financial assets and contract assets, net foreign exchange losses and fair value losses on financial assets at fair value through profit or loss, compared to a loss of RMB3,712.9 million in the six months ended June 30, 2021.

Management Discussion and Analysis

Six months ended June 30, 2022 compared to six months ended June 30, 2021

Non-IFRS Measures

To supplement our consolidated results which are prepared and presented in accordance with IFRS, we also use EBITDA/adjusted EBITDA and adjusted net loss as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance such as certain non-cash items and certain impact of financing and investment activities. We believe that these measures provide 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 EBITDA/adjusted EBITDA and adjusted net loss may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures 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 condition as reported under IFRS.

The following table sets out EBITDA/adjusted EBITDA and a reconciliation from loss before income tax for the periods to EBITDA/adjusted EBITDA for the periods indicated:

	Six months ended June 30	
	2022 RMB million (Unaudited)	2021 RMB million
Loss before income tax	(3,322.3)	(3,792.9)
Add:		
Finance income – net	(103.4)	(74.8)
Depreciation and amortization	459.3	301.4
EBITDA	(2,966.4)	(3,566.3)
Add:		
Fair value losses of preferred share and other financial liabilities	5.1	1,713.6
Share-based compensation expenses	299.4	1,421.0
Fair value losses/(gains) on financial assets at fair value through profit or loss ⁽¹⁾	339.3	(147.9)
Listing fee ⁽¹⁾	–	23.5
Adjusted EBITDA	(2,322.6)	(556.1)

Management Discussion and Analysis

Six months ended June 30, 2022 compared to six months ended June 30, 2021

The following table reconciles our adjusted net loss for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is net loss for the periods:

	Six months ended June 30	
	2022 RMB million (Unaudited)	2021 RMB million
Net loss for the period	(3,208.0)	(3,712.9)
Add:		
Fair value losses of preferred share and other financial liabilities	5.1	1,713.6
Share-based compensation expenses	299.4	1,421.0
Fair value losses/(gains) on financial assets at fair value through profit or loss ⁽¹⁾	339.3	(147.9)
Listing fee ⁽¹⁾	–	23.5
Adjusted net loss	(2,564.2)	(702.7)

Note:

- (1) Fair value losses/(gains) on financial assets at fair value through profit or loss and listing fee were not included in non-IFRS measures in our Prospectus.

Trade, Other Receivables and Prepayments

Our trade, other receivables and prepayments increased from RMB5,775.9 million as of December 31, 2021 to RMB5,815.3 million as of June 30, 2022. The increase was mainly attributable to the increase of other receivables.

Trade Receivables

The following table sets out a breakdown of our trade receivables as of the dates indicated:

	As at June 30 2022 RMB million (Unaudited)	As at December 31 2021 RMB million
	Trade receivables	
– Due from related parties	66.5	46.0
– Due from third parties	6,370.6	6,018.1
Provision for impairment	(1,506.5)	(980.4)
Total	4,930.6	5,083.7

Management Discussion and Analysis

Six months ended June 30, 2022 compared to six months ended June 30, 2021

Our net trade receivables remained relatively stable as of June 30, 2022, compared to that as of December 31, 2021. Trade receivables' aging analysis based on date of revenue recognition is as follows:

	As at June 30 2022 RMB million (Unaudited)	As at December 31 2021 RMB million
Up to 6 months	1,033.9	2,659.6
6 months to 1 year	2,246.2	1,048.8
1 to 2 years	2,194.4	1,402.8
2 to 3 years	715.5	852.1
More than 3 years	247.1	100.8
	6,437.1	6,064.1

As of June 30, 2022, the aging of our gross trade receivables has worsened somewhat, compared to that as of December 31, 2021. This is generally in line with the negative impact from the COVID-19 pandemic which resulted in delays in customers' payments to us. We took a series of measures on the management of working capital, including implementation of cash collection related KPIs for our sales team, leveraging our industry position to negotiate more attractive payment terms with our customers and suppliers, and developing deeper relationships with more customers of strong credit profile.

Other Receivables

Our other receivables increased from RMB329.2 million as of December 31, 2021 to RMB497.9 million as of June 30, 2022. The increase was mainly attributable to the payment of refundable deposit in relation to the acquisition of certain property.

LIQUIDITY AND FINANCIAL RESOURCES

We had historically funded our cash requirements principally from capital contribution from shareholders. We had cash and cash equivalents of RMB10,373.6 million, term deposits of RMB7,032.8 million, and structured deposits of RMB466.7 million, totaling RMB17,873.1 million as of June 30, 2022, compared to the balance of RMB16,529.5 million, RMB4,990.8 million, and RMB272.5 million respectively, and totaling RMB21,792.8 million as of December 31, 2021. We have adequate financial resources to support our business development, and will continue to actively manage working capital as well as investments to maintain appropriate liquidity position.

Management Discussion and Analysis

Six months ended June 30, 2022 compared to six months ended June 30, 2021

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

	Six months ended June 30	
	2022 RMB million (Unaudited)	2021 RMB million
Net cash used in operating activities	(1,848.1)	(830.9)
Net cash used in investing activities	(5,721.4)	(5,111.5)
Net cash generated from financing activities	1,177.3	3,536.3
Net decrease in cash and cash equivalents	(6,392.2)	(2,406.1)
Cash and cash equivalents at the beginning of the period	16,529.5	11,427.9
Exchange changes on cash and cash equivalents	236.3	(96.0)
Cash and cash equivalents at the end of the period	10,373.6	8,925.8

Net Cash Used in Operating Activities

Net cash generated from operating activities represents the cash generated from our operations minus the income tax paid. Cash generated from our operations primarily comprises our profit before income tax adjusted by non-cash items and changes in working capital.

For the six months ended June 30, 2022, net cash used in operating activities was RMB1,848.1 million, which was primarily attributable to our loss before income tax, as adjusted by provision for impairment of financial assets and contract assets, depreciation and amortization, fair value losses on financial assets at fair value through profit or loss and share-based compensation.

Net Cash Used in Investing Activities

For the six months ended June 30, 2022, net cash used in investing activities was RMB5,721.4 million, which was mainly attributable to acquisition of investments in financial assets at fair value through profit and loss, net increase in investments in term deposits and purchase of property, plant and equipment.

Net Cash Generated from Financing Activities

For the six months ended June 30, 2022, net cash generated from financing activities was RMB1,177.3 million, which was mainly attributable to proceeds from borrowings and net proceeds from exercise of over-allotment option, partially offset by net changes in deposits for the issuance of bank borrowings.

Management Discussion and Analysis

Six months ended June 30, 2022 compared to six months ended June 30, 2021

Borrowings

As of December 31, 2021 and June 30, 2022, we had total borrowings of RMB339.9 million and RMB1,064.5 million, respectively. Repayment analysis and the currency denomination of bank borrowings of the Group as at June 30, 2022 are set out in Note 31 to the interim condensed consolidated financial information.

The Group maintains a prudent approach in its treasury management with interest rate exposure maintained principally on a floating rate basis. The Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk. The Group 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 when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective Group entities' functional currency. The Company's functional currency is USD. The Company's primary subsidiaries were incorporated in Mainland China, Hong Kong, Japan and Singapore. These subsidiaries considered RMB, HKD, JPY and SGD as their functional currencies, respectively.

We are primarily exposed to changes in HKD/RMB and HKD/USD exchange rates. 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 at June 30, 2022, the Group had 5,943 employees. The number of employees employed by the Group varies from time to time depending on needs.

The Group formulates the remuneration package for its employees based on the overall remuneration standard in the market, industry practice and the Group's remuneration strategy. In addition to salary, in-house training programs and employee benefits, employees may receive year-end performance incentives depending on their individual performance, which includes cash incentives or share options.

Use of Proceeds

The Class B Shares of the Company were listed on the Main Board of the Stock Exchange on December 30, 2021. As disclosed in the Company's announcement dated January 23, 2022, the joint representatives for the Global Offering fully exercised the over-allotment option in respect of 225,000,000 new Class B Shares for an additional net proceeds of approximately HK\$853.2 million on January 21, 2022. The net proceeds received by the Company from the Global Offering, including the full exercise of the over-allotment option, were approximately HK\$6,351 million. There has been no change in the intended use of proceeds as previously disclosed in the Prospectus. Please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus for details.

As of June 30, 2022, approximately HK\$4,474.72 million of the net proceeds had been utilised by the Group in accordance with the intended purposes stated in the Prospectus, and the unused net proceeds was held by way of bank deposits. The unused net proceeds will continue to be utilised in accordance with the intended purposes and expected timeframe as stated in the Prospectus.

Management Discussion and Analysis

Six months ended June 30, 2022 compared to six months ended June 30, 2021

Intended purposes as set out in the Prospectus	Planned proportion of the net proceeds (%)	Planned use of the net proceeds (Approximately HK\$ million)	Net proceeds unused as of December 31, 2021 (Approximately HK\$ million)	Actual use of	Net proceeds unused as of June 30, 2022 (Approximately HK\$ million)	Expected timeline for fully utilising the net proceeds from the Global Offering
				net proceeds during the Reporting Period (Approximately HK\$ million)		
(i) Enhancing our research and development capabilities	60.0	3,810.60	3,810.60	2,776.08	1,034.52	By end of 2023
(ii) Expansion of our business	15.0	952.65	952.65	110.89	841.76	By end of 2023
(iii) Pursuing strategic investment and acquisition opportunities	15.0	952.65	952.65	952.65	–	N.A.
(iv) Working capital and general corporate purposes	10.0	635.10	635.10	635.10	–	N.A.
Total	100.0	6,351.00	6,351.00	4,474.72	1,876.28	

The utilization of the net proceeds has been converted from RMB into HKD at an exchange rate of RMB0.81912 to HKD1.00 (being the reference exchange rate used in the Prospectus). No representation is made that any amount in HKD or RMB could have been or could be converted at the above rates or of any other rates.

Gearing Ratio

As at June 30, 2022, our gearing ratio was -33.2%, which represented a net cash position. Our gearing ratio is calculated as net debt divided by total capital at the end of each financial period. Net debt equals to our total borrowings, lease liabilities and preferred share and other financial liabilities less our cash and cash equivalents. Total capital is calculated as total equity plus net debt.

Contingent Liabilities

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

Significant Investments held

As of June 30, 2022, we did not hold any significant investments in the equity interest of other companies.

Management Discussion and Analysis

Six months ended June 30, 2022 compared to six months ended June 30, 2021

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For the six months ended June 30, 2022, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Pledge of Assets

As of June 30, 2022, we pledged certain buildings and land use rights with carrying amount of RMB897.6 million and restricted guarantee deposits amounting to RMB174.5 million for borrowings.

Future Plans for Material Investments and Capital Assets

As of June 30, 2022, save as disclosed in the Company's announcements dated January 30, 2022, May 30, 2022 and June 29, 2022 in relation to the acquisition of Property or as otherwise disclosed, we have no specific plan for material investments and acquisition of capital assets. As disclosed in the Prospectus, 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 creating synergies with the Group's existing core business and improve the Group's service and products to its customers.

Events After the Reporting Period

Save as otherwise disclosed in this interim report, there was no other significant events that may affect the Group since the end of the Reporting Period.

Report on Review of Interim Financial Information

To the Board of Directors of SenseTime Group Inc.

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 77, which comprises the interim condensed consolidated balance sheet of SenseTime Group Inc. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2022 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive loss, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25 August 2022

Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000
Revenue	6(a)	1,415,343	1,651,809
Cost of sales	7	(481,300)	(446,742)
Gross profit		934,043	1,205,067
Selling expenses	7	(402,148)	(292,388)
Administrative expenses	7	(768,629)	(1,443,031)
Research and development expenses	7	(2,035,330)	(1,771,749)
Net impairment losses on financial assets and contract assets		(542,183)	(178,650)
Other income	8	193,347	123,565
Other (losses)/gains – net	9	(798,784)	206,446
Operating loss		(3,419,684)	(2,150,740)
Finance income		122,489	96,606
Finance costs		(19,128)	(21,785)
Finance income – net	10	103,361	74,821
Share of losses of investments accounted for using the equity method		(835)	(3,380)
Fair value losses of preferred share and other financial liabilities	26	(5,134)	(1,713,610)
Loss before income tax		(3,322,292)	(3,792,909)
Income tax credit	11	114,304	80,036
Loss for the period		(3,207,988)	(3,712,873)
Loss is attributable to:			
Equity holders of the Company		(3,157,653)	(3,702,589)
Non-controlling interests		(50,335)	(10,284)
		(3,207,988)	(3,712,873)
Loss per share for loss attributable to equity holders of the Company			
Basic and diluted loss per share (RMB)	12	(0.10)	(0.39)

The above interim condensed consolidated income statement should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Comprehensive Loss

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Loss for the period	(3,207,988)	(3,712,873)
Other comprehensive income		
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(589,935)	47,952
<i>Item that will not be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	1,906,922	193,072
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss (Note 26(c))	(2,617)	(2,507)
Other comprehensive income for the period, net of taxes	1,314,370	238,517
Total comprehensive loss for the period	(1,893,618)	(3,474,356)
Total comprehensive loss for the period is attributable to:		
Equity holders of the Company	(1,827,352)	(3,464,072)
Non-controlling interests	(66,266)	(10,284)
	(1,893,618)	(3,474,356)

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

Interim Condensed Consolidated Balance Sheet

As at 30 June 2022

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	3,379,279	2,909,263
Right-of-use assets	15	440,083	432,164
Intangible assets	16	280,012	224,586
Contract assets	6(f)	21,421	20,335
Investments accounted for using the equity method		24,105	26,930
Deferred income tax assets	18	586,084	457,199
Financial assets at fair value through profit or loss	22	6,805,668	4,310,970
Long-term receivables	21	421,111	306,860
Restricted cash	23	73,885	–
Term deposits	23	2,980,681	–
Other non-current assets	17	256,114	171,795
		15,268,443	8,860,102
Current assets			
Inventories	19	567,419	496,144
Contract assets	6(f)	22,068	19,023
Trade, other receivables and prepayments	20	5,815,301	5,775,885
Financial assets at fair value through profit or loss	22	466,678	272,549
Restricted cash	23	101,007	319
Term deposits	23	4,052,113	4,990,791
Cash and cash equivalents	23	10,373,626	16,529,506
		21,398,212	28,084,217
Total assets		36,666,655	36,944,319
Equity			
Equity attributable to equity holders of the Company			
Share capital	24	5	5
Other reserves	25	71,084,907	70,077,626
Currency translation reserves		3,297,011	1,964,093
Accumulated losses		(43,307,394)	(40,149,213)
		31,074,529	31,892,511
Non-controlling interests		28,307	94,573
Total equity		31,102,836	31,987,084

Interim Condensed Consolidated Balance Sheet

As at 30 June 2022

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	31	782,197	339,505
Lease liabilities	15	186,180	228,802
Deferred income tax liabilities	18	46,985	43,316
Contract liabilities	29	49,426	37,550
Deferred revenue		162,647	140,251
Preferred share and other financial liabilities	26	1,176,168	1,072,583
Long-term payables		19,678	44,955
Put option liability	30	268,456	255,028
		2,691,737	2,161,990
Current liabilities			
Borrowings	31	282,333	383
Trade and other payables	28	2,118,159	2,290,258
Lease liabilities	15	199,381	155,495
Contract liabilities	29	162,649	172,131
Deferred revenue		105,405	171,130
Current income tax liabilities		4,155	5,848
		2,872,082	2,795,245
Total liabilities		5,563,819	4,957,235
Total equity and liabilities		36,666,655	36,944,319

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

On behalf of the Board

Xu Li
Director

Xu Bing
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Notes	Equity attributable to equity holders of the Company					Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Other reserves RMB'000	Currency translation reserves RMB'000	Accumulated losses RMB'000	Total RMB'000		
(Unaudited)								
As at 1 January 2022		5	70,077,626	1,964,093	(40,149,213)	31,892,511	94,573	31,987,084
Comprehensive loss								
Loss for the period		-	-	-	(3,157,653)	(3,157,653)	(50,335)	(3,207,988)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	26(c)	-	(2,617)	-	-	(2,617)	-	(2,617)
Exchange differences on translation of foreign operations		-	-	1,332,918	-	1,332,918	(15,931)	1,316,987
Total comprehensive loss		-	(2,617)	1,332,918	(3,157,653)	(1,827,352)	(66,266)	(1,893,618)
Transactions with equity holders								
Exercise of restricted shares and share options		-	17,736	-	-	17,736	-	17,736
Exercise of over-allotment option	24(a)	*	692,807	-	-	692,807	-	692,807
Share-based compensation expenses	7, 27(c)	-	299,355	-	-	299,355	-	299,355
Others		-	-	-	(528)	(528)	-	(528)
Total transactions with equity holders		-	1,009,898	-	(528)	1,009,370	-	1,009,370
As at 30 June 2022		5	71,084,907	3,297,011	(43,307,394)	31,074,529	28,307	31,102,836
As at 1 January 2021								
As at 1 January 2021		2	(432,856)	1,077,955	(21,713,334)	(21,068,233)	135,693	(20,932,540)
Comprehensive loss								
Loss for the period		-	-	-	(3,702,589)	(3,702,589)	(10,284)	(3,712,873)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	26(c)	-	(2,507)	-	-	(2,507)	-	(2,507)
Exchange differences on translation of foreign operations		-	-	241,024	-	241,024	-	241,024
Total comprehensive loss		-	(2,507)	241,024	(3,702,589)	(3,464,072)	(10,284)	(3,474,356)
Transactions with equity holders								
Exercise of restricted shares and share options		-	29,033	-	-	29,033	-	29,033
Capital contribution by controlling shareholder		-	10,365	-	-	10,365	-	10,365
Consideration paid to the then equity holders for acquisition of subsidiaries under common control		-	(15,219)	-	-	(15,219)	-	(15,219)
Share-based compensation expenses	7, 27(c)	-	1,421,007	-	-	1,421,007	-	1,421,007
Others		-	-	-	749	749	-	749
Total transactions with equity holders		-	1,445,186	-	749	1,445,935	-	1,445,935
As at 30 June 2021		2	1,009,823	1,318,979	(25,415,174)	(23,086,370)	125,409	(22,960,961)

* represents that amount is less than RMB1,000 for the period.

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000
Cash flows from operating activities			
Cash used in operations		(1,837,345)	(798,196)
Income tax paid		(10,804)	(32,691)
Net cash used in operating activities		(1,848,149)	(830,887)
Cash flows from investing activities			
Purchase of property, plant and equipment		(997,184)	(378,212)
Purchase of intangible assets		(112,292)	(9,920)
Proceeds from disposal of property, plant and equipment		1,045	6,991
Dividend received from financial assets at fair value through profit and loss	8	19,787	6,172
Acquisition of investments in financial assets at fair value through profit and loss	22(a), (b)	(2,665,936)	(766,962)
Acquisition of structured deposits	22(c)	(2,665,000)	(10,924,000)
Disposal of investments in financial assets at fair value through profit and loss	22(a), (b)	13,927	78,508
Disposal of structured deposits	22(c)	2,478,470	8,779,772
Deposit for purchase of an office property		(200,000)	–
Net increase in investments in term deposits		(1,693,557)	(2,002,452)
Interest received from banks		109,525	45,365
Repayments of loans granted to third parties		–	53,203
Loans granted to a related party	33(b)	(10,163)	–
Net cash used in investing activities		(5,721,378)	(5,111,535)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		724,096	10,000
Repayments of borrowings		–	(403,940)
Interest paid		(11,044)	(14,856)
Principal elements of lease payments		(92,407)	(52,372)
Interests elements of lease payments		(10,905)	(7,975)
Repayments of amount due to preferred shareholders		–	(5,206,029)
Proceeds from issuance of preferred share liabilities		–	9,202,353
Net proceeds from exercise of over-allotment option	24(a)	692,807	–
Repurchase of preferred share liabilities and warrant liabilities		–	(17,045)
Capital contribution by controlling shareholder	25	–	10,365
Net changes in deposits for the issuance of bank borrowings	23(b)	(169,169)	15,816
Capital injection by limited partners of investment fund controlled by the Group	26(b)	43,000	–
Payment of listing fee		(1,570)	–
Proceeds from exercise of restricted shares and share options		2,519	–
Net cash generated from financing activities		1,177,327	3,536,317
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of period		16,529,506	11,427,871
Effect of foreign exchange rates changes		236,320	(95,949)
Cash and cash equivalents at end of period		10,373,626	8,925,817

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

1 GENERAL INFORMATION

SenseTime Group Inc. (the “Company”) was incorporated in the Cayman Islands on 15 October 2014 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Tricor Services (Cayman Islands) Limited of Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the “Group”), including the structured entities (collectively, the “Group”) are the sale of advanced artificial intelligence (“AI”) software, sale of AI software-embedded hardware and related services as well as research and development activities in relation to AI technology mainly in the People’s Republic of China (the “PRC”), Northeast Asia, Southeast Asia and other geographical areas.

The Company is a leading AI software company with customers across a broad spectrum of industries.

The ultimate holding company of the Company is Amind Inc. and the ultimate controlling shareholder of the Group is Professor Tang Xiao’ou (湯曉鷗教授, “Prof. Tang”).

On 30 December 2021, the Company has successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial information is presented in thousands of Renminbi (“RMB’000”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the Board of Directors on 25 August 2022.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), as set out in the Company’s annual report dated 25 March 2022 except for the adoption of amended standard as disclosed in Note 3.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements.

Taxes on income for the interim period are accrued using the estimated tax rates that would be applicable to expected total annual assessable profit.

(a) Amendments to standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2022:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018–2020	

The adoption of these amended standards does not have significant impact on the interim condensed consolidated financial information of the Group.

(b) New standards, amendments and interpretations not yet adopted

The followings new standards and amendments to standards have not come into effect for the financial year beginning 1 January 2022 and have not been early adopted by the Group in preparing the interim condensed consolidated financial statements. None of these is expected to have a significant effect on the interim condensed consolidated financial information of the Group.

		Effective for annual periods Beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
IAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 1 and IFRS Practice Statement 2 (Amendment)	Disclosure of Accounting Policies	1 January 2023
IAS 8 (Amendment)	Definition of Accounting Estimates	1 January 2023
IFRS 17 and IFRS 9 (Amendment)	Initial Application of IFRS17 and IFRS 9 – Comparative Information	1 January 2023
IAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction Tax	1 January 2023
IFRS 10 and IAS 28 (Amendment)	Regarding sales or contribution assets between an investor and its associate or joint venture	To be determined

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021, as described in those annual financial statements.

There have been no changes in the risk management policies during the six months ended 30 June 2022.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)**5.2 Fair value estimation****(a) Fair value hierarchy**

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)				
As at 30 June 2022				
Assets:				
– Financial assets at fair value through profit or loss (“FVPL”)	969,183	–	6,303,163	7,272,346
Liabilities:				
– Preferred share liabilities	–	–	1,048,291	1,048,291
– Other financial liabilities	–	–	127,877	127,877
	–	–	1,176,168	1,176,168
As at 31 December 2021				
Assets:				
– Financial assets at FVPL	431,917	–	4,151,602	4,583,519
Liabilities:				
– Preferred share liabilities	–	–	988,234	988,234
– Other financial liabilities	–	–	84,349	84,349
	–	–	1,072,583	1,072,583

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)**5.2 Fair value estimation (continued)****(a) Fair value hierarchy (continued)**

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

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

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

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted debt and equity investment.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no changes in valuation techniques during the period.

For transfers in and out of level 3 measurements see (c) below.

The fair value of trade and other receivables, current term deposits, restricted cash, and cash and cash equivalents approximated to their carrying amounts.

The fair value of trade and other payables and current borrowings approximated to their carrying amounts.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)**5.2 Fair value estimation (continued)****(c) Fair value measurements using significant unobservable inputs (level 3)**

The following table presents the changes in level 3 items including current and non-current financial assets at fair value through profit or loss for the six months ended 30 June 2022:

	Financial assets at FVPL RMB'000
(Unaudited)	
At 1 January 2022	4,151,602
Acquisitions	4,701,694
Disposals	(2,478,470)
Fair value changes	(241,621)
Foreign currency translation recorded in other comprehensive loss	169,958
At 30 June 2022	6,303,163
At 1 January 2021	2,955,352
Acquisitions	11,658,615
Disposals	(8,812,122)
Fair value changes	47,519
Foreign currency translation recorded in other comprehensive loss	(22,937)
At 30 June 2021	5,826,427

The changes of preferred share liabilities and other financial liabilities for the six months ended 30 June 2022 have been presented in Note 26.

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every half year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary. The Group engaged an independent valuer to assist them on valuation of non-current unlisted debt investments and unlisted equity investments with derivatives.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)**5.2 Fair value estimation (continued)****(c) Fair value measurements using significant unobservable inputs (level 3) (continued)**

The following table summarises the quantitative information about the significant unobservable inputs (except the latest financing information of funding companies and listed companies) used in recurring level 3 fair value measurements. The related information for the preferred share and other financial liabilities has been also disclosed in Note 26.

At 30 June 2022

Description	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Debt instruments – Unlisted debt investments	Expected volatility	36.85%~75.91%	The higher the expected volatility, the lower the fair value
	Risk-free rate	1.80%~3.00%	The higher the risk-free rate, the lower the fair value
	DLOM	30.00%	The higher the DLOM, the lower the fair value
Structured deposits	Expected rate of return	1.94%~2.14%	The higher the expected rate of return, the higher the fair value
Preferred shares issued by a subsidiary	Expected volatility	45.08%	The higher the expected volatility, the lower the fair value
	Risk-free rate	3.03%	The higher the risk-free rate, the lower the fair value

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)**5.2 Fair value estimation (continued)****(c) Fair value measurements using significant unobservable inputs (level 3) (continued)
At 31 December 2021**

Description	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Debt instruments – Unlisted debt investments	Expected volatility	39.86%-56.4%	The higher the expected volatility, the lower the fair value
	Risk-free rate	0.39%-2.66%	The higher the risk-free rate, the lower the fair value
	DLOM	30.00%	The higher the DLOM, the lower the fair value
Structured deposits	Expected rate of return	2.59%-2.90%	The higher the expected rate of return, the higher the fair value
Preferred shares issued by a subsidiary	Expected volatility	49.58%	The higher the expected volatility, the lower the fair value
	Risk-free rate	0.90%	The higher the risk-free rate, the lower the fair value

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

6 SEGMENT INFORMATION

The Company develops software and hardware products for different industry verticals and use cases based on the same AI infrastructure platform and model training framework. The technologies and nature of the products of different business lines are substantially similar. The executive directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance did not discrete operating segment financial information and the executive directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

(a) Geographical information

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in four principal geographical areas of the world. The following table shows the Group's total consolidated revenue by location of the customers during the six months ended 30 June 2022:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Mainland China	1,140,734	1,412,976
Northeast Asia	227,706	203,002
Southeast Asia	4,213	21,671
Others*	42,690	14,160
	1,415,343	1,651,809

* Other geographical areas mainly represented Hong Kong China and Middle East.

(b) Non-current assets

The total of the non-current assets including property, plant and equipment, right-of-use assets and intangible assets as at 30 June 2022, broken down by the location of the assets, is as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
	Mainland China	3,884,892
Northeast Asia	63,827	74,633
Southeast Asia	53,135	62,392
Others	97,520	118,218
	4,099,374	3,566,013

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

6 SEGMENT INFORMATION (CONTINUED)**(c) Information about major customers**

The major customers which contributed more than 10% of total revenue of the Group for the six months ended 30 June 2022 are listed as below:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Percentage of revenue from the major customers to the total revenue of the Group		
Client A	19.84%	*
Client B	16.91%	*
Client C	*	22.90%
Client D	*	14.92%

* represents that the amount of aggregate revenue from such customer is less than 10% of the total revenue for respective period.

(d) Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Revenue		
– recognised point in time	1,336,432	1,575,292
– recognised over time	78,911	76,517
	1,415,343	1,651,809

(e) During the six months ended 30 June 2022, the Group determines revenue should be reported on a gross or net basis based on principal/agent assessment and revenue was primarily reported on a gross basis.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

6 SEGMENT INFORMATION (CONTINUED)**(f) Contract assets****The Group has recognised the following contract assets with customers:**

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Current assets	29,856	25,965
Loss allowance	(7,788)	(6,942)
	22,068	19,023
Non-current assets	25,421	21,306
Loss allowance	(4,000)	(971)
	21,421	20,335
	43,489	39,358

7 EXPENSES BY NATURE

The expenses charged to cost of sales, selling expenses, administrative expenses and research and development expenses are analysed below:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Employee benefit expenses (a)	2,093,511	2,690,750
Depreciation and amortization (Note 14, Note 15 and Note 16)	459,299	301,362
Hardware costs and project subcontracting service fees	417,367	382,982
Professional service and other consulting fees	399,093	263,310
Server operation and cloud based service fees	135,040	95,035
Marketing, conference and travelling expenses	77,573	75,537
Utilities, property management and administrative expenses	35,292	34,098
Data labelling fees	30,534	19,347
Research and development tools and consumables	22,760	18,278
Listing expenses	–	23,451
Other expenses	16,938	49,760
Total	3,687,407	3,953,910

- (a) During the six months ended 30 June 2022, employee benefits expenses included the share-based compensation expenses of approximately RMB299,355,000 (for the six months ended 30 June 2021: RMB1,421,007,000) (Note 27(c)).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

8 OTHER INCOME

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Government grants		
– Financial subsidies (i)	115,444	106,350
– Tax refund (ii)	58,116	11,043
Dividend received	19,787	6,172
	193,347	123,565

- (i) Governments grants received during the period primarily comprised the financial subsidies received from various local government authorities in the mainland China, Hong Kong China and other regions. There are no unfulfilled conditions or contingencies relating to these incomes.
- (ii) During the six months ended 30 June 2022, the Group sold self-developed software products to its customers. The value-added taxes (“VAT”) was collected at a tax rate of 13% starting from April 2019 (16% from May 2018 to March 2019) and the refund-upon-collection policy was applied to self-developed software products which is typically the portion of VAT actually paid that exceeds 3% of the revenue. The Group recorded the refunded VAT as “other income” when it obtained approvals from the local tax authorities and received the refunds.

9 OTHER (LOSSES)/GAINS – NET

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Fair value (losses)/gains on financial assets at fair value through profit or loss (Note 22(d))	(339,319)	147,860
Donations	(8,427)	(2,888)
Net foreign exchange (losses)/gains	(447,467)	63,073
Losses on disposal of property, plant and equipment	(257)	(3,550)
Others	(3,314)	1,951
	(798,784)	206,446

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

10 FINANCE INCOME – NET

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
<i>Finance income</i>		
Interest income	111,287	91,472
Accretion income for long-term receivables	11,202	5,134
Finance income	122,489	96,606
<i>Finance costs</i>		
Interest expenses on long-term payables	(1,868)	(1,588)
Interest expenses on bank borrowings	(11,590)	(14,294)
Interest and finance charges paid/payable for lease liabilities (Note 15(ii))	(10,905)	(5,903)
Amount capitalised (a)	5,235	–
Finance costs expensed	(19,128)	(21,785)
Finance income – net	103,361	74,821

(a) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is 3.94% (for the six months ended 30 June 2021: nil).

11 INCOME TAX CREDIT**(i) Cayman Islands**

The Company was redomiciled to the Cayman Islands in 2014 as an exempted company with limited liability, and is exempted from Cayman Islands income tax under the current tax laws of the Cayman Islands. In addition, no Cayman Islands withholding tax is imposed upon any payments of dividends.

(ii) British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in British Virgin Islands are not subject to tax on their income or capital gains.

(iii) Hong Kong

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the periods presented.

(iv) Singapore

Singapore income tax rate is 17%. A concessionary rate of 5% was granted by Singapore Economic Development Board for a period of 5 years starting from 1 January 2019 for income derived from qualifying activities. No Singapore profits tax was provided for as there was no estimated assessable profit that was subject to Singapore profits tax during the six months ended 30 June 2022 (for the six months ended 30 June 2021: 17%, 5%).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

11 INCOME TAX CREDIT (CONTINUED)**(v) Japan**

Enterprise incorporated in Japan are subject to income tax rate at the state level of 23.2% during the six months ended 30 June 2022 (for the six months ended 30 June 2021: 23.2%).

(vi) Malaysia

Malaysia income tax rate is 24% during the six months ended 30 June 2022 (for the six months ended 30 June 2021: 24%). In the case that the paid-up capital is Malaysia Ringgit (“MYR”) 2.5 million or less, and the gross income from business is not more than MYR50 million, the income tax rate on the first MYR0.6 million chargeable income is 17% and the part in excess of MYR0.6 million is 24%.

(vii) PRC corporate income tax (“CIT”)

The income tax provision of the Group in respect of its operations in the Mainland China was subject to statutory tax rate of 25% on the assessable profits for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 25%), based on the existing legislation, interpretations and practices in respect thereof.

Beijing SenseTime Technology Development Co., Ltd. (北京市商湯科技開發有限公司, “Beijing SenseTime”), Shenzhen SenseTime Technology Co., Ltd. (深圳市商湯科技有限公司, “Shenzhen SenseTime”), Shanghai SenseTime Intelligent Technology Co., Ltd. (上海商湯智能科技有限公司, “Shanghai SenseTime”) and Shanghai SenseTime Lingang Intelligent Technology Co., Ltd. (上海商湯臨港智能科技有限公司, “SenseTime Lingang”) were qualified as “High and New Technology Enterprises” (“HNTEs”) under the relevant PRC laws and regulations. Accordingly, these entities were entitled to a preferential income tax rate of 15% during the six months ended 30 June 2022 (for the six months ended 30 June 2021: Beijing SenseTime and Shenzhen SenseTime). This status is subject to a requirement that Beijing SenseTime, Shenzhen SenseTime, Shanghai SenseTime and SenseTime Lingang reapply for HNTEs status every three years.

SenseTime Lingang, Shanghai SenseTime Technology Development Co., Ltd. (上海商湯科技開發有限公司), Shenzhen Tetras.AI Technology Co., Ltd. (深圳市慧鯉科技有限公司) and Shenzhen SenseTime were registered in such special zones and were entitled to a preferential income tax rate of 15% by the local government.

(viii) PRC Withholding Tax (“WHT”)

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

11 INCOME TAX CREDIT (CONTINUED)**(viii) PRC Withholding Tax (“WHT”) (continued)**

During the six months ended 30 June 2022, no deferred income tax liability on WHT was accrued as at the end of each reporting period because the subsidiaries of the Group were primarily loss making in these periods (for the six months ended 30 June 2021: nil).

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Current income tax	8,674	5,962
Deferred income tax (Note 18)	(122,978)	(85,998)
Income tax credit	(114,304)	(80,036)

12 LOSS PER SHARE**Basic**

The basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares (excluding treasury shares) issued during the six months ended 30 June 2022.

	Six months ended 30 June	
	2022 (Unaudited)	2021
Loss attributable to equity holders of the Company (RMB'000)	(3,157,653)	(3,702,589)
Weighted average number of ordinary shares in issue	31,898,368,165	9,404,428,177
Basic loss per share (expressed in RMB per share)	(0.10)	(0.39)

Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2022, the Company has three categories of dilutive potential ordinary shares: Preferred shares issued by a subsidiary of the Company, restricted share units (“RSUs”), and share options. As the Group incurred losses for the six months ended 30 June 2022, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the six months ended 30 June 2022 is the same as basic loss per share of the respective period (for the six months ended 30 June 2021: same as basic loss per share of the respective period).

13 DIVIDENDS

No dividend had been declared or paid by the Company during the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Leasehold improvement RMB'000	Large-scale electronic equipment RMB'000	Computers and related equipment RMB'000	Office equipment and furniture RMB'000	Transportation equipment and vehicles RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
(Unaudited)									
Six months ended 30 June 2022									
At 1 January 2022	884,596	66,985	917,614	160,826	27,743	29,498	16,145	805,856	2,909,263
Additions	-	7,299	573,780	84,993	3,872	127	1,865	102,814	774,750
Internal transfer	312,003	5,555	239,026	26	141	-	-	(556,751)	-
Disposals	-	-	(557)	(323)	(2)	-	-	(420)	(1,302)
Depreciation charge	(26,137)	(23,761)	(172,165)	(65,155)	(3,883)	(4,930)	(1,738)	-	(297,769)
Currency translation differences	(3,327)	240	575	(981)	(793)	(699)	(485)	(193)	(5,663)
Closing net book amount	1,167,135	56,318	1,558,273	179,386	27,078	23,996	15,787	351,306	3,379,279
At 30 June 2022									
Cost	1,282,923	230,051	2,290,238	506,304	46,048	43,773	20,823	351,306	4,771,466
Accumulated depreciation	(115,788)	(173,733)	(731,965)	(326,918)	(18,970)	(19,777)	(5,036)	-	(1,392,187)
Net book amount	1,167,135	56,318	1,558,273	179,386	27,078	23,996	15,787	351,306	3,379,279
Six months ended 30 June 2021									
At 1 January 2021	916,124	96,302	528,139	177,278	31,075	20,870	4,327	132,364	1,906,479
Additions	-	7,785	275,960	26,193	3,761	3,137	-	230,481	547,317
Internal transfer	75	12,036	-	5,821	508	-	23	(18,463)	-
Disposals	(48)	-	(3,181)	(7,252)	(60)	-	-	-	(10,541)
Depreciation charge	(22,521)	(32,078)	(98,882)	(52,477)	(4,021)	(3,400)	(192)	-	(213,571)
Currency translation differences	(1,173)	(117)	(255)	(740)	(709)	(1)	(363)	(217)	(3,575)
Closing net book amount	892,457	83,928	701,781	148,823	30,554	20,606	3,795	344,165	2,226,109
At 30 June 2021									
Cost	960,030	216,956	1,140,669	357,226	44,907	30,115	4,536	344,165	3,098,604
Accumulated depreciation	(67,573)	(133,028)	(438,888)	(208,403)	(14,353)	(9,509)	(741)	-	(872,495)
Net book amount	892,457	83,928	701,781	148,823	30,554	20,606	3,795	344,165	2,226,109

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) As at 30 June 2022, certain buildings with carrying amount of RMB832,363,000 (31 December 2021: RMB854,796,000) were pledged as collaterals for the Group's borrowings (Note 31).
- (b) During the six months ended 30 June 2022, the amounts of depreciation expense charged to research and development expenses, administrative expenses, selling expenses and cost of sales are as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Depreciation of property, plant and equipment		
– Research and development expenses	212,666	139,365
– Administrative expenses	62,933	63,724
– Selling expenses	10,166	10,482
– Cost of sales	12,004	–
Depreciation expenses charged to profit or loss	297,769	213,571

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets includes leased buildings and land use right.

(i) Amounts recognised in the interim condensed consolidated balance sheets

The interim condensed consolidated balance sheets show the following amounts relating to leases:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Right-of-use assets		
Leased buildings	374,890	366,294
Land use right (a)	65,193	65,870
	440,083	432,164
Lease liabilities		
Current	199,381	155,495
Non-current	186,180	228,802
	385,561	384,297

- (a) As at 30 June 2022, certain land use right with carrying amount of RMB65,193,000 (31 December 2021: RMB65,869,000) was pledged as collaterals for the Group's borrowings (Note 31).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)**(ii) Amounts recognised in the interim condensed consolidated income statements**

The interim condensed consolidated income statements show the following amounts relating to leases:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Depreciation charge of right-of-use assets		
Leased buildings	101,848	61,334
Land use right	677	677
	102,525	62,011
Interest expense (included in finance income – net)	10,905	5,903

The total cash outflow for leases for the six months ended 30 June 2022 was RMB112,867,000 (for the six months ended 30 June 2021: RMB60,347,000).

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

The Group leases various offices buildings and land use right. Rental contracts are made for fixed periods of 1 year to 50 years with no extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(iv) The movement in right-of-use assets in the interim condensed consolidated balance sheets are as follows:

	Leased buildings RMB'000	Land use right RMB'000	Total RMB'000
(Unaudited)			
Six months ended 30 June 2022			
Opening net book amount	366,294	65,870	432,164
Additions	109,052	–	109,052
Depreciation charge	(101,848)	(677)	(102,525)
Currency translation differences	1,392	–	1,392
Closing net book amount	374,890	65,193	440,083
As at 30 June 2022			
Cost	757,059	67,674	824,733
Accumulated depreciation	(382,169)	(2,481)	(384,650)
Net book amount	374,890	65,193	440,083
Six months ended 30 June 2021			
Opening net book amount	268,725	67,223	335,948
Additions	4,826	–	4,826
Depreciation charge	(61,334)	(677)	(62,011)
Currency translation differences	(155)	–	(155)
Closing net book amount	212,062	66,546	278,608
As at 30 June 2021			
Cost	624,952	67,674	692,626
Accumulated depreciation	(412,890)	(1,128)	(414,018)
Net book amount	212,062	66,546	278,608

During the six months ended 30 June 2022, the amounts of amortisation expense charged to administrative and research and development expenses are as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Depreciation of property, plant and equipment		
– Administrative expenses	100,639	62,011
– Research and development expenses	1,886	–
	102,525	62,011

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

16 INTANGIBLE ASSETS

	Patents RMB'000	Trademarks RMB'000	Computer software RMB'000	Licensed intellectual properties RMB'000	Total RMB'000
(Unaudited)					
Six months ended 30 June 2022					
Opening net book amount	17,709	8	165,498	41,371	224,586
Additions	–	–	112,484	–	112,484
Amortisation charge	(7,583)	(1)	(46,025)	(5,396)	(59,005)
Currency translation differences	392	–	1,555	–	1,947
Closing net book amount	10,518	7	233,512	35,975	280,012
As at 30 June 2022					
Cost	69,697	22	360,662	43,169	473,550
Accumulated amortisation	(59,179)	(15)	(127,150)	(7,194)	(193,538)
Net book amount	10,518	7	233,512	35,975	280,012
Six months ended 30 June 2021					
Opening net book amount	33,462	10	74,560	–	108,032
Additions	8	–	11,704	–	11,712
Amortisation charge	(8,370)	(1)	(17,409)	–	(25,780)
Currency translation differences	(286)	–	(185)	–	(471)
Closing net book amount	24,814	9	68,670	–	93,493
As at 30 June 2021					
Cost	68,166	22	120,973	–	189,161
Accumulated amortisation	(43,352)	(13)	(52,303)	–	(95,668)
Net book amount	24,814	9	68,670	–	93,493

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

16 INTANGIBLE ASSETS (CONTINUED)

During the six months ended 30 June 2022, the amounts of amortization expense charged to research and development expenses, administrative expenses and selling expenses are as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Research and development expenses	46,309	21,367
Administrative expenses	11,169	4,187
Selling expenses	1,527	226
	59,005	25,780

17 OTHER NON-CURRENT ASSETS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Advance payment for purchase of property, plant and equipment and intangible assets	189,009	167,138
Rental deposits	67,105	4,657
	256,114	171,795

18 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Deferred income tax assets:		
– to be recovered within 12 months	180,866	127,414
– to be recovered after more than 12 months	456,363	373,082
Offset by deferred income tax liabilities	(51,145)	(43,297)
Net deferred income tax assets	586,084	457,199
Deferred tax liabilities:		
– to be recovered within 12 months	–	–
– to be recovered after more than 12 months	(98,130)	(86,613)
Offset by deferred income tax assets	51,145	43,297
Net deferred income tax liabilities	(46,985)	(43,316)

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

18 DEFERRED INCOME TAX (CONTINUED)

The gross movements on the deferred income tax account is as follows:

Deferred income tax assets	Tax losses carried forward RMB'000	Impairment provision on assets RMB'000	Unrealised profit RMB'000	Fair value changes on financial assets carried at FVPL RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
(Unaudited)							
At 1 January 2022	310,191	115,135	12,227	1,392	44,140	17,411	500,496
Credit/(charged) to the interim condensed consolidated income statement	79,795	52,944	(8,844)	5,170	4,584	846	134,495
Currency translation differences	2,238	-	-	-	-	-	2,238
At 30 June 2022	392,224	168,079	3,383	6,562	48,724	18,257	637,229
At 1 January 2021	292,751	121,116	16,908	5,881	43,588	10,593	490,837
Credit/(charged) to the interim condensed consolidated income statement	27,377	50,186	(559)	(612)	(12,797)	11,087	74,682
Currency translation differences	(221)	-	-	-	-	-	(221)
At 30 June 2021	319,907	171,302	16,349	5,269	30,791	21,680	565,298

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

18 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities	Fair value changes on financial assets carried at FVPL RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
(Unaudited)				
At 1 January 2022	(43,291)	(43,297)	(25)	(86,613)
(Charged)/credit to the interim condensed consolidated income statement	(8,795)	(2,725)	3	(11,517)
At 30 June 2022	(52,086)	(46,022)	(22)	(98,130)
At 1 January 2021	(7,608)	(40,065)	(489)	(48,162)
(Charged)/credit to the interim condensed consolidated income statement	(2,277)	13,626	(33)	11,316
At 30 June 2021	(9,885)	(26,439)	(522)	(36,846)

19 INVENTORIES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Purchased hardware and components	370,595	308,326
Contract fulfilment cost	238,590	226,925
	609,185	535,251
Less: allowance for impairment of inventories	(41,766)	(39,107)
	567,419	496,144

The provision for impairment of inventories recorded as cost of sales during the six months ended 30 June 2022 was RMB4,225,000 (for the six months ended 30 June 2021: RMB16,286,000).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

20 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Notes receivables	59,834	147,687
Provision for impairment	(49,012)	(49,115)
	10,822	98,572
Trade receivables		
– Due from related parties (Note 33(c))	66,466	46,021
– Due from third parties	6,370,635	6,018,126
Gross trade receivables	6,437,101	6,064,147
Provision for impairment	(1,506,537)	(980,402)
	4,930,564	5,083,745
Other receivables		
– Refundable deposits (i)	240,092	101,783
– Loans to related parties (Note 33(c))	10,829	666
– Payments on behalf of customers	507,824	511,095
– Others	110,836	65,306
Gross other receivables	869,581	678,850
Provision for impairment	(371,714)	(349,615)
	497,867	329,235
Prepayments	122,841	105,355
Input VAT to be deducted	253,207	158,978
Total trade, other receivables and prepayments	5,815,301	5,775,885

The aging of notes receivables based on date of revenue recognition was primarily within 1 to 2 years.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

20 TRADE, OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

The credit terms given to trade customers are determined on an individual basis with normal credit period mainly around 90 to 270 days. The aging analysis of the trade receivables based on date of revenue recognition is as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Up to 6 months	1,033,940	2,659,645
6 months to 1 year	2,246,204	1,048,809
1 to 2 years	2,194,447	1,402,755
2 to 3 years	715,493	852,127
More than 3 years	247,017	100,811
	6,437,101	6,064,147

- (i) Refundable deposits consists primarily of security deposits for rental and projects, including certain deposit paid for purchase of an office property amounted RMB200,000,000.

21 LONG-TERM RECEIVABLES

Long-term receivables represented the receivables due for settlement by instalments, which are generally between 1 to 5 years. Long-term receivables contain significant financing components. Accordingly, these receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method. The portion due for settlement within 1 year is reclassified to trade receivables. The balance of long-term receivables were analysed in the following table.

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Payment by installment sales contract	780,977	562,543
Less: due within one year	(355,546)	(238,457)
	425,431	324,086
Less: provision for impairment	(4,320)	(17,226)
	421,111	306,860

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**(i) Classification of financial assets at fair value through profit or loss**

The Group classified the following financial assets at FVPL:

- Debt investments that do not qualify for measurement at either amortised cost or fair value through other comprehensive income;
- Equity investments that are held for trading; and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income.

Financial assets mandatorily measured at FVPL include the following:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Non-current assets		
Debt investments (a)		
– Unlisted entities	3,646,147	3,331,613
– Investments in bonds and other fixed income products	1,460,854	–
– Fund	505,683	334,065
Equity investments (b)		
– Listed entities	969,183	431,917
– Unlisted entities	223,801	213,375
	6,805,668	4,310,970
Current assets		
Structured deposits (c)	466,678	272,549
	7,272,346	4,583,519

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**(a) Debt investments**

The movement of the debt investments during the six months ended 30 June 2022 is as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
At beginning of the period	3,665,678	2,744,605
Additions	2,036,694	684,615
Disposals	–	(32,349)
Fair value changes	(248,439)	1,562
Currency translation differences	158,751	(20,926)
At end of the period	5,612,684	3,377,507

The Group made investments in various industry companies in the form of convertible redeemable preferred shares, ordinary shares with preferential rights and convertible loans. The Group has the right to require and demand the investees to redeem all of the investments held by the Group at guaranteed predetermined amount upon redemption events which are out of control of the investees. Hence these investments are accounted for as debt instruments and are measured as financial assets at fair value through profit or loss. In addition, the Group also made investments in certain investment funds as a limited partner, these investments were included in debt investments, depending on the investment contract terms.

(b) Equity investments

The movement of the equity investments during the the six months ended 30 June 2022 is as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
At beginning of the period	645,292	991,891
Additions	629,242	82,347
Disposals	(13,927)	(46,159)
Fair value changes	(98,479)	104,109
Currency translation differences	30,856	(11,201)
At end of the period	1,192,984	1,120,987

The fair values of the listed securities are determined based on the closing price quoted in active markets. The fair values of the unlisted securities are measured using a valuation technique with unobservable inputs.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**(c) Structured deposits**

Structured deposits represented the wealth management products issued by reputable banks in mainland China or in China Hong Kong. The wealth management products were non-principal protected with maturity of less than 1 year.

The movement of the wealth management products during the six months ended 30 June 2022 is as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
At beginning of the period	272,549	–
Additions	2,665,000	10,924,000
Disposals	(2,478,470)	(8,779,772)
Fair value changes	7,599	42,146
At end of the period	466,678	2,186,374

(d) Amounts recognised in the interim condensed consolidated income statements

During the the six months ended 30 June 2022, the following (losses)/gains were recognised in the interim condensed consolidated income statements:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Fair value (losses)/gains on investments in:		
– Debt investments	(248,439)	1,562
– Equity investments	(98,479)	104,109
– Derivative	–	43
– Structured deposits	7,599	42,146
	(339,319)	147,860

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

23 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TERM DEPOSITS**(a) Cash and cash equivalents**

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000
Cash at bank and in hand	17,581,312	21,520,616
Less: Restricted cash (b)	(174,892)	(319)
Less: Term deposits with initial term of over three months (c)	(7,032,794)	(4,990,791)
Cash and cash equivalents	10,373,626	16,529,506

(b) Restricted cash

As at 30 June 2022, USD26,000,000 (equivalent to RMB174,497,000) was restricted guarantee deposits held in a separate reserve account that is pledged to the bank as security deposits under bank borrowings agreements (Note 31). USD50,000 (equivalent to RMB336,000) was restricted deposits for credit cards and foreign currency accounts.

As at 31 December 2021, USD50,000 (equivalent to RMB319,000) was restricted deposits for credit cards and foreign currency accounts.

- (c)** Term deposits were deposits with initial terms of over three months were neither past due nor impaired, among which, term deposits with maturity date over 1 year were disclosed in non-current assets. The carrying amount of term deposits with initial terms of over three months approximated to their fair value as at 30 June 2022.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

24 SHARE CAPITAL**Authorised:**

	Number of ordinary shares	Number of preferred shares
At 1 January 2022 and 30 June 2022	2,000,000,000,000	–
At 1 January 2021	1,980,118,028,603	19,881,971,397
Re-designation upon issuance of preferred shares	(183,170,000)	183,170,000
At 30 June 2021	1,979,934,858,603	20,065,141,397

Issued:

	Note	Number of shares	Share capital RMB'000
At 1 January 2022		33,282,400,000	5
Exercise of over-allotment option	(a)	225,000,000	*
At 30 June 2022		33,507,400,000	5
At 1 January 2021		10,212,538,603	2
Issue of ordinary shares	(b)	1,504,720,000	*
At 30 June 2021		11,717,258,603	2

* represents that the amount is less than RMB1,000 for respective period.

- (a) On 26 January 2022, the over-allotment option of an aggregate of 225,000,000 new Class B ordinary shares has been fully exercised by the underwriters of the global offering. This led to an increase of share capital and other reserves by RMB36 and RMB692,807,000, respectively.
- (b) On 26 February 2021, pursuant to a shareholder resolution, additional 1,504,720,000 ordinary shares of par value of USD0.000000025 each, was issued to SenseTalent Management as a reserved share-based compensation plan pool.

As at 30 June 2022, the ordinary shares of the Company represented two classes as follows:

	As at 30 June 2022 Number of shares
Class A ordinary shares	7,528,760,000
Class B ordinary shares	25,978,640,000
	33,507,400,000

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

25 OTHER RESERVES

	Shares held for share award scheme RMB'000	Share premium RMB'000	Share-based compensation expenses RMB'000	Other comprehensive loss reserve RMB'000	Others RMB'000	Total RMB'000
(Unaudited)						
At 1 January 2022	*	70,155,916	619,579	-	(697,869)	70,077,626
Share-based compensation expenses (Note 27)	-	-	299,355	-	-	299,355
Exercise of restricted shares and share options	*	91,327	(73,591)	-	-	17,736
Exercise of over-allotment option (Note 24(a))	-	692,807	-	-	-	692,807
Changes in credit risk for financial liabilities designated as at fair value through profit or loss	-	-	-	(2,617)	-	(2,617)
At 30 June 2022	*	70,940,050	845,343	(2,617)	(697,869)	71,084,907
At 1 January 2021	*	1,058,422	371,307	(1,168,117)	(694,468)	(432,856)
Share-based compensation expenses (Note 27)	-	-	1,421,007	-	-	1,421,007
Exercise of restricted shares and share options	-	1,307,211	(1,278,178)	-	-	29,033
Capital contribution by controlling shareholder	-	-	-	-	10,365	10,365
Consideration paid to the then equity holders for acquisition of subsidiaries under common control	-	-	-	-	(15,219)	(15,219)
Changes in credit risk for financial liabilities designated as at fair value through profit or loss	-	-	-	(2,507)	-	(2,507)
As at 30 June 2021	*	2,365,633	514,136	(1,170,624)	(699,322)	1,009,823

* represents that the amount is less than RMB1,000 for respective period.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

26 PREFERRED SHARE AND OTHER FINANCIAL LIABILITIES

As at 30 June 2022, the preferred share and other financial liabilities included:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Preferred share liabilities issued by a subsidiary (a)	1,048,291	988,234
Net asset value of investment funds attributable to limited partners (b)	127,877	84,349
Total preferred share and other financial liabilities	1,176,168	1,072,583
Including:		
Current portion	–	–
Non-current portion	1,176,168	1,072,583
	1,176,168	1,072,583

(a) Preferred share liabilities issued by a subsidiary

On 22 September 2021, SenseMeet Investment limited (“SenseMeet”) and a sovereign wealth fund of the Government of Saudi Arabia (“Fund A”) signed a joint venture agreement to set up SenseWonder Technology Limited (“SenseWonder”). 51 ordinary shares and 49 convertible preferred shares were issued to SenseMeet and Fund A respectively. The consideration for subscription of preferred shares by Fund A shall be paid in two tranches, first tranche consideration amounted to USD155,000,000 and second tranche amounted to USD52,000,000 when certain conditions are satisfied. As of 31 December 2021, USD155,000,000 (equivalent to RMB988,234,000) has been paid by Fund A. and no more consideration was received during the six months ended 30 June 2022. Pursuant to the agreement, Fund A was also granted a put option to require SenseMeet to acquire all its preferred shares in SenseWonder on the occurrence of some certain events. As at 30 June 2022, the preferred shares liability was disclosed in non-current liability as certain events did not occur. The preferred shares issued to Fund A has dividends and conversion rights. Fund A has a preferential dividend rate of eight percent (8%) upon liquidation event or an exercise of its put option. Accordingly, the investment by Fund A to SenseWonder are recognised as preferred share liability at FVPL.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

26 PREFERRED SHARE AND OTHER FINANCIAL LIABILITIES (CONTINUED)**(b) Net asset value of investment funds attributable to limited partners**

In August 2021, the Group established Beijing Guoxiang Shangheng Equity Investment Fund Partnership (limited partnership), as a limited partnership with an 8-year life, together with five limited partners for strategic investment. During the six months ended 30 June 2022, the Group has already received RMB28,000,000 (for the six months ended 30 June 2021: nil) capital injection from these limited partners.

In February 2022, the Group established Shenzhen Chengsi Consulting Management Partnership (limited partnership), together with a limited partner for strategic investment. During the six months ended 30 June 2022, the Group has already received RMB15,000,000 capital injection from the limited partner.

The Group designated the net asset value of investment funds attributable to limited partners as financial liabilities at fair value through profit or loss.

(c) Losses on the changes in fair value of preferred share and other financial liabilities

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Losses recognised on:		
Changes in fair value of preferred shares issued by a subsidiary	5,134	–
Changes in fair value of preferred shares issued by the Company (i)	–	1,710,286
Changes in fair value of other financial liabilities	–	3,324
	5,134	1,713,610
Losses attributable to changes in credit risk of above financial instruments recognised in other comprehensive loss	2,617	2,507

- (i) All the outstanding preferred shares issued by the Company were converted into the Company's Class B ordinary shares as at 30 December 2021 upon completion of the IPO.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

26 PREFERRED SHARE AND OTHER FINANCIAL LIABILITIES (CONTINUED)**(d) Fair value valuation method for preferred shares issued by a subsidiary**

The Company has performed assessment on the fair value of the preferred shares issued by a subsidiary. The value of the preferred shares issued by a subsidiary was determined using the equity allocation method as of the issuance date and at the end of the year assuming no significant value change of the subject subsidiary.

For the six months ended 30 June 2022, key valuation assumptions used to determine the fair value of preferred shares issued by a subsidiary are as follows:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021
Expected volatility	45.08%	49.58%
Risk-free rate	3.03%	0.90%

The Company performed sensitivity test to changes in unobservable inputs in determining the fair value of the preferred shares issued by a subsidiary. The changes in unobservable inputs including expected volatility and risk-free rate will result in a significantly higher or lower fair value measurement. The increase in the fair value of the preferred shares issued by a subsidiary would increase the loss of fair value change in the interim condensed consolidated income statement. When performing the sensitivity test, management applied an increase or decrease to each unobservable input, which represents management's assessment of reasonably possible change to these unobservable inputs.

If the Company's key valuation assumptions used to determine the fair value of the preferred shares issued by a subsidiary had added/reduced 1% with all other variables held constant, the loss before income tax for the six months ended 30 June 2022, the estimated fair value changes from carrying amount listed in below table (assuming the change of key factors would not have significant impact on fair value change attributable to credit risk):

	As at 30 June 2022 (Unaudited)	
	Expected volatility RMB'000	Risk-free rate RMB'000
Impact on the loss before income tax due to estimated fair value changes of the preferred shares issued by a subsidiary		
Add 1%	(4,710)	(18,047)
Reduce 1%	4,764	18,525

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

27 SHARE-BASED COMPENSATION PLANS

Starting from 2016, the board of directors approved the restricted shares plan (“Pre-IPO RSU Plan”), share option plan and Post-IPO restricted shares plan (“Post-IPO RSU Plan”) for the purpose of providing incentive for certain directors, senior management members and employees contributing to the Group.

(a) RSU

On 2 November 2016, 68,697 RSUs were granted to employees and the exercise price of all RSUs was HKD0.7789 per share. Total number of RSUs was 686,970,000 after share split with a ratio of 1:10,000 and the exercise price was HKD0.00007789 on 9 April 2018. As at 30 June 2022, all RSUs were exercised.

(b) Share option plan

From 2016 to 2022, the Company adopted several batches of the share option plans. The terms and conditions during the period were as follows:

Date of options granted	Number of shares (after share split)	Vesting Periods	Contractual life of options
1 January 2021	908,981,674	0-4 years	7 years
1 January 2022	116,779,795	2-4 years	7 years

Movements in the number of share options granted and their related weighted average exercise price during the six months ended 30 June 2022 are as follows:

	Six months ended 30 June			
	2022 (Unaudited)		2021	
	Average exercise price per share option (HKD)	Number of options	Average exercise price per share option (HKD)	Number of options
At beginning of the period	0.53	979,707,216	0.37	803,339,052
Granted	0.78	116,779,795	0.31	908,981,674
Exercised	0.33	(64,507,913)	0.05	(678,234,772)
Forfeited	0.77	(40,186,617)	0.53	(2,196,065)
At end of the period	0.56	991,792,481	0.53	1,031,889,889

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

27 SHARE-BASED COMPENSATION PLANS (CONTINUED)**(b) Share option plan (continued)**

No options expired during the periods covered by the above tables.

As at 30 June 2022, 472,083,661 options was vested but not exercised (30 June 2021: 449,780,975).

Share options outstanding at the end of the periods have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price (HKD)	Number of share options	
			30 June 2022 (Unaudited)	31 December 2021
November, 2016	November, 2023	*	81,808,379	93,414,879
July, 2017	July, 2024	0.22 or *	67,720,882	92,292,347
February, 2019	February, 2026	0.78 or 0.22 or *	123,569,836	135,888,331
June, 2019	June, 2026	0.78	18,149,956	19,261,370
January, 2020	January, 2027	0.78 or 0.22 or *	236,035,943	246,153,652
July, 2020	July, 2027	0.78	24,124,363	26,553,236
January, 2021	January, 2028	0.78 or 0.22 or *	306,076,182	342,187,741
July, 2021	July, 2028	0.78 or 0.22	22,293,300	23,955,660
January, 2022	January, 2029	0.78	112,013,640	–
			991,792,481	979,707,216

* represents that the amount is less than HKD0.01 for respective periods.

(c) Fair value estimation of RSUs and share options

The fair value as at the grant dates of each of the share-based compensation plans are summarised as follows:

	1 January 2022 RMB'000	1 January 2021 RMB'000
Share options (i)	454,513	1,820,442

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

27 SHARE-BASED COMPENSATION PLANS (CONTINUED)**(c) Fair value estimation of RSUs and share options (continued)****(i) Share options**

The fair value of the share options is determined by the binomial option-pricing model at the grant date, which is to be expensed over the respective vesting periods. Significant estimates on assumptions, including risk-free interest rate, expected volatility, dividend yield, and terms, are made by the management and third-party valuers. Before listing, the equity allocation method has been applied in the determination of the fair value of each class of the shares in the Company, which requires considering the rights and preferences of each class of shares and solving for the total equity value that is consistent with a recent transaction in the Company's own securities, considering the rights and preferences of each class of shares.

The directors of the Company estimated the risk-free interest rate based on the yield of curve of US Treasury strips with a maturity life close to the option life of the share option. Expected volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Time to maturity is based on the term agreements at the grant date.

The fair value of the share options granted have been valued by an independent qualified valuer using the Binomial valuation model as at each grant date. Key assumptions are set as below:

Grant date	Risk-free		
	interest rate	Expected volatility	Time to maturity
1 January 2021	0.65%	51.69%	7 years
1 January 2022	1.32%	45.32%	7 years

During the six months ended 30 June 2022, the amounts of share-based compensation expenses charged to administrative expenses, research and development expenses and selling expenses are as follow:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Administrative expenses	101,999	931,483
Research and development expenses	152,117	464,564
Selling expenses	45,239	24,960
	299,355	1,421,007

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

28 TRADE AND OTHER PAYABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Trade payables		
– Third parties	618,779	468,020
– Related parties (Note 33(c))	8,596	2,381
Other payables		
– Third parties	651,283	424,263
– Related parties (Note 33(c))	687	1,125
Payables on purchase of property, plant and equipment and intangible assets	360,338	565,595
Payables for listing expenses	27,359	122,939
Accrued taxes other than income tax	125,301	226,011
Staff salaries and welfare payables	295,811	449,089
VAT payables related to contract liabilities	8,258	5,284
Accrued warranty expenses	21,747	25,551
	2,118,159	2,290,258

Aging analysis of the trade payables based on purchase date at the end of 30 June 2022 are as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Up to 6 months	547,428	392,277
6 months to 1 year	12,958	25,249
1 to 2 years	49,637	32,526
More than 2 years	17,352	20,349
	627,375	470,401

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

29 CONTRACT LIABILITIES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Current		
Deferred service fee income (i)	33,994	15,183
Advances from customers	128,655	156,948
	162,649	172,131
Non-current		
Deferred service fee income (i)	49,426	37,550

- (i) Deferred service fee income represented the maintenance and upgrade service obligations separated from the revenue contracts.

30 PUT OPTION LIABILITY

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Present value of liability in relation to a put option granted to non-controlling shareholder of a subsidiary (a)	268,456	255,028

- (a) On 17 April 2019, the Group entered into an agreement with a strategic technology partner ("Company Z") to allot and issue 45% of the subsidiary's equity interest. According to the equity subscription arrangement, Company Z have the right to request the Group to purchase the 45% equity it held at a pre-agreed price on the occurrence of some certain events. The purchase price was determined by making reference to the net assets of the subsidiary in future periods or a fixed amount (USD40,000,000) as stated in the equity subscription arrangement. Since the Group is obligated to pay cash to Company Z upon occurrence of certain events beyond the Group's control, this put option liability was initially recognised at present value of redemption amount by the Group with reference to the present value of the estimated future cash outflows, and was accreted to redemption amount subsequently. As at 30 June 2022, the put option liability was disclosed as non-current liability as certain events did not occur.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

31 BORROWINGS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Non-Current		
Bank borrowing – secured	782,797	339,505
Less: current portion of non-current borrowings	(600)	–
	782,197	339,505
Current		
Short-term borrowing – secured	280,804	–
Current portion of non-current borrowings	600	–
Interest payable	929	383
	282,333	383
	1,064,530	339,888

As at 30 June 2022, the Group had bank loans with carrying amount of RMB142,000,000 which were secured by the Group's term deposits of USD26,000,000 (equivalent to RMB174,497,000) (Note 23).

As at 30 June 2022, the Group had a bank loan with carrying amount of RMB722,797,000 (31 December 2021: RMB339,888,000) which was pledged by equity interest of Shanghai Yuqin Information Technology Co., Ltd. ("Shanghai Yuqin") and joint liability guarantee from Shanghai Yuqin and Shanghai SenseTime. In addition, certain buildings (Note 14(a)) and land use right (Note 15(i)) with a carrying amount of RMB832,363,000 and RMB65,193,000 (31 December 2021: RMB854,796,000 and RMB65,869,000) respectively were also pledged as collaterals for the Group's borrowings.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity date whichever is earlier were as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
6 months or less	300	–
Between 6 and 12 months	281,104	–
Between 1 and 5 years	222,029	33,951
Over 5 years	560,168	305,554
	1,063,601	339,505

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

31 BORROWINGS (CONTINUED)

The aggregate principal amounts of bank borrowings and applicable interest rates are as follows:

	As at 30 June (Unaudited)		As at 31 December	
	Amount RMB'000	Interest rate per annum	Amount RMB'000	Interest rate per annum
RMB bank borrowings	1,063,601	2.50%~3.95%	339,505	3.95%

As at 30 June 2022, the carrying amounts of borrowings approximated their fair values.

The Group had complied with all of the financial covenants of its borrowing facilities for the six months ended 30 June 2022 (for the six months ended 30 June 2021: complied with all of the financial covenants of its borrowing facilities).

As at 30 June 2022, the weighted average effective interest rate for borrowings was 3.91% (31 December 2021: 3.95%).

As at 30 June 2022, the Group has the following undrawn bank facilities:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
RMB facilities	9,032,629	7,963,699
USD facilities	187,919	178,520
	9,220,548	8,142,219

32 CAPITAL COMMITMENTS

Significant capital expenditure commitments are set out below:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Property, plant and equipment	3,791,326	562,830
Capital contribution to financial assets at fair value through profit or loss	267,000	422,036
Intangible assets	16,846	87,984
	4,075,172	1,072,850

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

33 RELATED PARTY TRANSACTIONS

The ultimate holding company of the Company is Amind Inc., a company incorporated in the Cayman Islands. The ultimate controlling shareholder of the Group is Prof. Tang.

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

- (a) Save as disclosed elsewhere in the financial statements, the directors of the Company are of the view that the following parties/companies were related parties that had transaction or balances with the Group:

Name of related parties	Relationship with the Group
Shanghai Artificial Intelligence Research Institute Co., Ltd. (上海人工智能研究院有限公司, "SAIRI")	Associate of the Group
Hangzhou Shang Jing Yun Intelligent Technology Co., Ltd. (杭州商警雲智能科技有限公司, "Shang Jing Yun")	Associate of the Group
Beijing Linkface Technology Co., Ltd. (北京今始科技有限公司, "Linkface")	Associate of the Group
Seno China Limited	Joint venture of the Group
Hong Kong AI & Data Laboratory Limited ("HK AI Lab")	Joint venture of the Group
Softbank Corp.	Company controlled by a significant shareholder
SoftBank Robotics Corp.	Company controlled by a significant shareholder
Japan Computer Vision Corp.	Company controlled by a significant shareholder
Shandong Hoooon Toy Co., Ltd. (山東轟轟智能機器人有限公司, "Shandong Hoooon")	Investment with significant influence
Beijing Moviebook Technology Corporation Limited (北京影譜科技股份有限公司, "Beijing Moviebook Technology")	Investment with significant influence
Beijing Ling Technology Inc. (北京物靈科技有限公司, "Beijing Ling Technology")	Investment with significant influence
Zero Sports AI Beijing Co., Ltd. (賽事之窗(北京)科技有限公司, "Zero Sports AI")	Investment with significant influence
Hangzhou Seedien Technology Co., Ltd. (杭州悉點科技有限公司, "Seedien")	Investment with significant influence
Chengdu Lu Xingtong Information Technology Co., Ltd. (成都路行通信息技術有限公司, "Lu Xingtong")	Investment with significant influence
Shanghai Sun Vision Intelligent Technology Co., Ltd. (上海光方迅視智能科技有限公司, "Sun Vision")	Investment with significant influence
Shanghai SenseTime Qianshi Technology Ltd. (上海商湯旻誓科技有限公司, "Shanghai Qianshi")	Company controlled by key management personnel
Alibaba Cloud Computing Co., Ltd. (a)	Subsidiary or affiliates of a former substantial shareholder
Shanghai Yi Bang Intelligent Technology Co., Ltd. (上海益邦智能技術股份有限公司, "Shanghai Yi Bang")	Investment with significant influence before November 2021

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

33 RELATED PARTY TRANSACTIONS (CONTINUED)**(a) (continued)**

- (a) Taobao China Holding Limited was a substantial shareholder of the Company and appointed one director to the Company before 2021. After resignation of the director in 2020 and the continuous dilution of the shareholding percentage in the Company, Taobao China Holding Limited and its subsidiaries or affiliates were no longer the related parties of the Company since August 2021.
- (b) Shanghai Yibang was no longer a related party of the Company after the Company withdrew its resident director from Shanghai Yibang on 26 November 2021 and was not able to exercise its significant influence in Shanghai Yibang.

(b) Transactions with related parties**(i) Sale of products or provision of services**

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Japan Computer Vision Corp.	44,793	66,000
Lu Xingtong	16,528	–
SAIRI	73	–
Shang Jing Yun	7	124
Shanghai Yi Bang	*	23,739
Alibaba Cloud Computing Co., Ltd.	*	7,872
Softbank Corp.	–	598
Seedien	–	497
Zero Sports AI	–	28
Beijing Moviebook Technology	–	32
	61,401	98,890

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

33 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Transactions with related parties (continued)****(ii) Purchase of products or services**

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Sun Vision	5,148	–
Shang Jing Yun	1,607	–
Shandong Hoooon	601	–
Zero Sports AI	353	–
Alibaba Cloud Computing Co., Ltd.	*	7,234
Shanghai Yi Bang	*	5,606
Beijing Ling Technology	–	1
	7,709	12,841

(iii) Loans granted to a related party

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Shanghai Qianshi	10,163	–

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

33 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Transactions with related parties (continued)****(iv) Key management compensations**

Key management includes directors (executive and non-executive) and members of the Executive Committee. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Wages, salaries and bonuses	9,596	8,696
Pension costs – defined contribution plans	52	56
Other social security costs, housing benefits and other employee benefits	43	39
Share-based compensation expenses	7,484	1,197,562
	17,175	1,206,353

(c) Balances with related parties**(i) Trade receivables**

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000
Japan Computer Vision Corp.	41,035	24,516
Shang Jing Yun	20,095	20,095
Shanghai Qianshi	4,886	–
Seedien	450	450
Zero Sports AI	–	960
	66,466	46,021

The provision for impairment of trade receivables due with related parties was RMB15,175,000 as at 30 June 2022 (30 June 2021: RMB10,932,000).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

33 RELATED PARTY TRANSACTIONS (CONTINUED)**(c) Balances with related parties (continued)****(ii) Other receivables – non-trade**

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000
Shanghai Qianshi	10,163	–
Linkface	666	666
	10,829	666

The provision for impairment of other receivables due with related parties was RMB972,000 as at 30 June 2022 (30 June 2021: RMB666,000).

(iii) Trade payables

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000
Sun Vision	4,534	–
Shandong Hoooon	2,355	2,281
Shang Jing Yun	1,707	100
	8,596	2,381

(iv) Other payables

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000
Non-trade		
Seno China Limited	622	593
Trade		
Shandong Hoooon	65	55
Zero Sports AI	–	477
	687	1,125

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

33 RELATED PARTY TRANSACTIONS (CONTINUED)**(c) Balances with related parties (continued)****(v) Prepayment**

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000
Lu Xingtong	9,000	–
Sun Vision	470	–
	9,470	–

(vi) Contract liabilities

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000
Japan Computer Vision Corp.	1,279	995
HK AI Lab	10	7
Shang Jing Yun	7	13
SoftBank Robotics Corp.	5	5
	1,301	1,020

* These companies were no longer related parties of the Company and the balances and transactions with these companies weren't disclosed as related party balances and transactions since then.

All the balances with related parties are unsecured, interest-free and repayable on demand.

34 CONTINGENCIES

As at 30 June 2022, there were no significant contingencies items for the Group.

35 EVENTS AFTER THE BALANCE SHEET DATE

- (a) From 30 June 2022 to the date of this report, the Group signed investment contracts with certain technology companies to acquire minority equity interests in these companies. The total investment amount will be up to RMB57,750,000.
- (b) On 19 July 2022, the Group repurchased 6,700,000 Class B ordinary shares at a price at HKD2.10 per share.

Save as disclosed above and elsewhere in this report, there is no other material subsequent event undertaken by the Group after 30 June 2022.

Other Information

Directors' Interests and Short Positions in Shares, Underlying shares and Debentures of the Company or any Associated Corporations

As at June 30, 2022, so far as the Directors are aware, the interests or short positions of the Directors and the chief executive in any Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which have been taken or deemed to have been taken under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in Shares of the Company

Name	Nature of interest ⁽¹⁾	Number of shares held	Approximate percentage of shareholding of the relevant class of shares in our Company ⁽²⁾	Approximate percentage of shareholding in the issued and outstanding share capital of our Company ⁽²⁾
Class A Shares – Prof. Tang				
Amind ⁽³⁾	Beneficial interest	6,906,080,602	91.73%	20.61%
Prof. Tang	Interest in a controlled corporation	6,906,080,602	91.73%	20.61%
Class A Shares – Dr. Xu Li				
XWorld ⁽⁴⁾	Beneficial interest	286,317,668	3.80%	0.85%
Dr. Xu Li	Interest in a controlled corporation	286,317,668	3.80%	0.85%
Class A Shares – Dr. Wang				
Infinity Vision ⁽⁵⁾	Beneficial interest	232,171,633	3.08%	0.69%
Dr. Wang	Interest in a controlled corporation	232,171,633	3.08%	0.69%
Class A Shares – Mr. Xu Bing				
Vision Worldwide ⁽⁶⁾	Beneficial interest	104,190,097	1.38%	0.31%
Mr. Xu Bing	Interest in a controlled corporation	104,190,097	1.38%	0.31%
Class B Shares – Prof. Tang				
SenseVision ⁽⁷⁾	Beneficial interest	8,580,000	0.03%	0.03%
SenseForest ⁽⁷⁾	Beneficial interest	12,210,000	0.05%	0.04%
SenseFancy ⁽⁷⁾	Interest in a controlled corporation	20,790,000	0.08%	0.06%
Amind Holding Inc. ⁽⁷⁾	Interest in a controlled corporation	20,790,000	0.08%	0.06%
Amind ⁽⁷⁾	Interest in a controlled corporation	20,790,000	0.08%	0.06%
Prof. Tang	Interest in a controlled corporation	20,790,000	0.08%	0.06%

Name	Nature of interest ⁽¹⁾	Number of shares held	Approximate percentage of shareholding of the relevant class of shares in our Company ⁽²⁾	Approximate percentage of shareholding in the issued and outstanding share capital of our Company ⁽²⁾
Class B Shares – Dr. Xu Li				
Dr. Xu Li through SenseTalent ⁽⁸⁾	Beneficial interest	565,386,529	2.18%	1.69%
Class B Shares – Dr. Wang				
Dr. Wang through SenseTalent ⁽⁸⁾	Beneficial interest	302,140,243	1.16%	0.90%
Class B Shares – Mr. Xu Bing				
Mr. Xu Bing through SenseTalent ⁽⁸⁾	Beneficial interest	252,236,581	0.97%	0.75%
Class B Shares – Mr. Li Wei				
Mr. Li Wei through Ms. Cui Jingtao ⁽⁹⁾	Interest of spouse	1,800,000	0.01%	0.01%

Notes:

- (1) All interests stated are long position.
- (2) The calculations of the percentage of shareholding are based on the number of total Shares and the relevant class of Shares in issue as at June 30, 2022, comprising 7,528,760,000 Class A Shares and 25,978,640,000 Class B Shares. Please refer to the paragraph headed “Purchase, Sale or Redemption of the Company’s Listed Securities” for details of repurchases by the Company and conversion of certain Class A Shares with Class B Shares as a result of the cancellation of the repurchased Class B Shares subsequent to the Reporting Period.
- (3) The entire interest in Amind is held by Prof. Tang.
- (4) The entire interest in XWorld is held by Dr. Xu Li.
- (5) The entire interest in Infinity Vision is held by Dr. Wang.
- (6) The entire interest in Vision Worldwide is held by Mr. Xu Bing.
- (7) The general partner of each of SenseVision and SenseForest is SenseFancy, the entire interest of which is held by Amind Holding Inc. which is in turn owned by Amind. The limited partners of each of SenseVision and SenseForest are Independent Third Parties. On June 30, 2022, SenseVision, SenseForest, SenseBlue Management L.P., SenseLight Management L.P., SensePoint Management L.P., SenseSmart Management L.P. and SenseSpace Management L.P. distributed a total of 1,871,030,000 Class B Shares held by them to their respective limited partners. Distribution of 20,790,000 Class B Shares held by SenseVision and SenseForest was further settled on July 6, 2022. Accordingly, as at the Latest Practicable Date, SenseVision and SenseForest ceased to hold any Class B Shares, and SenseFancy, Amind Holding Inc., Amind and Prof. Tang were no longer deemed to be interested in any Class B Shares.
- (8) The interests comprise underlying Class B Shares in respect of the options granted pursuant to the Pre-IPO ESOP.
- (9) Ms. Cui Jingtao is the spouse of Mr. Li Wei. Under the SFO, Mr. Li Wei is deemed to be interested in the same number of Shares in which Ms. Cui Jingtao is interested.

Other Information

Save as disclosed above, as at June 30, 2022, so far as the Directors are aware, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying shares of the Company

As at June 30, 2022, so far as the Directors are aware, other than the Directors and the chief executive, the following persons had interests and/or short positions (as applicable) in the Shares or underlying shares of the Company that fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Nature of interest ⁽¹⁾	Number of shares held	Approximate percentage of shareholding of the relevant class of shares in our Company ⁽²⁾	Approximate percentage of shareholding in the issued and outstanding share capital of our Company ⁽²⁾
Interests in Class A Shares of the Company				
Amind ⁽³⁾	Beneficial interest	6,906,080,602	91.73%	20.61%
Interests in Class B Shares of the Company				
Amind				
SenseFancy ⁽³⁾	Interest in a controlled corporation	20,790,000	0.08%	0.06%
Amind Holding Inc. ⁽³⁾	Interest in a controlled corporation	20,790,000	0.08%	0.06%
Amind ⁽³⁾	Interest in a controlled corporation	20,790,000	0.08%	0.06%
SenseTalent ⁽⁴⁾	Beneficial interest	3,828,780,938	14.74%	11.43%
Ms. Lin Jiemin ⁽⁴⁾	Interest in a controlled corporation	3,828,780,938	14.74%	11.43%

Name	Nature of interest ⁽¹⁾	Number of shares held	Approximate percentage of shareholding of the relevant class of shares in our Company ⁽²⁾	Approximate percentage of shareholding in the issued and outstanding share capital of our Company ⁽²⁾
Softbank				
SVF Sense (Singapore) Pte. Ltd. ⁽⁵⁾	Beneficial interest	4,730,521,397	18.21%	14.12%
SVF Holdings (UK) LLP ⁽⁵⁾	Interest in a controlled corporation	4,730,521,397	18.21%	14.12%
SoftBank Vision Fund L.P. ⁽⁵⁾	Interest in a controlled corporation	4,730,521,397	18.21%	14.12%
Public Investment Fund ⁽⁵⁾	Interest in a controlled corporation	4,730,521,397	18.21%	14.12%
Vision Technology Investment Company ⁽⁵⁾	Interest in a controlled corporation	4,730,521,397	18.21%	14.12%
SB Investment Advisers (UK) Limited ⁽⁵⁾	Interest in a controlled corporation	4,730,521,397	18.21%	14.12%
SVF GP (Jersey) Limited ⁽⁵⁾	Interest in a controlled corporation	4,730,521,397	18.21%	14.12%
SoftBank Group Corp. ⁽⁵⁾	Interest in a controlled corporation	4,730,521,397	18.21%	14.12%
Alibaba				
Taobao China Holding Limited ⁽⁶⁾	Beneficial interest	2,411,030,000	9.28%	7.20%
Taobao Holding Limited ⁽⁶⁾	Interest in a controlled corporation	2,411,030,000	9.28%	7.20%
Alibaba Group Holding Limited ⁽⁶⁾	Interest in a controlled corporation	2,411,030,000	9.28%	7.20%

Notes:

- (1) All interests stated are long position.
- (2) The calculations of the percentage of shareholding are based on the number of total Shares and the relevant class of Shares in issue as at June 30, 2022, comprising, 7,528,760,000 Class A Shares and 25,978,640,000 Class B Shares. Please refer to the paragraph headed "Purchase, Sale or Redemption of the Company's Listed Securities" for details of repurchases by the Company and conversion of certain Class A Shares with Class B Shares as a result of the cancellation of the repurchased Class B Shares subsequent to the Reporting Period.
- (3) Please refer to the paragraph headed "Directors' Interests and Short Positions in Shares, Underlying shares and Debentures of the Company or any Associated Corporations" for details of the shareholdings of SenseFancy, Amind Holdings Inc. and Amind.
- (4) As Ms. Lin Jiemin holds 70.75% interests in SenseTalent, Ms. Lin Jiemin is deemed to be interested in the 3,828,780,938 Class B Shares held by SenseTalent.
- (5) SVF Sense (Singapore) Pte. Ltd. is indirectly wholly owned by SVF Holdings (UK) LLP. SoftBank Vision Fund L.P. is the managing member of SVF Holdings (UK) LLP. The general partner of SoftBank Vision Fund L.P. is SVF GP (Jersey) Limited, which is ultimately wholly owned by SoftBank Group Corp. (TYO: 9984). SVF GP (Jersey) Limited appointed SB Investment Advisers (UK) Limited, ultimately wholly owned by SoftBank Group Corp. (TYO: 9984), as the manager of SoftBank Vision Fund L.P.. SB Investment Advisers (UK) Limited is exclusively responsible for making all decisions related to the acquisition, structuring, financing, voting, and disposal of investments held by SoftBank Vision Fund L.P.
- (6) Taobao China Holding Limited is a wholly-owned subsidiary of Taobao Holding Limited, which is in turn a wholly-owned subsidiary of Alibaba Group Holding Limited, whose American depositary shares are listed on the New York Stock Exchange (stock symbol: BABA) and ordinary shares are listed on the Main Board of the Stock Exchange (stock code: 9988).

Other Information

Save as disclosed above, as at June 30, 2022, so far as the Directors are aware, no other person (other than the Directors and chief executives of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Share Incentive Schemes

The Company has adopted three share incentive schemes, including the Pre-IPO RSU Plan, the Pre-IPO ESOP and the 2022 RSU Scheme.

Pre-IPO RSU Plan

The following is a summary of the principal terms of the Pre-IPO RSU Plan of the Company as approved by the Board on November 1, 2016 and amended from time to time. The terms of the Pre-IPO RSU Plan are not subject to the provisions of Chapter 17 of the Listing Rules, as the Pre-IPO RSU Plan will not involve the grant of options by the Company to subscribe for the Company's Shares.

Purpose

The purpose of the Pre-IPO RSU Plan is to establish a comprehensive long-term incentive scheme of the Group, to motivate, attract and retain talents, and to share the Company's success with the participants.

Effectiveness and Duration

Subject to any early termination as may be determined by the Board pursuant to terms of the Pre-IPO RSU Plan, the Pre-IPO RSU Plan shall be valid and effective for a period of ten years commencing on the adoption date of November 2, 2016.

Administration

The Pre-IPO RSU Plan shall be subject to the administration of the Board and the management of the Company (the "Pre-IPO RSU Administrators") in accordance with the terms and conditions of the Pre-IPO RSU Plan, and the decision of the Board will be final and binding on all parties. The Pre-IPO RSU Administrators may, from time to time, select the participants to whom a restricted stock unit ("Pre-IPO RSU Award") may be granted.

The Pre-IPO RSU Administrators have the right to, among others: (i) interpret and construe the provisions of the Pre-IPO RSU Plan; (ii) determine the persons who will be granted Pre-IPO RSU Awards under the Pre-IPO RSU Plan, the terms and conditions on which Pre-IPO RSU Awards are granted and when the RSUs granted pursuant to the Pre-IPO RSU Plan may be exercised; and (iii) make such other decisions or determinations as it shall deem necessary for the administration of the Pre-IPO RSU Plan.

Participants

The eligible participants in the Pre-IPO RSU Plan (the "Pre-IPO RSU Participants") include (i) key management team and key technical staff of the Group who have been continuously working in the Group for no less than one year and key core employees who have direct impact on the Group's performance and development; and (ii) any other persons who, in the sole opinion of the Pre-IPO RSU Administrators, have contributed or will contribute to the Group significantly.

Maximum Number of Shares

The maximum number of Shares underlying the Pre-IPO RSU Plan is 492,327,394 Class B Shares, all of which have been issued and held by SenseTalent.

Terms and Conditions of RSU Award

Grant of Pre-IPO RSU Awards

The Pre-IPO RSU Administrators may, from time to time, select the Pre-IPO RSU Participants to whom a grant of a Pre-IPO RSU Award may be made. The amount of a Pre-IPO RSU Award may be determined at the sole and absolute discretion of the Pre-IPO RSU Administrators and may differ among selected Pre-IPO RSU Participants.

Acceptance of Pre-IPO RSU Awards

If the selected person intends to accept the offer of grant of Pre-IPO RSU Awards as specified in the grant letter, he or she is required to sign the acceptance notice and return it to the Company within the time period pursuant to the terms of the Pre-IPO RSU Plan. Upon the receipt from the selected person of a duly executed acceptance notice, the Pre-IPO RSU Awards are granted to such person, who becomes a grantee pursuant to the Pre-IPO RSU Plan.

Conditions of Pre-IPO RSU Awards

Subject to the terms of the Pre-IPO RSU Plan, the Pre-IPO RSU Awards may be granted on such terms and conditions as the Pre-IPO RSU Administrators may determine, provided such terms and conditions shall be consistent with any other terms and conditions of the Pre-IPO Plan.

Rights attached to Pre-IPO RSU Awards

A Pre-IPO RSU Participant does not have any contingent interest in any Shares underlying an RSU Award unless and until such Shares are actually transferred to the Pre-IPO RSU Participant. Unless otherwise determined by the Board in its entire discretion, the Pre-IPO RSU Participants may not exercise voting rights in respect of the Shares underlying their Pre-IPO RSU Awards. The Pre-IPO RSU Participants have the rights to any dividends or distributions from any Shares underlying a Pre-IPO RSU Award.

Exercise of Pre-IPO RSU Awards

Alteration and Termination of the Pre-IPO RSU Plan

The terms of the Pre-IPO RSU Plan may be altered or amended in any respect by the Board provided that such alteration or amendment shall not affect any subsisting rights of any grantee thereunder. Also, the Pre-IPO RSU Plan may be terminated at any time prior to the expiry of its term by the Board.

RSUs granted under the Pre-IPO RSU Plan

As at June 30, 2022, RSUs in respect of 492,327,394 underlying Shares were granted to a total of 59 grantees (including Directors, members of senior management and other connected persons of the Company) under the Pre-IPO RSU Plan. As at June 30, 2022, the aggregate number of Class B Shares underlying the Pre-IPO RSU Plan is 491,036,394, representing approximately 1.47% of the issued share capital of the Company as at June 30, 2022.

Pre-IPO ESOP

The following is a summary of the principal terms of the Pre-IPO ESOP of the Company as approved by the Board on November 1, 2016 and amended from time to time. The terms of the Pre-IPO ESOP are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO ESOP will not involve the grant of options by the Company to subscribe for new Shares. For details regarding the Pre-IPO ESOP, please refer to the section headed "Statutory and General Information – D. Share Incentive Schemes – 2. Pre-IPO ESOP" of the Prospectus.

Purpose

The purpose of the Pre-IPO ESOP is to establish a comprehensive long-term incentive scheme of the Group, to motivate, attract and retain talents, and to share the Company's success with the participants.

Other Information

Effectiveness and Duration

Subject to any early termination as may be determined by the Board pursuant to terms of the Pre-IPO ESOP, the Pre-IPO ESOP shall be valid and effective for a period of ten years commencing on the adoption date of November 2, 2016.

Administration

The Pre-IPO ESOP shall be subject to the administration of the Board and the management of the Company (the “ESOP Administrators”) in accordance with the terms and conditions of the Pre-IPO ESOP, and the decision of the Board will be final and binding on all parties. The ESOP Administrators may, from time to time, select the participants to whom an award in the form of options (“Options”) may be granted.

The ESOP Administrators have the right to, among others: (i) interpret and construe the provisions of the Pre-IPO ESOP; (ii) determine the persons who will be granted Options under the Pre-IPO ESOP, the terms and conditions on which Options are granted and when the Options granted pursuant to the Pre-IPO ESOP may vest; and (iii) make such other decisions or determinations as it shall deem necessary for the administration of the Pre-IPO ESOP.

Participants

The eligible participants in the Pre-IPO ESOP (the “Pre-IPO ESOP Participants”), as determined by the Board, include (i) key management team, key technical staff of the Group and key core employees who have direct impact on the Group’s performance and development and who have been formally employed after probation and (ii) any other persons who have contributed significantly to the Group and have significant value to the Group. The scope of grantees, specific targets and the number of options to be granted will be determined by the ESOP Administrators with reference to the posts, performance and duration of service of each Pre-IPO ESOP Participant.

Maximum Number of Shares

Subject to any adjustments for other dilutive issuances, the maximum number of Shares underlying the Options under the Pre-IPO ESOP (“Pre-IPO ESOP Limit”) is 3,376,931,209 Class B Shares, all of which have been issued and held by SenseTalent.

Terms and Conditions of Options

Grant of Options

The ESOP Administrators may determine in each year whether Options shall be granted and select the Pre-IPO ESOP Participants to whom a grant of an Option may be made. The number of Options granted may be determined at the sole and absolute discretion of the ESOP Administrators and may differ among selected Pre-IPO ESOP Participants.

Rights attached to the Options and the underlying Shares

A Pre-IPO ESOP Participant only has a contingent interest in the Shares underlying an Option unless and until such Shares are actually transferred to the Pre-IPO ESOP Participant. He/she is not entitled to any right of dividend or other shareholder’s interest or right in respect of any Options or the underlying Shares before exercise of the Options and the completion of the registration of the Pre-IPO ESOP Participant as a Shareholder of the Company. No voting right shall be exercisable by the Pre-IPO ESOP Participants in relation to any Options or the Shares that are the subject of the Options.

Limits on Transfer of Options

Unless otherwise provided in the Pre-IPO ESOP or by applicable law, all Options under the Pre-IPO ESOP are non-transferable and shall not be subject, in any manner, to sale, transfer, exchange, pledge, encumbrance, debt repayment or other disposal prior to the time of exercise.

Vesting Schedule

Except for employees who joined the Company on or before December 31, 2015 or otherwise determined by the Administrator, the Pre-IPO ESOP Participants shall not exercise any Option granted to him/her for a period of one year (the "Waiting Period") after the date of grant of the Options ("Grant Date").

Subject to the satisfaction of the specific conditions before any Option may be vested, the Options granted will vest in four years, subject to a maximum of 25% each year. The first vesting date will be on the date when the Waiting Period ends.

Exercise of Options**Exercise Price**

The exercise price per Option shall be determined by the ESOP Administrators or any persons authorized by the ESOP Administrators on the Grant Date with reference to the fair market value of the Shares and the market condition, the determination of which shall be final, binding and conclusive.

Validity Period

Unless otherwise provided in the Pre-IPO ESOP, the validity period for the Options granted to the Pre-IPO ESOP Participants shall be seven years commencing from the Grant Date (the "Validity Period"). Any Options vested but not exercised within the Validity Period shall become non-exercisable and the underlying Shares shall be returned to the Pre-IPO ESOP.

Exercise Method

The Pre-IPO ESOP Participants may exercise his/her Options by serving the exercise notice during the exercise period as determined by the ESOP Administrators and paying the relevant exercise price and the Options shall only be exercised by the Participants.

Alteration and Termination of the Pre-IPO ESOP

The terms of the Pre-IPO ESOP may be altered or amended in any respect by the Board provided that such alteration or amendment shall not affect any subsisting rights of any grantee thereunder.

The Pre-IPO ESOP may also be terminated at any time prior to the expiry of its term by our Board provided that such termination shall not affect any subsisting rights of any grantee thereunder. In such event, no further Options shall be granted.

Options granted under the Pre-IPO ESOP

As at June 30, 2022, the Company had granted options under the Pre-IPO ESOP to 1,647 grantees (including Directors, members of senior management and other connected persons of the Company) to subscribe for an aggregate of 2,857,347,116 Shares.

The maximum number of Shares underlying the Pre-IPO ESOP is 3,376,931,209 Shares, all of which have been issued and held by SenseTalent. As at June 30, 2022, the aggregate number of Shares underlying the Pre-IPO ESOP is 3,337,744,544, representing approximately 9.96% of the issued share capital of the Company as at June 30, 2022.

2022 RSU Scheme

The following is a summary of the key terms of the 2022 RSU Scheme as approved by the Board on June 20, 2022. The 2022 RSU Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules. For details regarding the 2022 RSU Scheme, please refer to the announcement of the Company dated June 20, 2022.

Purpose

The purpose of the 2022 RSU Scheme is to recognise the contributions of the participants, encourage and retain the participants for the continual operation and development of the Group, and to motivate the participants to maximize the value of the Company for the benefits of both such participants and the Company.

Other Information

Effectiveness and Duration

Subject to any early termination as may be determined by the Board pursuant to terms of the 2022 RSU Scheme, the 2022 RSU Scheme shall be valid and effective for a period of ten years commencing on the adoption date of June 20, 2022.

Administration

The 2022 RSU Scheme shall be subject to the administration of the Board in accordance with the terms and conditions therein, and a trustee may be appointed to assist with the administration and vesting of RSUs granted pursuant to the 2022 RSU Scheme. The trustee will not exercise any voting rights in respect of any Class B Shares held under the trust or as nominee.

An administrative committee comprising the chairman of the Board (the "Chairman"), one senior officer of the human resources department and one senior officer of finance department, as appointed by the Chairman, from time to time, may (i) exercise the mandate granted by the Shareholders at general meetings of the Company and direct the Company to allot and issue Class B Shares to the trustee to be held by the trustee to satisfy the awards upon vesting; and/or (ii) direct and procure the trustee to receive existing Class B Shares from any Shareholder or purchase existing Class B Shares (either on-market or off-market) to satisfy the awards upon vesting.

Participants

The eligible participants in the 2022 RSU Scheme (the "2022 RSU Scheme Participants") include (i) any employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive directors) of any member of the Group; and (ii) any consultant, adviser or agent of any member of the Group who, in the sole opinion of the Board and/or the Chairman has contributed or will contribute to the growth and development of the Group.

Maximum Number of Shares

The total number of Class B Shares underlying the 2022 RSU Scheme shall not in aggregate exceed 1,675,370,000 Class B Shares, representing approximately 5% of the total number of the issued share capital of the Company as at the adoption date of June 20, 2022. Without prejudice to the foregoing, the total number of Class B Shares underlying the awards to be granted under the 2022 RSU Scheme in any financial year will not exceed 3% of the issued Shares as at the beginning of that financial year.

The Class B Shares underlying the 2022 RSU Scheme may be issued by the Company pursuant to authorization granted by the Shareholders by way of general or specific mandate(s), and the general or specific mandate(s) may be refreshed from time to time in accordance with the Listing Rules.

The maximum number of Class B Shares which may be awarded to any one Participant under the 2022 RSU Scheme may not exceed 1% of the issued Shares as at the adoption date of June 20, 2022.

Terms and Conditions of the 2022 RSU Scheme Awards

Grant of 2022 RSU Scheme Awards

Subject to the terms of the 2022 RSU Scheme, the Board (in the case of grantees who are Directors (the "Senior Grantees")) or the Chairman (in the case of grantees other than Senior Grantees, the "Junior Grantees", and together with the Senior Grantees, the "Grantees") shall be entitled at any time during the term of the 2022 RSU Scheme to make a grant of awards (the "2022 RSU Scheme Awards") to any 2022 RSU Scheme Participant, as the Board or the Chairman (as the case may be) may in its absolute discretion determine. The amount of a 2022 RSU Scheme Award may be determined at the sole and absolute discretion of the Board (in the case of Senior Grantees) or the Chairman (in the case of Junior Grantees) and may differ among selected 2022 RSU Scheme Participants.

Conditions of the 2022 RSU Scheme Awards

The 2022 RSU Scheme Awards may be granted on such terms and conditions (such as by linking the vesting of the RSU to the attainment or performance of milestones or targets by any member of the Group, the Grantee or any group of Grantees) as the Board (in the case of Senior Grantees) or the Chairman (in the case of Junior Grantees) may determine, provided such terms and conditions shall be consistent with any other terms and conditions of the 2022 RSU Scheme and shall be set out in the notice of grant.

For as long as the Class B Shares are listed on the Stock Exchange, if required by the Stock Exchange or the Listing Rules, the grant of a 2022 RSU Scheme Award shall be subject to the compliance with the requisite requirements under the Listing Rules or otherwise required by the Stock Exchange.

Subject to the terms of the 2022 RSU Scheme and the specific terms and conditions applicable to each 2022 RSU Scheme Award, the vesting period shall be determined by the Board or the Chairman (as the case may be).

Rights attached to the 2022 RSU Scheme Awards

The 2022 RSU Scheme Awards do not carry any right to vote at general meetings of the Company. No Grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of a 2022 RSU Scheme Award pursuant to the 2022 RSU Scheme, unless and until such Class B Shares underlying the 2022 RSU Scheme Awards are actually transferred to the Grantee upon the vesting of the 2022 RSU Scheme Awards. Unless otherwise specified by the Board in its sole and absolute discretion in the notice of grant, the Grantees do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Class B Shares underlying a 2022 RSU Scheme Award or RSU.

Exercise of 2022 RSU Scheme Awards***Alteration and Termination of the 2022 RSU Scheme***

The terms of the 2022 RSU Scheme may be altered, amended or waived in any respect by the Board provided that such alteration, amendment or waiver shall not affect any subsisting rights of any Grantee thereunder. The 2022 RSU Scheme may be terminated at any time prior to the expiry of its term by the Board provided that such termination shall not affect any subsisting rights of any Grantee.

RSUs granted under the 2022 RSU Scheme

As at June 30, 2022, no grant has been made to the 2022 RSU Scheme Participants under the 2022 RSU Scheme, and no Class B Shares had been issued for the purposes of the 2022 RSU Scheme.

Weighted Voting Rights

The Company adopts a weighted voting rights structure. Under the structure, the Company's share capital comprises Class A Shares and Class B Shares. Each Class A Share entitles the holder to exercise 10 votes, and each Class B Share entitles the holder to exercise one vote, respectively, on any resolution tabled at general meetings, except for resolutions with respect to a limited number of Reserved Matters, in relation to which each Share is entitled to one vote.

The WVR Structure enables the WVR Beneficiaries to exercise voting control over the Company notwithstanding the WVR Beneficiaries do not hold a majority economic interest its share capital. This enables the Company to benefit from the continuing vision and leadership of the WVR Beneficiaries, who will control the Company with a view to its long-term prospects and strategy.

Other Information

As at June 30, 2022, the WVR Beneficiaries were Prof. Tang, Dr. Xu Li, Dr. Wang and Mr. Xu Bing.

As at June 30, 2022:

(1) Prof. Tang beneficially owned 6,906,080,602 Class A Shares and was indirectly interested in and controlled 20,790,000 Class B Shares, representing approximately 68.22% of the voting rights in the Company on resolutions in general meetings of the Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carries one vote). The Class A Shares beneficially owned, and Class B Shares indirectly controlled by Prof. Tang were held by Amind, a company wholly owned by Prof. Tang. As disclosed in the paragraph headed “Directors’ Interests and Short Positions in Shares, Underlying shares and Debentures of the Company or any Associated Corporations” above, each of SenseVision, SenseForest, SenseBlue Management L.P., SenseLight Management L.P., SensePoint Management L.P., SenseSmart Management L.P. and SenseSpace Management L.P. had completed a distribution of all the Class B Shares held by them to their respective limited partners on June 30, 2022 and July 6, 2022 respectively. Accordingly, as at the Latest Practicable Date, Amind and Prof. Tang were no longer deemed to be interested in any Class B Shares.

(2) Dr. Xu Li beneficially owned 286,317,668 Class A Shares and 565,386,529 Class B Shares, representing approximately 3.39% of the voting rights in the Company on resolutions in general meetings of the Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carries one vote). The Class A Shares beneficially owned by Dr. Xu Li were held by XWorld, a company wholly owned by Dr. Xu Li, and the Class B Shares were held through SenseTalent.

(3) Dr. Wang beneficially owned 232,171,633 Class A Shares and 302,140,243 Class B Shares, representing approximately 2.59% of the voting rights in the Company on resolutions in general meetings of the Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carries one vote). The Class A Shares beneficially owned by Dr. Wang were held by Infinity Vision, a company wholly owned by Dr. Wang, and the Class B Shares were held through SenseTalent.

(4) Mr. Xu Bing beneficially owned 104,190,097 Class A Shares and 252,236,581 Class B Shares, representing approximately 1.28% of the voting rights in the Company on resolutions in general meetings of the Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carries one vote). The Class A Shares beneficially owned by Mr. Xu Bing were held by Vision Worldwide, a company wholly owned by Mr. Xu Bing, and the Class B Shares were held through SenseTalent.

Class A Shares may be converted into Class B Shares on a one to one ratio. Upon the conversion of all the issued and outstanding Class A Shares as at June 30, 2022 into Class B Shares, the Company will issue 7,528,760,000 Class B Shares, representing approximately 28.98% of the total number of issued and outstanding Class B Shares as at June 30, 2022.

The weighted voting rights attached to the Class A Shares will cease when the WVR Beneficiaries do not have beneficial ownership of any Class A Shares, in accordance with Rule 8A.22 of the Listing Rules. This may occur:

(1) upon the occurrence of any of the circumstances set out in Rule 8A.17 of the Listing Rules, in particular where all of the WVR Beneficiaries are: (1) deceased; (2) no longer members of our Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as directors; or (4) deemed by the Stock Exchange to no longer meet the requirements of directors set out in the Listing Rules;

- (2) when the holders of Class A Shares have transferred to other persons the beneficial ownership of, or economic interest in, all of the Class A Shares or the control over the voting rights attached to them, other than in the circumstances permitted by Rules 8A.18 of the Listing Rules;
- (3) where the vehicles holding Class A Shares on behalf of both WVR Beneficiaries no longer comply with Rule 8A.18(2) of the Listing Rules; or
- (4) when all of the Class A Shares have been converted to Class B Shares.

Shareholders and prospective investors are advised to be aware of the potential risks of investing in companies with weighted voting rights structures, in particular that interests of the WVR Beneficiaries may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiaries will be in a position to exert significant influence over the affairs of our Company and the outcome of shareholders' resolutions, irrespective of how other Shareholders vote. Prospective investors should make the decision to invest in the Company only after due and careful consideration.

Changes in Directors' Information

During the Reporting Period, disclosure of changes in the information of Directors in accordance with Rule 13.51B(1) of the Listing Rules are set out as below:

1. Prof. XUE Lan, the independent non-executive Director, has been appointed as independent non-executive director of Lenovo Group Limited (a company listed on the Stock Exchange, stock code: 992) since June 2022.

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

During the Reporting Period, neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

Subsequent to the Reporting Period and up to the Latest Practicable Date, the Company repurchased a total of 30,875,000 Class B Shares on the Stock Exchange at an aggregate consideration of HK\$61,092,220. Details of such repurchase are set out as follows:

Date	Number of Class B Shares repurchased	Price per Class B Share paid		Aggregate Consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
July 2022	6,700,000	2.1	2.1	14,070,000
September 2022	24,175,000	2.0	1.89	47,022,220

As at the Latest Practicable Date, 6,700,000 Class B Shares repurchased were cancelled. Upon the cancellation of the 6,700,000 repurchased Class B Shares, Infinity Vision simultaneously converted a total of 1,505,420 Class A Shares into Class B Shares on a one-to-one ratio pursuant to Rule 8A.21 of the Listing Rules, such that the proportion of Class A Shares would not be increased as a result of the repurchase of Class B Shares in accordance with Rule 8A.13 and 8A.15 of the Listing Rules. The Company will complete the cancellation of the other Class B Shares repurchased as soon as reasonably practicable in accordance with the requirements of the Listing Rules.

Other Information

Save as disclosed above, neither the Company nor its subsidiaries or consolidated affiliated entities had purchased, sold or redeemed any of the listed securities of the Company subsequent to the Reporting Period and up to the Latest Practicable Date.

Compliance with the Corporate Governance Code

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of its 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.

During the Reporting Period, the Company has complied with the corporate governance requirements under the Corporate Governance Code set out in Appendix 14 to the Listing Rules, save for code provision C.2.1 as discussed below.

Pursuant to code provision C.2.1 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 responsibilities between the chairman and the chief executive officer should be segregated and should be performed by different individuals. The Company does not have a separate chairman and chief executive officer, and Dr. Xu Li currently performs these two roles. The Board believes that vesting the roles of both executive chairman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. 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 executive 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.

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2022 (June 30, 2021: Nil).

Directors' Securities Transactions

The Board has adopted the Model Code as the code of conduct regulating Directors' dealings in securities of the Company. In response to specific enquiries made by the Board, all Directors confirmed that they have complied with the provisions of the Model Code during the Reporting Period.

Audit Committee

The Audit Committee (comprising two independent non-executive directors, Mr. Lyn Frank Yee Chon (being the Chairman of the Audit Committee) and Mr. Li Wei; and the non-executive director, Ms. Fan Yuanyuan) has reviewed the unaudited interim condensed consolidated financial statements of the Group for the Reporting Period. The Audit Committee has also discussed matters in relation to the accounting policies and practices adopted by the Company, risk management, internal control and financial reporting with senior management members and the Auditor.

Other Board Committees

In addition to the Audit Committee, the Company has also established a nomination committee, a remuneration committee and a corporate governance committee.

Corporate Governance Committee

The Company has established the Corporate Governance Committee in compliance with Rule 8A.30 of the Listing Rules. The primary duties of the Corporate Governance Committee are to (i) ensure that the Company is operated and managed for the benefit of all Shareholders; and (ii) ensure the Company's compliance with the Listing Rules and safeguards relating to the weighted voting rights structures of the Company.

The Corporate Governance Committee comprises three independent non-executive Directors, namely Prof. Xue Lan, Mr. Lyn Frank Yee Chon and Mr. Li Wei. Prof. Xue Lan is the chairperson of the Corporate Governance Committee.

During the six months ended June 30, 2022, the Corporate Governance Committee has convened 1 meeting and performed the following major tasks:

- Reviewed and monitored the Company's policies and practices on corporate governance and on compliance with legal and regulatory requirements. The policies reviewed include the code for securities transactions by Directors and relevant employees, the board diversity policy, the shareholders' communication policy, the procedures for nomination of Directors by Shareholders, and other corporate governance policies.
- Reviewed the Company's compliance with the Corporate Governance Code, the Company's disclosure in this interim report and the Company's disclosure as required under Chapter 8A of the Listing Rules.
- Reviewed the written confirmation provided by the WVR Beneficiaries that they have been members of the Board throughout the year ended December 31, 2021 and no matters under Rule 8A.17 of the Listing Rules have occurred during the year ended December 31, 2021, and they have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year ended December 31, 2021.
- Reviewed and monitored the management of conflicts of interests between the Company, its subsidiary and its consolidated affiliated entities and/or Shareholder on one hand and any WVR Beneficiary on the other.
- Reviewed and monitored all risks related to the weighted voting rights structure.
- Reviewed the training and continuous professional development of Directors and senior management, in particular training relating to requirements under Chapter 8A of the Listing Rules and risks associated with the weighted voting rights structure.
- Made a recommendation to the Board as to the appointment or removal of the compliance advisor.

Other Information

In particular, the Corporate Governance Committee has confirmed to the Board it is of the view that the Company has adopted sufficient corporate governance measures to manage the potential conflict of interest between the Company, its subsidiary and its consolidated affiliated entities and/or Shareholder on one hand and any WVR Beneficiary on the other, so as to ensure that the operations and management of the Company are in the interests of the Shareholders as a whole indiscriminately. These measures include the Corporate Governance Committee (a) reviewing and monitoring transactions contemplated to be entered into by the Group and making a recommendation to the Board on any matter where there is a potential conflict of interest between the Company, its subsidiary and its consolidated affiliated entities and/or Shareholder on one hand and any WVR Beneficiary on the other, and (b) ensuring that (i) any connected transactions are disclosed and dealt with in accordance with the requirements of the Listing Rules, (ii) the terms of connected transactions are fair and reasonable and in the interest of the Company and its Shareholders as a whole, (iii) any Directors who have a conflict of interest abstain from voting on the relevant board resolution, and (iv) the Compliance Advisor is consulted on any matters related to transactions involving the WVR Beneficiaries or a potential conflict of interest between the Group and any WVR Beneficiary. The Corporate Governance Committee recommended the Board to continue the implementation of these measures and to periodically review their efficacy towards these objectives.

Having reviewed the remuneration and terms of engagement of the Compliance Advisor, the Corporate Governance Committee confirmed to the Board that it was not aware of any factors that would require it to consider either the removal of the current Compliance Advisor or the appointment of a new Compliance Advisor. As a result, the Corporate Governance Committee recommended that the Board retain the services of the Compliance Advisor of the Company.

Definitions

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

“2022 RSU Scheme”	the restricted share unit scheme of the Company adopted by the Board on June 20, 2022
“Amind”	Amind Inc., an exempted company incorporated under the laws of the Cayman Islands with limited liability, which is wholly-owned by Prof. Tang
“Articles” or “Articles of Association”	the twenty-second amended and restated articles of association of the Company, adopted by special resolution passed on June 24, 2022, and as amended from time to time
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the independent auditor of the Company
“Board”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“Class A Share(s)”	the class A ordinary shares of the Company with a par value of US\$0.000000025 each
“Class B Share(s)”	the class B ordinary shares of the Company with a par value of US\$0.000000025 each
“Company”	SenseTime Group Inc. (商湯集團股份有限公司), an exempted company incorporated under the laws of Cayman Islands with limited liability, the issued Class B Shares of which are listed on the Main Board of the Stock Exchange (stock code: 0020)
“Compliance Advisor”	Haitong International Capital Limited, being the compliance advisor of the Company
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Director(s)”	director(s) of the Company
“Dr. Wang”	Dr. Wang Xiaogang (王曉剛), the Company’s co-founder, executive Director, chief scientist and a WVR Beneficiary

Definitions

“Dr. Xu Li”	Dr. Xu Li (徐立), the Company’s co-founder, executive Chairman of the Board, executive Director, chief executive officer and a WVR Beneficiary
“Global Offering”	has the meaning defined in the prospectus
“Group”, “SenseTime” or “we”	the Company and its subsidiaries and consolidated affiliated entities
“HKD”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“Independent Third Party(ies)”	individual(s) or company(ies) who or which, to the best of the Director’s knowledge having made all due and careful enquiries, is/are independent from and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Infinity Vision”	Infinity Vision Enterprise Inc., a business company incorporated under the laws of BVI with limited liability, which is wholly-owned by Dr. Wang
“JPY”	Japanese Yen, the lawful currency of Japan
“Latest Practicable Date”	September 22, 2022, being the latest practicable date prior to the printing of this interim report, for the purpose of ascertaining certain information contained in this interim report
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum” or “Memorandum of Association”	the twenty-second amended and restated memorandum of association of the Company, adopted by special resolution passed on June 24, 2022, and as amended from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 of the Listing Rules
“Mr. Xu Bing”	Mr. Xu Bing (徐冰), the Company’s co-founder, executive Director, Board secretary and a WVR Beneficiary
“PRC” or “China”	the People’s Republic of China
“Pre-IPO ESOP”	the pre-IPO employee incentive scheme adopted by the Company dated November 1, 2016 as amended from time to time

“Pre-IPO RSU Plan”	the pre-IPO restricted share units plan adopted by the Company dated November 1, 2016 as amended from time to time
“Prof. Tang”	Professor Tang Xiao’ou (湯曉鷗), our founder, executive Director and a WVR Beneficiary
“Property”	4/F–26/F, West Tower, Shanghai West Bund International AI Tower* (上海西岸國際人工智能中心) at Plot 188N-W1B, Unit WS5, Huangpu River South Extension Area, Xuhui District, Shanghai
“Prospectus”	the prospectus of the Company dated December 7, 2021, as supplemented by the supplemental prospectus of the Company dated December 20, 2021
“Reporting Period”	the six months ended June 30, 2022
“Reserved Matter”	those matters the resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being: (i) any amendment to the Memorandum of Association or Articles of Association; (ii) the variation of rights attached to any class of shares; (iii) the appointment, election or removal of any independent non-executive Director; (iv) the appointment, election or removal of the Company’s auditor; and (v) the voluntary liquidation or winding-up of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SenseFancy”	SenseFancy Investment Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability, which is indirectly wholly-owned by Amind
“SenseForest”	SenseForest Management L.P., an exempted limited partnership established under the laws of the Cayman Islands, whose general partner is SenseFancy
“SenseTalent”	SenseTalent Management Limited, a business company incorporated under the laws of BVI with limited liability holding our ordinary Shares pursuant to the Pre-IPO ESOP and the Pre-IPO RSU Plan
“SenseVision”	SenseVision Management L.P., an exempted limited partnership established under the laws of the Cayman Islands, whose general partner is SenseFancy
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGD”	Singapore Dollars, the lawful currency of Singapore

Definitions

“Share(s)”	the Class A Shares and Class B Shares
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States Dollars, the lawful currency of the United States
“Vision Worldwide”	Vision Worldwide Enterprise Inc., a business company incorporated under the laws of BVI with limited liability which is wholly-owned by Mr. Xu Bing
“WVR Beneficiary(ies)”	has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to Prof. Tang, Dr. Xu Li, Dr. Wang and Mr. Xu Bing, being the holders of the Class A Shares
“WVR Structure”	has the meaning ascribed to it in the Listing Rules
“XWorld”	XWORLD Enterprise Inc., a business company incorporated under the laws of BVI with limited liability which is wholly-owned by Dr. Xu Li

Smart Business •

Smart City •

Smart Life •

Smart Auto •