



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

INTERIM REPORT
2023



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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)

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Key Highlights

FINANCIAL SUMMARY

	2023		2022		Period-over-period change
	Amount (Unaudited) (RMB in thousands, except for percentages)	As a percentage of revenue	Amount (Unaudited) (RMB in thousands, except for percentages)	As a percentage of revenue	
Six months ended June 30					
Revenue	1,433,122	100.0	1,415,343	100.0	1.3%
Gross Profit	648,673	45.3	934,043	66.0	-30.6%
Loss for the period	(3,142,624)	(219.3)	(3,207,988)	(226.7)	-2.0%
Non-IFRS Measures:					
Adjusted EBITDA	(2,025,854)	(141.4)	(2,322,546)	(164.1)	-12.8%
Adjusted net loss	(2,393,395)	(167.0)	(2,564,180)	(181.2)	-6.7%

OPERATING METRICS

	Six months ended June 30		Period-over-period change
	2023	2022	
Number of customers in Smart Business	481	512	-6.1%
Number of customers in Smart Life	270	183	47.5%
Number of customers in Smart Auto	34	20	70.0%

	As at June 30, 2023	As at December 31, 2022	Change
Number of cities served in Smart City	163	162	0.6%

Chairman's Statement

OVERALL PERFORMANCE

In the first half of 2023, we achieved robust performance in revenue. Leveraging our own SenseCore AI infrastructure, we accelerated R&D of large language models (LLMs) and text-to-image model which are part of the "SenseNova" Foundation Model Sets, significantly broadening our Generative AI business. A key milestone is InternLM: in collaboration with a number of top domestic research institutions, we released our pretrained LLM – InternLM in June 2023, and it became the first domestic base model to surpass the performance of GPT-3.5-turbo. We also launched the Generative AI product suite on the basis of the "SenseNova" Foundation Model Sets, including "SenseChat", "SenseMirage", "SenseAvatar", and more. These innovations are leading the transformation of our Group's business, with our Generative AI related business recording triple-digit year-over-year growth.

We continued to upgrade our AI supercomputing infrastructure – SenseCore, increasing the number of GPUs from 27,000 at the end of March 2023 to approximately 30,000 at present. The computational capacity also scaled from 5 ExaFLOPS to 6 ExaFLOPS. We continue to invest and innovate in SenseCore, providing reliable, advanced R&D environments and ample computing power for the ever-growing demand for large model training and inference. Since 2023, more than 1,000 large models, ranging from billions to hundreds of billions of parameters, have been trained on SenseCore, achieving industry-leading iteration speed and supporting dozens of Generative AI applications.

From 2023 onwards, we collaborated with multiple top domestic research institutions, investing around 10,000 GPUs in the R&D of our LLM, enabling a significant leap in model performance:

- In April 2023, "SenseChat 1.0" was released, one of China's earliest chatbot products based on a LLM with hundreds of billions of parameters;
- In June 2023, InternLM, the first base model with comprehensive capabilities to surpass GPT-3.5-turbo, was released with 104 billion parameters, and was trained on a multilingual corpus of 1.6 trillion tokens, supporting over 20 languages, based on which "SenseChat 2.0" was launched in early July;
- In August 2023, we finished training InternLM-123B, an upgraded version with 123 billion parameters showing significant improvement in language, knowledge, understanding, reasoning, and academic capabilities. InternLM-123B ranks second in the world for the text on a total of 300,000 questions in 51 well-known evaluation benchmarks (including MMLU, AGIEval, ARC, C-Eval, RACE, GSM8K, etc.), outperforming GPT-3.5-turbo and Meta's newly released LLaMA-2-70B and other models. Not only can InternLM-123B generate more accurate and reliable content, demonstrate the ability to perform multi-step reasoning and calculations in complex scenarios, it also demonstrates capabilities of self-reflection and self-correction. Additionally, InternLM-123B has made significant enhancements in code interpreter and function-calling capabilities, supporting three common tools, including Python interpreter, API calls, and Search. This enables it to tackle complex tasks and build AI agents flexibly for various applications, based on which SenseChat will be upgraded to version 3.0 within this September.

InternLM-123B's Performance on Major Evaluation Benchmarks and Comparison with Other Leading International Models

	Evaluation Benchmarks	InternLM-104B	InternLM-123B	ChatGPT	GPT-4	LLaMA-2-70B
Comprehensive Examination	MMLU	64.3	72.9	69.1	83.0	69.8
	C-Eval	54.4	67.5	52.5	69.9	50.1
	AGIEval	37.1	57.8	39.9	55.1	40.0
	ARC-c	76.6	90.2	83.7	93.6	78.3
	ARC-e	85.5	91.9	88.9	95.4	85.9
Knowledge Quiz	CommonSenseQA	70.5	88.5	80.2	88.3	78.3
	NaturalQuestions	29.6	36.8	27.0	40.4	34.2
Reading Comprehension	C3	62.8	95.5	85.6	95.1	79.0
	CMRC	40.0	62.9	40.1	42.6	43.7
	RACE (Middle)	83.4	94.9	85.6	93.7	81.6
	RACE (High)	79.2	91.7	80.3	91.0	79.9
	LAMBADA	77.7	87.0	57.5	65.5	78.9
Inference	WinoGrande	68.7	86.4	58.8	78.9	69.8
	StoryCloze	78.6	99.8	97.2	99.5	89.7
	HellaSwag	81.3	91.8	79.5	91.4	82.3
	StrategyQA	73.0	81.7	66.1	79.7	74.7
	PIQA	82.2	86.3	81.7	89.2	82.5
	SIQA	62.6	82.4	72.4	70.1	64.8
	BigBench-Hard	59.5	71.1	70.1	86.7	64.9
Mathematics	GSM8K	52.7	76.4	78.2	91.4	63.3

Note: Bold represents the best performing model in the evaluation; underline represents the second best performing model in the evaluation.

- We recognized the high demands for training data in terms of volume and quality, as well as the influence of training data on the model's values and safety. Our reservoir of raw corpus data leads the industry. We deployed several hundreds of servers and thousands of GPUs to support our computational needs, and employed a combination of algorithms and human oversight to meticulously categorize and thoroughly clean the raw corpus data. This ensures that the quality, safety and value of our data meet requirements. We have achieved a monthly output of around 2 trillion high-quality tokens and are expecting our high-quality data storage to surpass 10 trillion tokens by the end of the year, supporting the training of even more powerful base models.
 - We cooperated with various research institutions to promote AI open-source platforms. Parts of InternLM-7B's (7 billion parameters) training data, training code, and weights have been opened to academia and industry, supporting commercial use. It ranks the highest in multiple model benchmarks for lightweight base models¹, and outperforms larger models like LLaMA2-13B (13 billion parameters) in multiple rankings. We will soon open-source the more powerful InternLM-20B model (20 billion parameters), suitable for the construction of various applications due to its excellent function-calling capability and moderate size. We have a long history of open sourcing our infrastructure and AI work. From our earliest open-source computer vision framework OpenMMLab (87,000 GitHub stars) in 2018, we have expanded to more AI tools, including decision intelligence, LLMs, data platforms, high-performance training and inference frameworks, AI agent frameworks, and more. Our AI infrastructure SenseCore also actively serves many academic and commercial institutions. Open sourcing allows our work to benefit the entire industry, and foster broader collaborative innovation. We look forward to seeing AI community's contribution to InternLM and more co-building of AI applications.
- Another significant research objective for us is to train a text-to-image model which ranks top three globally. We have allocated approximately 2,000 GPUs in the development of the text-to-image model, achieving rapid iterations:
- In January 2023, we released SenseMirage 1.0, powered by self-developed 800-million-parameter diffusion model, and began internal testing. Users could input prompts to generate anime and manga images.
 - In April 2023, SenseMirage was upgraded to version 2.0, our first for-consumer application based on a 1.4-billion parameter text-to-image base model with general capabilities. Whether realistic photos, artistic paintings, or sci-fi scenes, the generated images are made to order, bringing realistic lighting effects and rich detailed content.
 - In July 2023, SenseMirage was upgraded to version 3.0, with base model parameters increasing to 7 billion. Supported by a new, large, self-developed generative model architecture, it provided stronger image generation effects and details, achieving professional photography-level image depiction. SenseMirage 3.0 also introduced a prompt auto-completion feature, allowing users to create high-quality artwork with just a few simple prompts, significantly simplifying the prompt engineering process. The core algorithm of SenseMirage 3.0 surpasses both Imagen and DALL-E 2 on the COCO benchmark. Its image generation capabilities lead domestically and rank among the top three globally.
 - SenseMirage 4.0 is expected to be launched in Q3 2023. Along with the upgraded base model, it will also introduce an entirely new aesthetic system to further enhance the product's competitiveness.

¹ InternLM-7b-chat ranks first in international and domestic mainstream evaluations such as MMLU, AGIEval, HumanEval, FlagEval, SuperCLUE and other benchmarks for lightweight models evaluation

Based on our state-of-the-art "SenseNova" Foundation Model Sets and SenseCore, we launched the Generative AI product suite in April 2023, comprising six categories of Generative AI products:

- **"SenseChat – Chatbot Assistant"** offers smooth language understanding and generation capabilities to solve complex questions, provide customized suggestions and assist in first class writing. **"SenseChat – DaYi"** is based on vast medical knowledge and clinical data, empowering hospital guidance, clinical consultation, health check, and assisted decision. **"SenseChat – AI Code Assistant"** is trained on billions of lines of code data, supporting code completion, comment generation, code testing, and debugging, enhancing programming efficiency and simplifying the development process.
- **"SenseMirage"** is an image generation platform based on our proprietary text-to-image model, achieving industry-leading standards in image quality, generation speed, and user-customized model training.
- **"SenseAvatar"** offers best-in-class digital human generation service, and has been widely used in video production, live streaming, customer service, and more.
- **"SenseSpace"** is our real-world 3D reconstruction large model based on NeRF, capable of 4K high-precision modeling and editing over 100 square kilometers of urban landscapes, and is used in film production, architecture, marketing, and digital twin management and operations.
- **"SenseThings"** is a 3D generation platform that can reproduce complex geometric structures, textures, materials, and gloss of 3D objects, achieving real-time, high-precision rendering.
- **"SenseAnnotation"** is a data annotation platform based on our large models, with over 10 general-purpose and industry-specific models, supporting intelligent annotation of various data categories. It offers advantages such as better annotation results, higher efficiency, and lower costs compared to traditional human annotation.

In the first half of 2023, our Generative AI related revenue recorded a year-over-year growth of 670.4%, and its contribution to the Group's business rapidly increased from 10.4% in 2022 to 20.3%. According to the "AI Large Model Market Research Report (2023)" by Frost & Sullivan, we rank first in China for overall competitiveness, including product, strategic vision, and ecosystem development.

For the six months ended June 30, 2023, the total revenue of the Group was RMB1,433.1 million; gross profit was RMB648.7 million, with a gross profit margin of 45.3%. In spite of increased investments in large model R&D, we continue to work towards our operating objective of reducing net loss, and we have exercised stringent cost-saving discipline since last year, leading to improved efficiency for AI commercialization and a 6.5% year-on-year decrease in operating expenses. For the six months ended June 30, 2023, the Group's net loss was RMB3,142.6 million, and the adjusted net loss was RMB2,393.4 million, declining by 2.0% and 6.7% year-over-year, respectively. As of June 30, 2023, the total balance of bank deposits, cash on hand, structured deposits, and fair value of investments in bonds and other fixed-income products held by the Group was RMB14,818.7 million.

BUSINESS SUMMARY

In the first half of 2023, we have actively promoted our generative AI offerings across our four major business segments: Smart Business, Smart Life, Smart Auto, and Smart City. This move has further optimized and transformed the company's business structure.

SMART BUSINESS

With the growing capabilities delivered by large models, AI market for enterprise is opened up for more application scenarios. In the first half of 2023, Smart Business segment's revenue reached RMB853.6 million, a year-over-year increase of 50.2%. The number of customers during the period was 481, and the average revenue per customer increased by 59.9%.

We have been deeply engaged in customizing large models for 10 vertical industries, including energy, finance, real estate, information systems, human resources, media, manufacturing, consulting, etc. For example,

- We have collaborated with a leading domestic power grid company, providing large model capabilities and services across three levels: (1) Apply "SenseChat" in customer service to reduce costs and increase efficiency; (2) Identify rare failures and complex defects in an open-world context based on multimodal large models; (3) Jointly research on decision intelligence system for smart scheduling of power grid systems.
- We empowered leading financial institutions in China with "SenseChat" to enhance their key businesses, including intelligent customer service, sales training, and collaborated on the research of financial large models.

- We provided one of the top three insurance companies in China with AI-based remote sensing large models for cross-validating crop underwriting data, enhancing the risk assessment and claims service system of insurance companies. Compared to traditional manual identification methods, this solution has increased efficiency by 60 times, leading technological innovation in agricultural insurance.

With the deep integration of large model technology across various industries, the continuous emergence of new features and services will provide enterprises with additional business opportunities and profit potential.

SMART LIFE

In the first half of 2023, the Smart Life segment's revenue grew by 6.7% to RMB311.8 million, and the revenue accounted for 21.8% of the Group's total revenue; the number of Smart Life segment customers reached 270. The Smart Life business actively embraced the transformative power of generative AI. By offering new products and features empowered by large models to hundreds of clients in the smart device and internet industries, we aim to reach hundreds of millions of devices, small and medium-sized enterprises, and end users. For example,

- SenseChat and SenseMirage have both gained popularity among numerous clients in the internet industry. We collaborated with clients across over 20 different domains, including e-commerce, traditional media, and social media platforms, to create industry-specific large models that could better serve their end customers, bringing the power of large models to broader consumers more effectively.

- For SenseAvatar, our digital humans performed excellently in multiple technical evaluations with highly lifelike expressions, smooth synthetic speech, and lively generated actions. We have provided SenseAvatar to leading customers in e-commerce, live streaming and banking, including CCTV, China's National Radio and Television Administration, Industrial and Commercial Bank of China, etc.
- In terms of SenseThings, its high-precision 3D object modeling capability has been well-received by e-commerce customers. We collaborated with one of Asia's largest jewelry retailers to digitize their products in 3D, to be applied to their online platform.

AI Sensors and ISP Chips Reached Mass Production, LLM Being Integrated with Mobile Devices

Thanks to our three-pronged strategy combining AI SDK, AI sensors and AI ISP chips, our Smart Device business has shown high resilience in the global downturn of the mobile phone industry this year. Our computer vision algorithms have been continuously mass-produced in hundreds of millions of smartphones through SDK, AI sensors, and AI ISPs, consistently penetrating the market and becoming standard features in new models. At the same time, breakthroughs in LLM have led to opportunities for "AI Assistants on Mobile Devices" and "AI Operating Systems Based on Natural Language Interaction," becoming new hotspots in the mobile device industry. Utilizing a lightweight model based on InternLM, along with our proprietary inference acceleration algorithms, we have established R&D collaborations with two leading mobile chip manufacturers. This has allowed us to successfully achieve real-time computational capabilities of LLMs on mobile devices. We are actively collaborating with multiple smartphone manufacturers to develop new features that integrate LLMs with mobile operating systems.

Smart Healthcare Empowered by Large Models

Relying on rich medical knowledge and clinical data, we have trained the LLM for healthcare – "DaYi." "DaYi" is capable of strong medical language understanding and reasoning, multi-round conversations, and has broad application prospects. Currently, "DaYi" has empowered multiple scenarios like hospital guidance, clinical consultation, health check, assisted decision, etc. In the future, it will further support multimodal analysis incorporating medical images and structured data, so as to continuously empower diagnosis and treatment, and to improve inpatient experience with enhanced understanding and reasoning abilities.

Comprehensive Upgrade of SenseRobot

In June 2023, we released a new generation of consumer-grade AI product for home use – SenseRobot Go. In less than a month, nearly a thousand units have been sold, ranking first in the robot category on both Tmall and JD.com. In August 2023, SenseRobot Go played against world champion Chen Yaoye in a live broadcast and won. Compared to the previous generation, SenseRobot Go has further reduced the cost of millimeter-level high-precision mechanical arms and enhanced the general AI ability in Go, a complex game.

SMART AUTO

In the first half of 2023, SenseAuto's shipment-based pre-installed productions business achieved a year-on-year growth of 573%, with the number of units delivered reaching 390,000, and the production also led to an increase in gross profit per vehicle of 29%. We received confirmation letter as designated supplier for more than 5 million additional vehicles, and for more than 160 models accumulatively. In the first half of 2023, as some of our customers began to shift their mode of collaboration with us from pure R&D service to collaboration in respect of pre-installed products, revenue from R&D declined, partially offset by growth in revenue from shipment-based pre-installed production. In the first half of 2023, revenue from Smart Auto Segment was RMB83.9 million, a year-on-year decrease of 30.5%.

Leading the World in R&D and Application of Autonomous Driving Technology

As one of the first service providers in China to activate L2++ autonomous driving in shipment-based pre-installed production, SenseAuto's products have been delivered to an increasing number of car models. We continued to make breakthroughs in autonomous driving technologies. In 2022, our BEV perception algorithm won the Waymo Challenge, and we were the first to deliver the BEV perception technology in pre-installed production. This year, our UniAD algorithm, a large model of autonomous driving, won the Best Paper Award at CVPR, the first best paper in the history of CVPR focusing on autonomous driving. UniAD's Transformer-based network framework integrates the detection, tracking, mapping, prediction, and planning of autonomous driving into a single framework, and is aimed at optimizing the ultimate "planning" objective, resulting in a 20% increase in multi-object tracking accuracy, a 30% increase in lane line prediction accuracy, a 38% decrease in motion forecasting error, and a 28% decrease in planning error. We expect that the new algorithm will be ready for mass production in Q4 this year, which will further enhance the competitiveness of our autonomous driving products.

Rapid Growth in Pre-installed Production of SenseAuto Cabin

In the first half of 2023, we achieved rapid growth in the shipment-based pre-installed production of SenseAuto Cabin. Specifically, our pre-installed volume almost quadrupled from the same period last year. According to the China Passenger Car Cabin IMS Software Supplier List for Q1 2023 published by GGII, SenseAuto ranks first. Meanwhile, our LLM capabilities have garnered extensive attention from automotive manufacturers.

Building intelligent in-cabin assistants based on LLMs has become a hot topic within the industry. We have actively promoted smart cabin applications based on LLMs and have launched several interactive products in Chinese for car cabins based on SenseChat, including health consultations, travel planning, and children's reading companions.

SMART CITY

In the first half of 2023, we continued to advance the transformation of Smart City business, focusing on premium clients and consistently optimizing revenue quality and improving cash flow. The Smart City segment achieved revenue of RMB183.8 million, a year-on-year decrease of 57.7%; the Smart City segment accounted for 12.8% of the Group's total revenue, a further reduction from 2022's 28.8% revenue contribution. Our Smart City segment revenue share from China's tier-one and tier-two cities increased from 34% in the same period last year to 64% in the first half of this year.

INTERNATIONAL BUSINESS

In the first half of 2023, we continue to develop overseas market. Our revenue from overseas market for the first half of 2023 was RMB229.2 million and the percentage of revenue contribution is 16.0%, similar to 2022's 16.8%. Our proprietary LLM, together with our capabilities to adapt to different languages and cultures around the world, are favored by many overseas customers, making our global partners true AGI beneficiaries. For example, through a joint venture with Saudi Arabia's sovereign wealth fund PIF, we used SenseSpace's 3D digital twin technology to empower the construction of the King Abdullah Financial District (KAFFD) smart park in Saudi Arabia, and brought immersive smart cultural and tourism experiences to five theme parks in the UAE using SenseMirage.

ENVIRONMENT, SOCIETY, AND GOVERNANCE

Since 2023, with the explosive developments of generative AI and large models, the general public has paid more attention to the ethical risks brought by the powerful capabilities of AI, such as fraud committed through DeepFake and speech synthesis. SenseTime has always been committed to building a trustworthy AI system and actively participated in the formulation of domestic AI standards and regulations, so as to enhance AI safety and governance and promote sustainable AI development. We have launched SenseTrust – our AI governance platform which encompasses a comprehensive suite of trustworthy AI governance tools for AI training data, model and applications. Our practices include:

- Training anti-spoofing large models, outperforming industry peers by over 20% in detecting complex forged methods, serving many financial institutions;
- Incorporating digital watermarking technology in Generative AI, with applications in copyright protection, anti-counterfeiting, traceability, etc.;
- Building the “SenseTime Open Platform on AI Security and Governance” to provide a public platform for AI security and sustainable development;
- Participating in the preparation of the “AI Ethical Governance Standardization Guide (2023 Edition)”, contributing to the healthy development of AI research and applications;
- Becoming a member of Singapore’s “AI Verify Foundation”, promoting trustworthy AI in Singapore, and setting a positive international benchmark.

At the same time, SenseTime continues to strive for carbon neutrality goals of “Carbon Peak by 2025, Carbon Neutrality in Operations by 2030, Net Zero Emissions by 2050”. Through stringent operations, the AIDC in Lingang achieved an actual average annual Power Usage Effectiveness (PUE) of 1.28, below the original target. Further efforts have been made in office energy-saving and emission reduction, including upgrading automatic control of the air conditioning system in major workplaces which could lead to reduction in air conditioning power usage by 8%, and completing a smart lighting pilot project, aiming to achieve an annual saving of over 30% in lighting. We will continue to actively pursue ESG goals to achieve a healthy and sustainable development.

Management Discussion and Analysis

Six months ended June 30, 2023 compared to six months ended June 30, 2022

The following table sets forth the comparative figures for the six months ended June 30, 2023 and June 30, 2022:

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	1,433,122	1,415,343
Cost of sales	(784,449)	(481,300)
Gross profit	648,673	934,043
Selling expenses	(417,957)	(402,148)
Administrative expenses	(796,516)	(768,629)
Research and development expenses	(1,783,186)	(2,035,330)
Net impairment losses on financial assets and contract assets	(396,493)	(542,183)
Other income	152,240	193,347
Other losses – net	(754,066)	(798,784)
Operating loss	(3,347,305)	(3,419,684)
Finance income	168,904	122,489
Finance cost	(68,367)	(19,128)
Finance income – net	100,537	103,361
Share of losses of investments accounted for using the equity method	(10,029)	(835)
Fair value losses of preferred share and other financial liabilities	(10,043)	(5,134)
Loss before income tax	(3,266,840)	(3,322,292)
Income tax credit	124,216	114,304
Loss for the period	(3,142,624)	(3,207,988)
Loss is attributable to:		
Equity holders of the Company	(3,122,744)	(3,157,653)
Non-controlling interests	(19,880)	(50,335)
	(3,142,624)	(3,207,988)
Non-IFRS measures:		
Adjusted EBITDA	(2,025,854)	(2,322,546)
Adjusted net losses	(2,393,395)	(2,564,180)

Six months ended June 30, 2023 compared to six months ended June 30, 2022

Revenue

Our revenue increased by 1.3% to RMB1,433.1 million in the six months ended June 30, 2023, compared to RMB1,415.3 million in the six months ended June 30, 2022, primarily due to the increase in Smart Business and Smart Life revenues, offset by the decrease in Smart City 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			
	2023		2022	
	RMB million (Unaudited)	%	RMB million (Unaudited)	%
Smart Business	853.6	59.5	568.3	40.2
Smart Life	311.8	21.8	292.1	20.6
Smart City	183.8	12.8	434.1	30.7
Smart Auto	83.9	5.9	120.8	8.5
Total	1,433.1	100.0	1,415.3	100.0

Our Smart Business revenue increased by 50.2% to RMB853.6 million in the six months ended June 30, 2023, compared to RMB568.3 million in the six months ended June 30, 2022, as we continue to capture emerging Generative AI-related business opportunities.

Our Smart Life revenue increased by 6.7% to RMB311.8 million in the six months ended June 30, 2023, compared to RMB292.1 million in the six months ended June 30, 2022, which was primarily due to increasing contribution from our R&D work on AI sensors, as part of our collaboration with a global leading semiconductor company. This revenue stream also began to benefit from early commercialization of our Generative AI-related new products.

Our Smart City revenue decreased by 57.7% to RMB183.8 million in the six months ended June 30, 2023, compared to RMB434.1 million in the six months ended June 30, 2022, primarily due to the shifting of our strategic focus to top tier customers with strong credit profiles.

Our Smart Auto revenue decreased by 30.5% to RMB83.9 million in the six months ended June 30, 2023, compared to RMB120.8 million in the six months ended June 30, 2022. Our revenue from pre-installed products (both smart cabin and ADAS-related products) experienced significant increase as our auto OEM customers ramped up their car shipment. But such increase was more than offset by decreasing revenue from various R&D services to a global auto OEM, as this particular auto OEM shifts focus to potentially collaborate with us more on pre-installed products in the future.

Six months ended June 30, 2023 compared to six months ended June 30, 2022

Cost of sales

Our cost of sales increased by 63.0% from RMB481.3 million in the six months ended June 30, 2022 to RMB784.4 million in the six months ended June 30, 2023. 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			
	2023		2022	
	RMB million (Unaudited)	%	RMB million (Unaudited)	%
Hardware costs and subcontracting				
service fees	643.1	82.0	417.4	86.7
AIDC operation costs	20.3	2.6	11.6	2.4
Employee benefit expenses	27.3	3.5	30.8	6.4
Depreciation and amortization	79.4	10.1	12.0	2.5
Other expenses	14.3	1.8	9.5	2.0
Total	784.4	100.0	481.3	100.0

The increase in cost of sales was primarily attributable to the increase in hardware costs and subcontracting service fees, and AIDC-related depreciation and amortization.

Gross Profit and Gross Margin

Our gross profit decreased by 30.5% from RMB934.0 million in the six months ended June 30, 2022 to RMB648.7 million in the six months ended June 30, 2023, primarily due to the increase of cost of sales. Our gross margin decreased from 66.0% in the six months ended June 30, 2022 to 45.3% in the six months ended June 30, 2023, mainly due to higher hardware and AIDC-related costs as percentage of revenue, as driven by customer demand in the first half of 2023.

Research and Development Expenses

Our research and development expenses decreased by 12.4% from RMB2,035.3 million in the six months ended June 30, 2022 to RMB1,783.2 million in the six months ended June 30, 2023, primarily due to (i) a decrease in employee benefit expenses, and (ii) a decrease in server operation and cloud based service fees as we shift our usage of data center service from third parties to our own AIDC.

Selling Expenses

Our selling expenses increased by 4.0% from RMB402.1 million in the six months ended June 30, 2022 to RMB418.0 million in the six months ended June 30, 2023, primarily due to an increase in marketing, conference and travel expenses as we further enhance brand awareness through various marketing and promotional activities both domestically and overseas.

Six months ended June 30, 2023 compared to six months ended June 30, 2022

Administrative Expenses

Our administrative expenses increased by 3.6% from RMB768.6 million in the six months ended June 30, 2022 to RMB796.5 million in the six months ended June 30, 2023, primarily due to an increase of depreciation and amortization which mainly results from our purchase of new office space by end of 2022, partially offset by a decrease of professional services and other consulting fees.

Net Impairment Losses on Financial Assets and Contract Assets

Our net impairment losses on financial assets and contract assets decreased by 26.9% from RMB542.2 million in the six months ended June 30, 2022 to RMB396.5 million in the six months ended June 30, 2023, primarily due to increasing collection of trade receivables.

Other Income

Our other income decreased by 21.3% from RMB193.3 million in the six months ended June 30, 2022 to RMB152.2 million in the six months ended June 30, 2023 primarily due to a decrease in government grants.

Other Losses – Net

We had net other losses of RMB754.1 million in the six months ended June 30, 2023 compared to net other losses of RMB798.8 million in the six months ended June 30, 2022. The net other losses in the first half of 2023 primarily consist of net foreign exchange loss of RMB246.7 million and fair value losses on financial assets at fair value through profit or loss amounting to RMB505.3 million. The net foreign exchange losses mainly resulted 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 3.1% during the first half of 2023. The fair value losses on financial assets at fair value through profit or loss resulted from the decline of our investment portfolios' valuation, which largely reflected the overall challenging market conditions for technology-related assets since the beginning of the year.

Finance Income – Net

Net finance income remained relatively stable in the six months ended June 30, 2022 compared to that in the six months ended June 30, 2023, decreasing slightly from RMB103.4 million to RMB100.5 million.

Fair Value Losses of Preferred Share and Other Financial Liabilities

Fair value losses of preferred share and other financial liabilities increased from RMB5.1 million in the six months ended June 30, 2022 to RMB10.0 million in the six months ended June 30, 2023 resulting from changes in the fair value of preferred shares issued by a subsidiary of the Company.

Income tax credit

We had income tax credit of RMB124.2 million in the six months ended June 30, 2023, compared to income tax credit of RMB114.3 million in the six months ended June 30, 2022 primarily due to an increase in deductible tax losses.

Loss for the period

As a result of the foregoing, we had a loss of RMB3,142.6 million in the six months ended June 30, 2023, compared with a loss of RMB3,208.0 million in the six months ended June 30, 2022.

Six months ended June 30, 2023 compared to six months ended June 30, 2022

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	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Loss before income tax	(3,266.8)	(3,322.3)
Add:		
Finance income, net	(100.5)	(103.4)
Depreciation and amortization	592.3	459.3
EBITDA	(2,775.0)	(2,966.4)
Add:		
Fair value losses of preferred share and other financial liabilities	10.0	5.1
Share-based compensation expenses	233.9	299.4
Fair value losses on financial assets at fair value through profit or loss	505.3	339.3
Adjusted EBITDA	(2,025.8)	(2,322.6)

Management Discussion and Analysis

Six months ended June 30, 2023 compared to six months ended June 30, 2022

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	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Net losses for the period	(3,142.6)	(3,208.0)
Add:		
Fair value losses of preferred shares and other financial liabilities	10.0	5.1
Share-based compensation expenses	233.9	299.4
Fair value losses on financial assets at fair value through profit or loss	505.3	339.3
Adjusted net losses	(2,393.4)	(2,564.2)

Trade, Other Receivables and Prepayments

Our trade, other receivables and prepayments decreased from RMB6,071.7 million as of December 31, 2022 to RMB5,764.9 million as of June 30, 2023, which primarily comprise trade receivables.

Trade Receivables

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

	As at June 30 2023 RMB million (Unaudited)	As at December 31 2022 RMB million
	Trade receivables	
– Due from related parties	14.9	47.4
– Due from third parties	7,711.2	7,748.9
Provision for impairment	(2,919.3)	(2,578.5)
Total	4,806.8	5,217.8

Our gross trade receivables remained relatively stable as of June 30, 2023, compared to that as of December 31, 2022.

Six months ended June 30, 2023 compared to six months ended June 30, 2022

Trade receivables' aging analysis based on date of revenue recognition is as follows:

	As at June 30 2023 RMB million (Unaudited)	As at December 31 2022 RMB million
Up to 6 months	815.9	1,995.6
6 months to 1 year	1,369.0	746.1
1 to 2 years	2,893.9	3,244.9
2 to 3 years	2,022.4	1,180.0
More than 3 years	624.9	629.7
	7,726.1	7,796.3

As of June 30, 2023, the aging of our gross trade receivables has worsened, compared to that as of December 31, 2022. A significant portion of our historical revenue was derived from Smart City, which typically features a long payment cycle as required by their internal financial management and payment approval processes. Although our overall cash collection amount has begun to improve year over year during the first half of 2023, cash collections for relatively long outstanding receivables remain challenging, as some of our customers, especially those in Smart City, face temporary budget constraints and uncertain macroeconomic environment.

LIQUIDITY AND FINANCIAL RESOURCES

We had historically funded our cash requirements principally from capital contribution from shareholders. We had cash and cash equivalents of RMB7,153.0 million and term deposits of RMB4,688.8 million as of June 30, 2023, compared to the balance of RMB7,962.8 million and RMB6,212.9 million as of December 31, 2022.

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

	Six months ended June 30	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Net cash used in operating activities	(1,804.8)	(1,848.1)
Net cash generated from/(used in) investing activities	384.7	(5,721.4)
Net cash generated from financing activities	413.2	1,177.3
Net decrease in cash and cash equivalents	(1,006.9)	(6,392.2)
Cash and cash equivalents at the beginning of the period	7,962.8	16,529.5
Exchange changes on cash and cash equivalents	197.1	236.3
Cash and cash equivalents at the end of the period	7,153.0	10,373.6

Six months ended June 30, 2023 compared to six months ended June 30, 2022

Net Cash Used in Operating Activities

Net cash used in operating activities represents the cash used in our operations plus the income tax paid. Cash used in our operations primarily comprises our loss before income tax adjusted by non-cash items and changes in working capital.

For the six months ended June 30, 2023, net cash used in operating activities was RMB1,804.8 million, which was primarily attributable to our loss before income tax, as adjusted by depreciation and amortization, fair value losses on financial assets at fair value through profit or loss and provision for impairment of financial assets and contract assets, and has been generally stable as compared to that for the six months ended June 30, 2022.

Net Cash Generated from Investing Activities

For the six months ended June 30, 2023, net cash generated from investing activities was RMB384.7 million, which was mainly attributable to net decrease in investments in term deposits, partially offset by purchase of property, plant and equipment, net increase in structured deposits and acquisition of debt and equity investments. Cash used in acquisition of equity investments has decreased compared with the first half of 2022, as we continue to increase investing discipline.

Net Cash Generated from Financing Activities

For the six months ended June 30, 2023, net cash generated from financing activities was RMB413.2 million, which was mainly attributable to proceeds from borrowings, partially offset by repayments of borrowings, principle elements of lease payments and interest paid.

Borrowings

As of December 31, 2022 and June 30, 2023, we had total borrowings of RMB3,228.6 million and RMB3,792.8 million, respectively. Details of bank borrowings of the Group as at June 30, 2023 are set out in Note 30 to the consolidated financial statements.

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.

Six months ended June 30, 2023 compared to six months ended June 30, 2022

Employees, Training and Remuneration Policies

As at June 30, 2023, the Group had 5,016 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 programmes 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. The net proceeds received by the Company from the Global Offering (as defined in the Prospectus), including the full exercise of the over-allotment option, were approximately HK\$6,351.0 million. There has been no change in the intended use of proceeds and the expected timeframe for utilization 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, 2023, approximately HK\$5,958.2 million of the net proceeds had been utilised by the Group in accordance with the intended purposes and expected timeframe 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.

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, 2022 (Approximately HK\$ million)	Actual use of net proceeds during the Reporting Period (Approximately HK\$ million)	Net proceeds unused as of June 30, 2023 (Approximately HK\$ million)	Expected timeline for fully utilising the net proceeds from the Global Offering
(i) Enhancing our research and development capabilities	60.0	3,810.6	209.3	209.3	–	N.A.
(ii) Expansion of our business	15.0	952.7	694.5	301.7	392.8	By end of 2023
(iii) Pursuing strategic investment and acquisition opportunities	15.0	952.7	–	–	–	N.A.
(iv) Working capital and general corporate purposes	10.0	635.1	–	–	–	N.A.
Total	100.0	6,351.00	903.8	511.0	392.8	

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.

Six months ended June 30, 2023 compared to six months ended June 30, 2022

Gearing Ratio

As at June 30, 2023, our gearing ratio was -5.9%, 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, 2023, we did not have any material contingent liabilities.

Significant Investments Held

As of June 30, 2023, we did not hold any significant investments in the equity interest of other companies.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For the six months ended June 30, 2023, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Pledge of Assets

As of June 30, 2023, we pledged certain buildings and land use rights with carrying amount of RMB4,401.6 million and restricted guarantee deposits amounting to RMB325.2 million for borrowings.

Future Plans for Material Investments and Capital Assets

As of June 30, 2023, we have no specific future plan for material investments and acquisition of capital assets. The Group will continue to identify new investment opportunities in companies with principal businesses related to the Group's core business with a view to create synergies with the Group's existing core business and improve the Group's service and products to its customers.

Events After the Reporting Period

Save as otherwise disclosed in this interim report, there was no others 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 80, which comprises the interim condensed consolidated balance sheet of SenseTime Group Inc. (the “Company”) and its subsidiaries (together, the “Group”) as at June 30, 2023 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 selected explanatory notes. 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, August 28, 2023

Interim Condensed Consolidated Income Statement

For the six months ended June 30, 2023

	Notes	Six months ended June 30	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	5(a)	1,433,122	1,415,343
Cost of sales	6	(784,449)	(481,300)
Gross profit		648,673	934,043
Selling expenses	6	(417,957)	(402,148)
Administrative expenses	6	(796,516)	(768,629)
Research and development expenses	6	(1,783,186)	(2,035,330)
Net impairment losses on financial assets and contract assets		(396,493)	(542,183)
Other income	7	152,240	193,347
Other losses – net	8	(754,066)	(798,784)
Operating loss		(3,347,305)	(3,419,684)
Finance income		168,904	122,489
Finance costs		(68,367)	(19,128)
Finance income – net	9	100,537	103,361
Share of losses of investments accounted for using the equity method		(10,029)	(835)
Fair value losses of preferred share and other financial liabilities	25(c)	(10,043)	(5,134)
Loss before income tax		(3,266,840)	(3,322,292)
Income tax credit	10	124,216	114,304
Loss for the period		(3,142,624)	(3,207,988)
Loss is attributable to:			
Equity holders of the Company		(3,122,744)	(3,157,653)
Non-controlling interests		(19,880)	(50,335)
		(3,142,624)	(3,207,988)
Loss per share for loss attributable to equity holders of the Company			
Basic and diluted loss per share (RMB)	11	(0.10)	(0.10)

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 June 30, 2023

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Loss for the period	(3,142,624)	(3,207,988)
Other comprehensive income		
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(1,095,142)	(589,935)
<i>Item that will not be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	1,631,358	1,906,922
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss (Note 25(c))	(132)	(2,617)
Other comprehensive income for the period, net of taxes	536,084	1,314,370
Total comprehensive loss for the period	(2,606,540)	(1,893,618)
Total comprehensive loss for the period is attributable to:		
Equity holders of the Company	(2,593,859)	(1,827,352)
Non-controlling interests	(12,681)	(66,266)
	(2,606,540)	(1,893,618)

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 June 30, 2023

	Notes	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	13	7,355,409	6,999,010
Right-of-use assets	14	420,910	315,094
Intangible assets	15	326,806	332,887
Contract assets	5(f)	22,898	22,999
Investments accounted for using the equity method		108,668	54,241
Deferred income tax assets	17	817,596	689,697
Restricted cash	22	243,316	271,392
Financial assets at fair value through profit or loss	21	6,456,082	6,676,533
Long-term receivables	20	218,560	357,952
Other non-current assets	16	300,243	183,009
		16,270,488	15,902,814
Current assets			
Inventories	18	569,043	617,110
Contract assets	5(f)	29,283	27,231
Trade, other receivables and prepayments	19	5,764,921	6,071,675
Financial assets at fair value through profit or loss	21	1,033,290	632,124
Restricted cash	22	92,506	348
Term deposits	22	4,688,844	6,212,878
Cash and cash equivalents	22	7,153,015	7,962,813
		19,330,902	21,524,179
Total assets		35,601,390	37,426,993
Equity			
Equity attributable to equity holders of the Company			
Share capital	23	5	5
Other reserves	24	71,537,438	71,248,900
Currency translation reserves		4,444,345	3,915,328
Accumulated losses		(49,316,753)	(46,194,009)
		26,665,035	28,970,224
Non-controlling interests		30,955	43,636
Total equity		26,695,990	29,013,860

Interim Condensed Consolidated Balance Sheet

As at June 30, 2023

	Notes	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	30	3,621,854	2,907,153
Lease liabilities	14	199,164	105,228
Deferred income tax liabilities	17	8,893	9,593
Contract liabilities	28	31,455	74,553
Deferred revenue		302,197	307,593
Preferred share and other financial liabilities	25	1,494,834	1,395,814
Long-term payables		5,215	11,611
Put option liability	29	289,032	278,584
		5,952,644	5,090,129
Current liabilities			
Borrowings	30	170,993	321,461
Trade and other payables	27	2,341,170	2,472,581
Lease liabilities	14	167,909	183,002
Contract liabilities	28	175,735	207,571
Deferred revenue		86,764	120,635
Current income tax liabilities		10,185	17,754
		2,952,756	3,323,004
Total liabilities		8,905,400	8,413,133
Total equity and liabilities		35,601,390	37,426,993

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 June 30, 2023

	Notes	Equity attributable to equity holders of the Company						
		Share capital RMB'000	Other reserves RMB'000	Currency translation reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(Unaudited)								
As at January 1, 2023		5	71,248,900	3,915,328	(46,194,009)	28,970,224	43,636	29,013,860
Comprehensive loss								
Loss for the period		-	-	-	(3,122,744)	(3,122,744)	(19,880)	(3,142,624)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	25(c)	-	(132)	-	-	(132)	-	(132)
Exchange differences on translation of foreign operations		-	-	529,017	-	529,017	7,199	536,216
Total comprehensive loss		-	(132)	529,017	(3,122,744)	(2,593,859)	(12,681)	(2,606,540)
Transactions with equity holders								
Exercise of share options		-	54,736	-	-	54,736	-	54,736
Share-based compensation expenses	6, 26(c)	-	233,934	-	-	233,934	-	233,934
Total transactions with equity holders		-	288,670	-	-	288,670	-	288,670
As at June 30, 2023		5	71,537,438	4,444,345	(49,316,753)	26,665,035	30,955	26,695,990
(Unaudited)								
As at January 1, 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	25(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		*	692,807	-	-	692,807	-	692,807
Share-based compensation expenses	6, 26(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 June 30, 2022		5	71,084,907	3,297,011	(43,307,394)	31,074,529	28,307	31,102,836

* 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 June 30, 2023

	Notes	Six months ended June 30	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations		(1,793,363)	(1,837,345)
Income tax paid		(11,442)	(10,804)
Net cash used in operating activities		(1,804,805)	(1,848,149)
Cash flows from investing activities			
Purchase of property, plant and equipment		(690,836)	(997,184)
Purchase of intangible assets		(43,872)	(112,292)
Proceeds from disposal of property, plant and equipment		5,712	1,045
Increase in investments accounted for using the equity method		(64,349)	–
Dividend received from financial assets at fair value through profit and loss	7	11,579	19,787
Acquisition of debt and equity investments	21(a), (b)	(214,992)	(2,665,936)
Acquisition of structured deposits	21(c)	(2,030,000)	(2,665,000)
Disposal of debt and equity investments	21(a), (b)	49,082	13,927
Disposal of structured deposits	21(c)	1,636,805	2,478,470
The intention money paid for purchase of an office property		–	(200,000)
Net decrease/(increase) in investments in term deposits		1,625,297	(1,693,557)
Interest received from banks		105,410	109,525
Loans granted to a related party	32(b)	(5,115)	(10,163)
Net cash generated from/(used in) investing activities		384,721	(5,721,378)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

	Notes	Six months ended June 30	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from financing activities			
Proceeds from borrowings		764,331	724,096
Repayments of borrowings		(200,514)	–
Interest paid		(61,857)	(11,044)
Principal elements of lease payments		(98,778)	(92,407)
Interests elements of lease payments		(7,422)	(10,905)
Net proceeds from exercise of over-allotment option	23(a)	–	692,807
Net increase in restricted cash	22(b)	(41,611)	(169,169)
Capital injection by limited partners of investment fund controlled by the Group	25(b)	45,500	43,000
Payment of listing fee		–	(1,570)
Proceeds from exercise of restricted shares and share options		13,550	2,519
Net cash generated from financing activities		413,199	1,177,327
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of period		7,962,813	16,529,506
Effect of foreign exchange rates changes		197,087	236,320
Cash and cash equivalents at end of period		7,153,015	10,373,626

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 June 30, 2023

1 GENERAL INFORMATION

SenseTime Group Inc. (the “Company”) was incorporated in the Cayman Islands on October 15, 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 Third 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 platform and related services, sale of software-embedded hardware and related services, AIDC service 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. which was incorporated in the Cayman Islands, and the ultimate controlling shareholder of the Group is Professor Tang Xiao’ou (湯曉鷗教授, “Prof. Tang”). The registered office of the Amind Inc. is situated at P.O. Box 2075, #30 The Strand, 46 Canal Point Drive, Grand Cayman KY1-1105, Cayman Islands.

On December 30, 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 August 28, 2023.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended June 30, 2023 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 December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), as set out in the Company’s annual report dated March 28, 2023 except for the adoption of amended standard as disclosed in Note 3.

For the six months ended June 30, 2023

3 NEW STANDARDS AND INTERPRETATIONS

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2022, 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) New or amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies as a result of adopting these standards except IAS 12 (Amendments).

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on January 1, 2023:

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction Tax

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

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

For the six months ended June 30, 2023

3 NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

(a) New or amended standards adopted by the Group (continued)

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- (i) right-of-use assets and lease liabilities, and
- (ii) decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments as of December 31, 2022 was not material and hence no adjustment was made to the beginning retained earnings, or another component of equity.

The Group has adopted International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12 upon their release on May 23, 2023. The amendments provide a temporary mandatory exception applying retrospectively from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure from December 31, 2023.

As an exception to requirements in the amendments to IAS 12, the Group neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes because no new legislation to implement the top-up tax was enacted or substantively enacted at December 31, 2022 in any jurisdiction in which the Group operates.

The relief and the new disclosures will also be reflected in the Group's consolidated financial statements as at and for the year ending December 31, 2023.

(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 January 1, 2023 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
IAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2024
IAS 1 (Amendment)	Non-current liabilities with covenants	1 January 2024
IFRS 16 (Amendment)	Lease liability in sale and leaseback	1 January 2024
IAS 7 (Amendment)	Supplier Finance Arrangements	1 January 2024
IFRS 10 and IAS 28 (Amendment)	Sales or contribution assets between an investor and its associate or joint venture	To be determined

For the six months ended June 30, 2023

4 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(a) Fair value hierarchy

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. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at June 30, 2023 and December 31, 2022 on a recurring basis:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)				
At June 30, 2023				
Assets:				
– Financial assets at fair value through profit or loss (“FVPL”)	400,468	118,553	6,970,351	7,489,372
Liabilities:				
– Preferred share liabilities	–	–	1,141,777	1,141,777
– Other financial liabilities	–	–	353,057	353,057
	–	–	1,494,834	1,494,834
At December 31, 2022				
Assets:				
– Financial assets at FVPL	631,337	–	6,677,320	7,308,657
Liabilities:				
– Preferred share liabilities	–	–	1,090,277	1,090,277
– Other financial liabilities	–	–	305,537	305,537
	–	–	1,395,814	1,395,814

For the six months ended June 30, 2023

4 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (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 (e.g. publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (e.g. 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 equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments; and
- for other financial instruments – discounted cash flow analysis.

As one investment in a listed company was suspended trading during the six months ended June 30, 2023, it is not possible to determine the fair value of this investment using quoted prices directly. So the investment in this listed company was reclassified from level 1 into level 2.

There were no other transfers required between the levels of the fair value hierarchy during the six months ended June 30, 2023. The Group also did not change any valuation techniques in determining the level 2 and level 3 fair values.

For the six months ended June 30, 2023

4 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)**(c) Fair value measurements using significant unobservable inputs (level 3)**

The following table presents the changes in level 3 instruments for the six months ended June 30, 2023:

	Debt investments RMB'000	Equity investments RMB'000	Structured deposits RMB'000	Preferred shares issued by a subsidiary RMB'000	Net asset value of investment funds attributable to limited partners RMB'000	Fair value instruments at FVPL RMB'000
(Unaudited)						
At January 1, 2023	5,798,760	246,436	632,124	(1,090,277)	(305,537)	5,281,506
Additions	167,966	50,000	2,030,000	-	(45,500)	2,202,466
Disposals	(5,627)	(6,050)	(1,636,805)	-	-	(1,648,482)
Fair value changes	(437,892)	2,056	7,971	(10,043)	(2,020)	(439,928)
Losses attributable to changes in credit risk recognised in other comprehensive loss	-	-	-	(132)	-	(132)
Foreign currency translation recorded in other comprehensive loss	112,480	8,932	-	(41,325)	-	80,087
At June 30, 2023	5,635,687	301,374	1,033,290	(1,141,777)	(353,057)	5,475,517
(Unaudited)						
At January 1, 2022	3,665,678	213,375	272,549	(1,040,267)	(84,349)	3,026,986
Additions	2,036,694	-	2,665,000	-	(43,000)	4,658,694
Disposals	-	-	(2,478,470)	-	-	(2,478,470)
Fair value changes	(248,438)	(782)	7,599	(5,134)	(528)	(247,283)
Losses attributable to changes in credit risk recognised in other comprehensive loss	-	-	-	(2,617)	-	(2,617)
Foreign currency translation recorded in other comprehensive loss	158,750	11,208	-	(273)	-	169,685
At June 30, 2022	5,612,684	223,801	466,678	(1,048,291)	(127,877)	5,126,995

For the six months ended June 30, 2023

4 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)**(c) Fair value measurements using significant unobservable inputs (level 3) (continued)****(i) Valuation inputs and relationships to fair value**

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

At June 30, 2023 (Unaudited)

Description	Fair Value RMB'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Debt instruments – Unlisted entities	3,413,257	Expected volatility	39.09%-59.57%	A shift of the expected volatility by +/- 5% results in a decrease/ increase in FV of RMB(8,282,000)/ RMB8,260,000
		Risk-free rate	1.80%-5.46%	A shift of the risk-free rate by +/- 5% results in a decrease/ increase in FV of RMB(1,267,000)/ RMB1,268,000
		DLOM	30.00%	A shift of the DLOM by +/- 5% results in a decrease/increase in FV of RMB32,712,000/RMB(32,893,000)
Debt instruments – Fund	614,667	Net assets per unit	0.91-3.79	A shift of the net assets per unit by +/- 5% results in an increase/ decrease in FV of RMB32,133,000
Debt instruments – Investments in bonds	1,607,763	Expected rate of return	-1.13%-1.88%	A change in the expected rate of return by +/- 50 bps would increase/decrease the FV by RMB9,931,000/RMB(19,848,000)
Equity instruments- unlisted entities	301,374	Expected volatility	47.62%-49.49%	A shift of the expected volatility by +/- 5% results in a decrease/ increase in FV of RMB(10,000)/ RMB11,000
		Risk-free rate	2.19%-2.42%	A shift of the risk-free rate by +/- 5% will not results in a change of FV
		DLOM	30%	A shift of the DLOM by +/- 5% results in a decrease/increase in FV of RMB1,174,000/RMB(1,174,000)

For the six months ended June 30, 2023

4 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) Valuation inputs and relationships to fair value (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements: (continued)

At June 30, 2023 (Unaudited) (continued)

Description	Fair Value RMB'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Structured deposits	1,033,290	Expected rate of return	1.30%-3.31%	A change in the expected rate of return by 50 bps would increase/decrease the FV by RMB527,000
Net asset value of investment funds attributable to limited partners	353,057	Net assets per unit	0.77-1.06	A shift of the net assets per unit by +/- 5% results in an increase/decrease in FV of RMB17,480,000
Preferred shares issued by a subsidiary	1,141,777	Expected volatility	50.00%	A shift of the expected volatility by +/- 5% results in a change in FV of RMB(10,269,000)/RMB10,476,000
		Risk-free rate	4.10%	A shift of the risk-free rate by +/- 5% results in a change in FV of RMB(3,196,000)/RMB3,213,000

(ii) Valuation processes

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.

For the six months ended June 30, 2023

5 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 June 30, 2023:

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Mainland China	1,203,994	1,140,734
Northeast Asia	185,367	227,706
Southeast Asia	11,169	4,213
Others*	32,592	42,690
	1,433,122	1,415,343

* 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 June 30, 2023, broken down by the location of the assets, is as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Mainland China	7,952,403	7,498,318
Northeast Asia	57,341	66,301
Southeast Asia	21,470	27,054
Others	71,911	55,318
	8,103,125	7,646,991

For the six months ended June 30, 2023

5 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 June 30, 2023 are listed as below:

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Percentage of revenue from the major customers to the total revenue of the Group		
Client A	12.7%	–
Client B	*	19.8%
Client C	*	16.9%

* 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 June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue		
– recognised point in time	1,178,109	1,336,432
– recognised over time	255,013	78,911
	1,433,122	1,415,343

(e) During the six months ended June 30, 2023, 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.

For the six months ended June 30, 2023

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

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Current assets	30,130	28,012
Loss allowance	(847)	(781)
	29,283	27,231
Non-current assets	26,797	26,396
Loss allowance	(3,899)	(3,397)
	22,898	22,999
	52,181	50,230

6 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 June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Employee benefit expenses (a)	1,909,104	2,093,511
Hardware costs and project subcontracting service fees	643,147	417,367
Depreciation and amortization (Note 13, Note 14 and Note 15)	592,294	459,299
Professional service and other consulting fees	299,305	399,093
Marketing, conference and travelling expenses	118,839	77,573
Utilities, property management and administrative expenses	90,297	35,292
Server operation and cloud based service fees	51,673	135,040
Data labelling fees	20,930	30,534
Taxes and surcharges	21,540	13,696
Research and development tools and consumables	13,733	22,760
Other expenses	21,246	3,242
Total	3,782,108	3,687,407

(a) During the six months ended June 30, 2023, employee benefits expenses included the share-based compensation expenses of approximately RMB233,934,000 (for the six months ended June 30, 2022: RMB299,355,000) (Note 26(c)).

For the six months ended June 30, 2023

7 OTHER INCOME

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Government grants		
– Financial subsidies (i)	76,476	115,444
– Tax refund (ii)	64,185	58,116
Dividend received	11,579	19,787
	152,240	193,347

- (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 June 30, 2023, 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.

For the six months ended June 30, 2023

8 OTHER LOSSES – NET

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Fair value losses on financial assets at fair value through profit or loss (Note 21(d))	(505,252)	(339,319)
Donations	(417)	(8,427)
Net foreign exchange losses	(246,652)	(447,467)
Losses on disposal of property, plant and equipment	(1,725)	(257)
Others	(20)	(3,314)
	(754,066)	(798,784)

9 FINANCE INCOME – NET

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Finance income		
Interest income	156,339	111,287
Accretion income for long-term receivables	12,565	11,202
Finance income	168,904	122,489
Finance costs		
Interest expenses on long-term payables	(492)	(1,868)
Interest expenses on bank borrowings	(62,273)	(11,590)
Interest and finance charges paid/payable for lease liabilities (Note 14(ii))	(7,422)	(10,905)
Amount capitalised (a)	1,820	5,235
Finance costs expensed	(68,367)	(19,128)
Finance income – net	100,537	103,361

- (a) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is 3.62% (for the six months ended June 30, 2022: 3.94%).

For the six months ended June 30, 2023

10 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 China

Entities incorporated in Hong Kong China are subject to Hong Kong China profits tax at a rate of 16.5% for the periods presented (for the six months ended June 30, 2022: 16.5%).

(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 January 1, 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 June 30, 2023 (for the six months ended June 30, 2022: 17%, 5%).

(v) Japan

Enterprise incorporated in Japan are subject to income tax rate at the state level of 23.2% during the six months ended June 30, 2023 (for the six months ended June 30, 2022: 23.2%).

(vi) Malaysia

Malaysia income tax rate is 24% during the six months ended June 30, 2023 (for the six months ended June 30, 2022: 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%.

For the six months ended June 30, 2023

10 INCOME TAX CREDIT (CONTINUED)**(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 June 30, 2023 (for the six months ended June 30, 2022: 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 Lingang SenseAuto Intelligent Technology Co., Ltd. (上海臨港絕影智能科技有限公司, “Shanghai SenseAuto”, formerly named 上海商湯臨港智能科技有限公司, “Shanghai 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 June 30, 2023 (for the six months ended June 30, 2022: Beijing SenseTime, Shenzhen SenseTime, Shanghai SenseTime, Shanghai SenseAuto). This status is subject to a requirement that Beijing SenseTime, Shenzhen SenseTime, Shanghai SenseTime and Shanghai SenseAuto 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 January 1, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong China meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong China, the relevant withholding tax rate will be reduced from 10% to 5%.

During the six months ended June 30, 2023, 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 June 30, 2022: nil).

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current income tax	(3,537)	(8,674)
Deferred income tax (Note 17)	127,753	122,978
Income tax credit	124,216	114,304

For the six months ended June 30, 2023

11 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 June 30, 2023.

	Six months ended June 30	
	2023 (Unaudited)	2022 (Unaudited)
Loss attributable to equity holders of the Company (RMB'000)	(3,122,744)	(3,157,653)
Weighted average number of ordinary shares in issue	31,958,495,179	31,898,368,165
Basic loss per share (expressed in RMB per share)	(0.10)	(0.10)

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 June 30, 2023, 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 June 30, 2023, 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 June 30, 2023 is the same as basic loss per share of the respective period (for the six months ended June 30, 2022: same as basic loss per share of the respective period).

12 DIVIDENDS

No dividend had been declared or paid by the Company during the six months ended June 30, 2023 (for the six months ended June 30, 2022: nil).

For the six months ended June 30, 2023

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities	Leasehold improvement	Large-scale electronic equipment	Computers and related equipment	Office equipment and furniture	Transportation equipment and vehicles	Other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2022									
Cost	4,561,346	236,224	2,733,558	603,069	61,054	56,438	34,945	439,678	8,726,312
Accumulated depreciation	(146,898)	(192,468)	(961,027)	(372,693)	(23,577)	(25,149)	(5,490)	-	(1,727,302)
Net book amount	4,414,448	43,756	1,772,531	230,376	37,477	31,289	29,455	439,678	6,999,010
(Unaudited)									
Six months ended									
June 30, 2023									
Opening net book amount	4,414,448	43,756	1,772,531	230,376	37,477	31,289	29,455	439,678	6,999,010
Additions	120	-	606,969	80,089	12,108	588	1,305	86,264	787,443
Internal transfer	6,525	131,978	231,812	2,555	9	2,674	-	(375,553)	-
Disposals	-	-	(896)	(5,152)	(454)	-	(798)	(137)	(7,437)
Depreciation charge	(65,101)	(24,455)	(262,714)	(55,911)	(6,011)	(5,894)	(2,126)	-	(422,212)
Currency translation differences	(806)	112	529	(160)	(331)	(232)	(580)	73	(1,395)
Closing net book amount	4,355,186	151,391	2,348,231	251,797	42,798	28,425	27,256	150,325	7,355,409
At June 30, 2023									
Cost	4,567,138	368,314	3,569,737	676,779	71,794	59,350	34,820	150,325	9,498,257
Accumulated depreciation	(211,952)	(216,923)	(1,221,506)	(424,982)	(28,996)	(30,925)	(7,564)	-	(2,142,848)
Net book amount	4,355,186	151,391	2,348,231	251,797	42,798	28,425	27,256	150,325	7,355,409

For the six months ended June 30, 2023

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) As at June 30, 2023, certain buildings with carrying amount of RMB4,337,754,000 (December 31, 2022: RMB4,376,326,000) were pledged as collaterals for the Group's borrowings (Note 30).
- (b) During the six months ended June 30, 2023, depreciation charges were expensed off in the following categories in the interim condensed consolidated income statement:

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Research and development expenses	232,732	212,666
Administrative expenses	99,826	62,933
Cost of sales	79,247	12,004
Selling expenses	10,407	10,166
	422,212	297,769

14 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 sheet

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

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Right-of-use assets		
Leased buildings	357,070	250,577
Land use right (a)	63,840	64,517
	420,910	315,094
Lease liabilities		
Current	167,909	183,002
Non-current	199,164	105,228
	367,073	288,230

- (a) As at June 30, 2023, certain land use right with carrying amount of RMB63,840,000 (December 31, 2022: RMB64,517,000) was pledged as collaterals for the Group's borrowings (Note 30).

For the six months ended June 30, 2023

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

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

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets		
Leased buildings	87,168	101,848
Land use right	677	677
	87,845	102,525
Interest expense (included in finance income – net)	7,422	10,905

The total cash outflow for leases for the six months ended June 30, 2023 was RMB138,549,000 (for the six months ended June 30, 2022: RMB112,867,000).

(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.

For the six months ended June 30, 2023

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

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

	Leased buildings RMB'000	Land use right RMB'000	Total RMB'000
At December 31, 2022			
Cost	700,324	67,674	767,998
Accumulated depreciation	(449,747)	(3,157)	(452,904)
Net book amount	250,577	64,517	315,094
(Unaudited)			
Six months ended June 30, 2023			
Opening net book amount	250,577	64,517	315,094
Additions	82,215	–	82,215
Termination	(5,934)	–	(5,934)
Modification of leasing contracts	119,130	–	119,130
Depreciation charge	(87,168)	(677)	(87,845)
Currency translation differences	(1,750)	–	(1,750)
Closing net book amount	357,070	63,840	420,910
At June 30, 2023			
Cost	799,562	67,674	867,236
Accumulated depreciation	(442,492)	(3,834)	(446,326)
Net book amount	357,070	63,840	420,910

During the six months ended June 30, 2023, depreciation charges were expensed off in the following categories in the interim condensed consolidated income statement:

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Administrative expenses	83,262	100,639
Research and development expenses	3,119	1,886
Selling expenses	1,464	–
	87,845	102,525

For the six months ended June 30, 2023

15 INTANGIBLE ASSETS

	Patents RMB'000	Trademarks RMB'000	Computer software RMB'000	Licensed intellectual properties RMB'000	Total RMB'000
At December 31, 2022					
Cost	72,236	22	492,927	43,169	608,354
Accumulated amortisation and impairment	(69,191)	(16)	(193,672)	(12,588)	(275,467)
Net book amount	3,045	6	299,255	30,581	332,887
(Unaudited) Six months ended June 30, 2023					
Opening net book amount	3,045	6	299,255	30,581	332,887
Additions	-	-	75,647	-	75,647
Amortisation charge	(1,866)	(1)	(74,974)	(5,396)	(82,237)
Currency translation differences	(7)	-	516	-	509
Closing net book amount	1,172	5	300,444	25,185	326,806
At June 30, 2023					
Cost	74,149	22	570,436	43,169	687,776
Accumulated amortisation	(72,977)	(17)	(269,992)	(17,984)	(360,970)
Net book amount	1,172	5	300,444	25,185	326,806

During the six months ended June 30, 2023, amortization charges were expensed off in the following categories in the interim condensed consolidated income statement:

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Research and development expenses	48,628	46,309
Administrative expenses	32,355	11,169
Selling expenses	1,091	1,527
Cost of sales	163	-
	82,237	59,005

For the six months ended June 30, 2023

16 OTHER NON-CURRENT ASSETS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Advance payment for purchase of property, plant and equipment and intangible assets	300,243	183,009

17 DEFERRED INCOME TAX

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

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Deferred income tax assets:		
– to be recovered within 12 months	348,953	304,099
– to be recovered after more than 12 months	513,510	418,414
Offset by deferred income tax liabilities	(44,867)	(32,816)
Net deferred income tax assets	817,596	689,697
Deferred income tax liabilities:		
– to be recovered after more than 12 months	(53,760)	(42,409)
Offset by deferred income tax assets	44,867	32,816
Net deferred income tax liabilities	(8,893)	(9,593)

For the six months ended June 30, 2023

17 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 January 1, 2023	369,846	293,267	1,825	1,918	33,806	21,851	722,513
Credit/(charged) to the interim condensed consolidated income statement	85,408	46,088	(955)	(863)	9,998	(572)	139,104
Currency translation differences	989	(143)	-	-	-	-	846
At June 30, 2023	456,243	339,212	870	1,055	43,804	21,279	862,463
(Unaudited)							
At January 1, 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 June 30, 2022	392,224	168,079	3,383	6,562	48,724	18,257	637,229

For the six months ended June 30, 2023

17 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 January 1, 2023	(9,593)	(32,816)	–	(42,409)
Credit/(charged) to the interim condensed consolidated income statement	700	(12,051)	–	(11,351)
At June 30, 2023	(8,893)	(44,867)	–	(53,760)
(Unaudited)				
At January 1, 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 June 30, 2022	(52,086)	(46,022)	(22)	(98,130)

18 INVENTORIES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Purchased hardware and components	330,786	362,830
Contract fulfilment cost	256,619	296,889
	587,405	659,719
Less: allowance for impairment of inventories	(18,362)	(42,609)
	569,043	617,110

The provision for impairment of inventories recorded as cost of sales during the six months ended June 30, 2023 was RMB12,023,000 (for the six months ended June 30, 2022: RMB4,225,000).

Inventories with carrying amount of RMB3,076,000 were recorded as selling expenses during the six months ended June 30, 2023 for marketing and promotion purpose.

For the six months ended June 30, 2023

19 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Notes receivables	61,808	80,673
Provision for impairment	(49,022)	(49,031)
	12,786	31,642
Trade receivables		
– Due from related parties (Note 32(c))	14,885	47,405
– Due from third parties	7,711,222	7,748,873
Gross trade receivables	7,726,107	7,796,278
Provision for impairment	(2,919,315)	(2,578,516)
	4,806,792	5,217,762
Other receivables		
– Refundable deposits (i)	55,426	63,407
– Loans to related parties (Note 32(c))	21,352	15,959
– Payments on behalf of customers	431,556	429,475
– Others	78,558	73,237
Gross other receivables	586,892	582,078
Provision for impairment	(393,482)	(370,941)
	193,410	211,137
Prepayments	145,359	107,587
Input VAT to be deducted	606,574	503,547
Total trade, other receivables and prepayments	5,764,921	6,071,675

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19 TRADE, OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

The aging analysis of the notes receivables based on date of revenue recognition is as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Bank's notes receivables		
– Up to 6 months	12,808	31,673
Commercial notes receivables		
– 1 to 2 years	47,300	49,000
– 2 to 3 years	1,700	–
	61,808	80,673

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 June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Up to 6 months	815,857	1,995,560
6 months to 1 year	1,369,041	746,068
1 to 2 years	2,893,900	3,244,937
2 to 3 years	2,022,390	1,179,960
3 to 4 years	509,440	582,289
More than 4 years	115,479	47,464
	7,726,107	7,796,278

(i) Refundable deposits consists primarily of security deposits for rental and projects.

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20 LONG-TERM RECEIVABLES

Long-term receivables represented: (1) the receivables due for settlement by instalments, which are generally between 1 to 5 years; (2) the refundable deposits with maturity date over 1 year. Long-term receivables contains 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 June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Payment by installment sales contract	502,413	583,243
Refundable deposits due after one year	54,256	67,161
Less: due within one year	(335,263)	(284,821)
	221,406	365,583
Less: provision for impairment	(2,846)	(7,631)
	218,560	357,952

21 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.

For the six months ended June 30, 2023

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

Financial assets mandatorily measured at FVPL include the following:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Non-current assets		
Debt investments (a)		
– Unlisted entities	3,413,257	3,690,089
– Investments in bonds	1,607,763	1,523,159
– Fund	614,667	585,512
Equity investments (b)		
– Listed entities	519,021	631,337
– Unlisted entities	301,374	246,436
	6,456,082	6,676,533
Current assets		
Structured deposits (c)	1,033,290	632,124
	7,489,372	7,308,657

For the six months ended June 30, 2023

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

The movement of the debt investments during the six months ended June 30, 2023 is as follows:

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At beginning of the period	5,798,760	3,665,678
Additions	167,966	2,036,694
Disposals	(5,627)	–
Fair value changes	(437,892)	(248,439)
Currency translation differences	112,480	158,751
At end of the period	5,635,687	5,612,684

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.

For the six months ended June 30, 2023

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**(b) Equity investments**

The movement of the equity investments during the the six months ended June 30, 2023 is as follows:

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At beginning of the period	877,773	645,292
Additions	50,000	629,242
Disposals	(43,455)	(13,927)
Fair value changes	(75,331)	(98,479)
Currency translation differences	11,408	30,856
At end of the period	820,395	1,192,984

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.

(c) Structured deposits

Structured deposits represented the wealth management products issued by reputable banks in mainland China or in Hong Kong China. 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 June 30, 2023 is as follows:

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At beginning of the period	632,124	272,549
Additions	2,030,000	2,665,000
Disposals	(1,636,805)	(2,478,470)
Fair value changes	7,971	7,599
At end of the period	1,033,290	466,678

For the six months ended June 30, 2023

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**(d) Amounts recognised in the interim condensed consolidated income statement**

During the the six months ended June 30, 2023, the following (losses)/gains were recognised in the interim condensed consolidated income statement:

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Fair value (losses)/gains on investments in:		
– Debt investments	(437,892)	(248,439)
– Equity investments	(75,331)	(98,479)
– Structured deposits	7,971	7,599
	(505,252)	(339,319)

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

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000
Cash at bank and in hand	12,177,681	14,447,431
Less: Restricted cash (b)	(335,822)	(271,740)
Less: term deposits with initial term of over three months (c)	(4,688,844)	(6,212,878)
Cash and cash equivalents	7,153,015	7,962,813

For the six months ended June 30, 2023

22 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TERM DEPOSITS (CONTINUED)

(b) Restricted cash

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000
Current	92,506	348
Non-current	243,316	271,392
	335,822	271,740

As at June 30, 2023, USD43,900,000 (equivalent to RMB325,169,000) was restricted guarantee deposits held in a separate reserve account that is pledged to the bank as security deposits under bank borrowings agreements (Note 30). Restricted cash with maturity date over one year was disclosed in non-current assets. RMB3,934,000 and SAR3,476,000 (equivalent to RMB6,719,000) were restricted as performance security.

As at December 31, 2022, USD38,600,000 (equivalent to RMB271,392,000) was restricted guarantee deposits held in a separate reserve account that is pledged to the bank as security deposits under bank borrowings agreements (Note 30). Restricted cash with maturity date over one year was disclosed in non-current assets. USD50,000 (equivalent to RMB348,000) 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, term deposits with maturity date over 1 year were disclosed in non-current assets. As at June 30, 2023, all term deposits' maturity dates are within 1 year. The carrying amount of the term deposits with initial terms of over three months approximately to their fair value as at June 30, 2023.

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23 SHARE CAPITAL**Authorised:**

	Number of ordinary shares
At January 1, 2023, June 30, 2023, January 1, 2022 and June 30, 2022	2,000,000,000,000

Issued:

	Note	Number of shares	Share capital RMB'000
At January 1, 2023 and June 30, 2023 (Unaudited)		33,468,925,000	5
At January 1, 2022		33,282,400,000	5
Exercise of over-allotment option	(a)	225,000,000	*
At June 30, 2022 (Unaudited)		33,507,400,000	5

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

- (a) On January 26, 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.

As at June 30, 2023, the ordinary shares of the Company represented two classes as follows:

	As at June 30, 2023 Number of shares	As at June 30, 2022 Number of shares
Class A ordinary shares	7,520,115,072	7,528,760,000
Class B ordinary shares	25,948,809,928	25,978,640,000
	33,468,925,000	33,507,400,000

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

24 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 January 1, 2023	*	71,317,758	632,166	(3,155)	(697,869)	71,248,900
Share-based compensation expenses (Note 26)	-	-	233,934	-	-	233,934
Treasury shares issued to employees	*	478,112	(423,376)	-	-	54,736
Changes in credit risk for financial liabilities designated as at fair value through profit or loss	-	-	-	(132)	-	(132)
At June 30, 2023	*	71,795,870	442,724	(3,287)	(697,869)	71,537,438
(Unaudited)						
At January 1, 2022	*	70,155,916	619,579	-	(697,869)	70,077,626
Share-based compensation expenses (Note 26)	-	-	299,355	-	-	299,355
Treasury shares issued to employees	*	91,327	(73,591)	-	-	17,736
Exercise of over-allotment option (Note 23(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)
As at June 30, 2022	*	70,940,050	845,343	(2,617)	(697,869)	71,084,907

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

For the six months ended June 30, 2023

25 PREFERRED SHARE AND OTHER FINANCIAL LIABILITIES

As at June 30, 2023, the preferred share and other financial liabilities included:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Preferred share liabilities issued by a subsidiary (a)	1,141,777	1,090,277
Net asset value of investment funds attributable to limited partners (b)	353,057	305,537
Total preferred share and other financial liabilities	1,494,834	1,395,814
Including:		
Current portion	–	–
Non-current portion	1,494,834	1,395,814
	1,494,834	1,395,814

(a) Preferred share liabilities issued by a subsidiary

On September 22, 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. USD155,000,000 (equivalent to RMB988,234,000) has been paid by Fund A in 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 June 30, 2023, the preferred shares liability was disclosed in non-current liability as the directors of the Company considered these events would not be occurred within 12 months after the end of the reporting period. 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.

For the six months ended June 30, 2023

25 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 ten limited partners for strategic investment. As at June 30, 2023, the Group has already received RMB319,500,000 (December 31, 2022: RMB274,000,000) 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. As at June 30, 2023, the Group has already received RMB15,000,000 (December 31, 2022: 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 June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Losses recognised on:		
Changes in fair value of preferred shares issued by a subsidiary	(10,043)	(5,134)
Losses attributable to changes in credit risk of above financial instruments recognised in other comprehensive loss	(132)	(2,617)
Changes on net asset value of investment funds attributable to limited partners	(2,020)	(528)

For the six months ended June 30, 2023

26 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 November 2, 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 April 9, 2018. As at June 30, 2023, all RSUs were exercised.

(b) Share option plan

From 2016 to 2023, 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
January 1, 2022	116,779,795	2-4 years	7 years
January 1, 2023	26,279,586	4 years	7 years
April 1, 2023	103,693,530	4.25 years	7 years

Movements in the number of share options granted and their related weighted average exercise price during the six months ended June 30, 2023 are as follows:

	Six months ended June 30			
	2023 (Unaudited)		2022 (Unaudited)	
	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	0.62	1,004,051,796	0.53	979,707,216
Granted	0.78	129,973,116	0.78	116,779,795
Exercised	0.36	(171,362,381)	0.33	(64,507,913)
Forfeited	0.74	(37,282,885)	0.77	(40,186,617)
At end of the period	0.69	925,379,646	0.56	991,792,481

For the six months ended June 30, 2023

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

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

As at June 30, 2023, 415,816,780 options were vested but not exercised (June 30, 2022: 472,083,661).

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

Grant date	Expiry date	Exercise price (HKD)	Number of share options	
			June 30, 2023 (Unaudited)	December 31, 2022
November 2, 2016	November 2, 2023	*	38,978,427	57,461,635
July 1, 2017	July 1, 2024	0.22 or *	21,240,643	37,386,011
February 1, 2019	February 1, 2026	0.78 or 0.22 or *	65,411,758	81,687,005
June 30, 2019	June 30, 2026	0.78	9,503,991	13,043,353
January 1, 2020	January 1, 2027	0.78 or 0.22 or *	102,151,673	191,113,102
July 1, 2020	July 1, 2027	0.78	7,376,131	10,693,056
January 1, 2021	January 1, 2028	0.78 or 0.22 or *	237,708,447	268,969,290
July 1, 2021	July 1, 2028	0.78 or 0.22	14,776,478	16,884,507
January 1, 2022	January 1, 2029	0.78	83,288,806	97,249,341
July 1, 2022	July 1, 2029	0.78	8,570,667	9,032,433
September 13, 2022	September 13, 2029	0.78	211,328,064	220,532,063
January 1, 2023	January 1, 2030	0.78	22,992,587	–
April 1, 2023	April 1, 2030	0.78	102,051,974	–
			925,379,646	1,004,051,796

* 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:

	January 1, 2022 RMB'000	January 1, 2023 RMB'000	April 1, 2023 RMB'000
Share options (i)	454,513	38,169	184,493

For the six months ended June 30, 2023

26 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 back solving for the total equity value that is consistent with a recent transaction in the Company's own securities.

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
April 1, 2023	3.14%	47.63%	7 years
January 1, 2023	3.68%	47.73%	7 years
January 1, 2022	1.32%	45.32%	7 years

During the six months ended June 30, 2023, the amounts of share-based compensation expenses charged to administrative expenses, research and development expenses and selling expenses are as follow:

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Research and development expenses	100,498	152,117
Administrative expenses	91,516	101,999
Selling expenses	41,920	45,239
	233,934	299,355

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27 TRADE AND OTHER PAYABLES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Notes payables	–	1,691
Trade payables		
– Third parties	760,410	842,792
– Related parties (Note 32(c))	5,295	4,378
Other payables		
– Third parties	472,749	574,256
– Related parties (Note 32(c))	1,669	2,148
Payables on purchase of property, plant and equipment and intangible assets		
– Third parties	576,317	387,521
– A related party (Note 32(c))	55,000	–
Accrued taxes other than income tax	120,870	223,530
Staff salaries and welfare payables	318,505	400,977
VAT payables related to contract liabilities	13,469	15,410
Accrued warranty expenses	16,886	19,878
	2,341,170	2,472,581

Aging analysis of the trade payables and notes payables based on purchase date at the end of June 30, 2023 are as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Up to 6 months	519,996	718,327
6 months to 1 year	189,359	76,660
1 to 2 years	13,152	19,477
More than 2 years	43,198	34,397
	765,705	848,861

For the six months ended June 30, 2023

28 CONTRACT LIABILITIES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Current		
Deferred service fee income (i)	29,825	50,879
Advances from customers	145,910	156,692
	175,735	207,571
Non-current		
Deferred service fee income (i)	31,455	74,553

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

29 PUT OPTION LIABILITY

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Present value of liability in relation to a put option granted to non-controlling shareholder of a subsidiary	289,032	278,584

- (a) On April 17, 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 has 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 June 30, 2023, the put option liability was disclosed as non-current liability.

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30 BORROWINGS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Non-Current		
Bank borrowing – secured	3,193,259	2,909,453
Bank borrowing – guaranteed	439,815	–
Less: current portion of non-current borrowings	(11,220)	(2,300)
	3,621,854	2,907,153
Current		
Short-term bank borrowing – guaranteed	156,444	316,248
Current portion of non-current borrowings	11,220	2,300
Interest payable	3,329	2,913
	170,993	321,461
	3,792,847	3,228,614

Secured bank borrowing

As at June 30, 2023, the Group had bank borrowings with carrying amount of RMB260,390,000 which were secured by the Group's restricted deposits of USD43,900,000 (equivalent to RMB325,169,000) (December 31, 2022: bank borrowings with carrying amount of RMB229,700,000 which were secured by the Group's restricted deposits of USD38,600,000 (equivalent to RMB271,392,000)) (Note 22).

As at June 30, 2023, the Group had a bank borrowing with carrying amount of RMB1,268,729,000 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 13(a)) with a carrying amount of RMB1,105,292,000 and land use right with a carrying amount of RMB63,840,000 (Note 14) (December 31, 2022: buildings with a carrying amount of RMB1,109,380,000 and land use right with a carrying amount of RMB64,517,000) respectively were also pledged as collaterals for this bank borrowing.

As at June 30, 2023, the Group had a bank borrowing with carrying amount of RMB1,664,140,000 which was pledged by certain buildings (Note 13(a)) with a carrying amount of RMB3,232,462,000 as a collateral for the Group's borrowings (December 31, 2022: certain buildings with a carrying amount of RMB3,266,946,000).

For the six months ended June 30, 2023

30 BORROWINGS (CONTINUED)**Guaranteed bank borrowings**

As at June 30, 2023, the Group had non-current bank borrowings with carrying amount of RMB296,715,000 which were guaranteed by SenseTime Group Limited.

As at June 30, 2023, the Group had current bank borrowings with carrying amount of RMB156,444,000 which were guaranteed by SenseTime Group Limited (December 31, 2022: RMB316,248,000 which were guaranteed by SenseTime Group Limited).

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 June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
6 months or less	121,854	199,954
Between 6 and 12 months	45,810	118,594
Between 1 and 2 years	78,255	6,300
Between 2 and 5 years	1,154,492	610,565
Over 5 years	2,389,107	2,290,288
	3,789,518	3,225,701

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

	As at June 30, 2023 (Unaudited)		As at December 31, 2022	
	Amount RMB'000	Interest rate Per annum	Amount RMB'000	Interest rate Per annum
RMB bank borrowings	3,789,518	2.90%~3.80%	3,225,701	2.50%~3.95%

As at June 30, 2023, the carrying amounts of bank borrowings approximated their fair values since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

The Group had complied with all of the financial covenants of its borrowing facilities for the six months ended June 30, 2023 (for the six months ended June 30, 2022: complied with all of the financial covenants of its borrowing facilities).

As at June 30, 2023, the weighted average effective interest rate for borrowings was 3.35% (December 31, 2022: 3.36%).

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30 BORROWINGS (CONTINUED)

As at June 30, 2023, the Group has the following undrawn bank facilities:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
RMB facilities	7,917,963	9,694,749
USD facilities	202,322	195,009
	8,120,285	9,889,758

31 CAPITAL COMMITMENTS

Significant capital expenditure commitments are set out below:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000
Property, plant and equipment	538,136	466,886
Capital contribution to financial assets at fair value through profit or loss	213,900	180,400
Intangible assets	7,515	7,704
	759,551	654,990

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32 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) Information on related parties and their relationships with the Group are as follows:

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 Jin 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
Shanghai Lingang Yuanqi Intelligent Technology Co., Ltd. (上海臨港元企智能科技有限公司, "Lingang Yuanqi")	Joint venture of the Group
Seno China Limited	Joint venture of the Group
Shandong Hoooon Toy Co., Ltd. (山東轟轟智能機器人有限公司, "Shandong Hoooon")	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
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 Huiming Software Co., Ltd. (上海輝明軟件有限公司, "Shanghai Huiming")	Investment with significant influence
MantisVision Technologies Co., Ltd. (螳螂慧視科技有限公司, "Tanglang")	Investment with significant influence
Japan Computer Vision Corp.	Company controlled by a significant shareholder
Shanghai SenseTime Qianshi Technology Ltd. (上海商湯旡視科技有限公司, "Shanghai Qianshi", formerly named 上海商湯旡誓科技有限公司, "Shanghai Qianshi")	Company controlled by key management personnel

For the six months ended June 30, 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Transactions with related parties**

In the opinion of the Company's directors, the related party transactions were conducted in the ordinary course of business and based on terms mutually agreed by the underlying parties. Related party transactions of the Group during the six months ended June 30, 2023 include:

(i) Sale of products or provision of services

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Japan Computer Vision Corp.	11,667	44,793
Lingang Yuanqi	573	–
Shanghai Qianshi	110	–
Lu Xingtong	–	16,528
SAIRI	–	73
Shang Jing Yun	–	7
	12,350	61,401

(ii) Purchase of products or services

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Sun Vision	6,274	5,148
Shandong Hoooon	3,604	601
Shang Jing Yun	2,130	1,607
Tanglang	47	–
Zero Sports AI	–	353
	12,055	7,709

For the six months ended June 30, 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Transactions with related parties (continued)****(iii) Purchase of property, plant and equipment**

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
SAIRI	48,673	–

(iv) Loans granted to a related party

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Shanghai Qianshi	4,837	10,000

(v) Interest income from a related party

	Six months ended June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Shanghai Qianshi	278	163

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32 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Transactions with related parties (continued)****(vi) 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 June 30	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Wages, salaries and bonuses	11,016	9,596
Pension costs – defined contribution plans	106	52
Other social security costs, housing benefits and other employee benefits	90	43
Share-based compensation expenses	3,763	7,484
	14,975	17,175

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

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000
Japan Computer Vision Corp.	9,608	37,294
Shang Jin Yun	5,149	5,149
Lingang Yuanqi	128	75
Shanghai Qianshi	–	4,887
	14,885	47,405
Loss allowance	(4,002)	(8,793)
	10,883	38,612

For the six months ended June 30, 2023

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

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000
Shanghai Qianshi	20,686	15,293
Linkface	666	666
	21,352	15,959
Loss allowance	(1,587)	(1,489)
	19,765	14,470

(iii) Trade payables

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000
Shandong Hoooon	3,065	4,278
Shang Jin Yun	2,230	100
	5,295	4,378

(iv) Other payables

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000
Non-trade		
Seno China Limited	667	648
Trade		
Sun Vision	1,002	–
Shanghai Qianshi	–	1,500
	1,669	2,148

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32 RELATED PARTY TRANSACTIONS (CONTINUED)**(c) Balances with related parties (continued)****(v) Payable on purchase of property, plant and equipment**

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000
SAIRI	55,000	–

(vi) Prepayment

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000
Lu Xingtong	5,241	5,241
Sun Vision	280	280
Shanghai Huiming	250	–
Shang Jin Yun	91	91
Tanglang	–	478
	5,862	6,090

(vii) Contract liabilities

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000
Japan Computer Vision Corp.	266	336
Lu Xingtong	–	49
	266	385

These balances with related parties are unsecured, interest-free (except for Shanghai Qianshi which is interest bearing at 3.65%-3.7%) and repayable on demand.

33 CONTINGENCIES

As at June 30, 2023, there were no significant contingencies items for the Group.

34 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to June 30, 2023 and up to the date of this report, there is no material subsequent event.

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

As at June 30, 2023, 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 Xiao'ou				
Amind ⁽³⁾	Beneficial interest	6,906,080,602	91.83%	20.63%
		Class A Shares		
Prof. Tang Xiao'ou	Interest in a controlled corporation	6,906,080,602	91.83%	20.63%
		Class A Shares		
Class A Shares – Dr. Xu Li				
XWorld ⁽⁴⁾	Beneficial interest	286,317,668	3.81%	0.86%
		Class A Shares		
Dr. Xu Li	Interest in a controlled corporation	286,317,668	3.81%	0.86%
		Class A Shares		
Class A Shares – Dr. Wang Xiaogang				
Infinity Vision ⁽⁵⁾	Beneficial interest	223,526,705	2.97%	0.67%
		Class A Shares		
Dr. Wang Xiaogang	Interest in a controlled corporation	223,526,705	2.97%	0.67%
		Class A Shares		
Class A Shares – Mr. Xu Bing				
Vision Worldwide ⁽⁶⁾	Beneficial interest	104,190,097	1.39%	0.31%
		Class A Shares		
Mr. Xu Bing	Interest in a controlled corporation	104,190,097	1.39%	0.31%
		Class A Shares		

Other Information

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 ⁽⁷⁾	Beneficial interest	565,386,529 Class B Shares	2.18%	1.69%
Class B Shares – Dr. Wang Xiaogang				
Dr. Wang Xiaogang through SenseTalent ⁽⁷⁾	Beneficial interest	302,140,243 Class B Shares	1.16%	0.90%
Infinity Vision ⁽⁵⁾	Beneficial interest	8,644,928 Class B Shares	0.03%	0.03%
Dr. Wang Xiaogang	Interest in a controlled corporation	8,644,928 Class B Shares	0.03%	0.03%
Class B Shares – Mr. Xu Bing				
Mr. Xu Bing through SenseTalent ⁽⁷⁾	Beneficial interest	252,236,581 Class B Shares	0.97%	0.75%
Class B Shares – Mr. Li Wei				
Mr. Li Wei through Ms. Cui Jingtao ⁽⁸⁾	Interest of spouse	1,800,000 Class B Shares	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, 2023, comprising, 7,520,115,072 Class A Shares and 25,948,809,928 Class B Shares.
- (3) The entire interest in Amind is held by Prof. Tang Xiao'ou.
- (4) The entire interest in XWorld is held by Dr. Xu Li.
- (5) The entire interest in Infinity Vision is held by Dr. Wang Xiaogang.
- (6) The entire interest in Vision Worldwide is held by Mr. Xu Bing.
- (7) The interests comprise underlying Class B Shares in respect of the options granted pursuant to the Pre-IPO ESOP. Such options have been fully vested and exercised on the relevant Directors.
- (8) 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.

Save as disclosed above, as at June 30, 2023, 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, 2023, 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:

Interests in Class B 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⁾
SenseTalent ⁽³⁾	Beneficial interest	3,603,518,324	13.89%	10.77%
Ms. Lin Jiemin ⁽³⁾	Interest in a controlled corporation	3,603,518,324	13.89%	10.77%
Softbank				
SVF Sense (Singapore) Pte. Ltd. ⁽⁴⁾	Beneficial interest	3,618,608,397	13.95%	10.81%
SVF Holdings (UK) LLP ⁽⁴⁾	Interest in a controlled corporation	3,618,608,397	13.95%	10.81%
SoftBank Vision Fund L.P. ⁽⁴⁾	Interest in a controlled corporation	3,618,608,397	13.95%	10.81%
Public Investment Fund ⁽⁴⁾	Interest in a controlled corporation	3,618,608,397	13.95%	10.81%
Vision Technology Investment Company ⁽⁴⁾	Interest in a controlled corporation	3,618,608,397	13.95%	10.81%
SB Investment Advisers (UK) Limited ⁽⁴⁾	Interest in a controlled corporation	3,618,608,397	13.95%	10.81%
SVF GP (Jersey) Limited ⁽⁴⁾	Interest in a controlled corporation	3,618,608,397	13.95%	10.81%
SoftBank Group Corp. ⁽⁴⁾	Interest in a controlled corporation	3,618,608,397	13.95%	10.81%
Alibaba				
Taobao China Holding Limited ⁽⁵⁾	Beneficial interest	1,533,898,000	5.91%	4.58%
Taobao Holding Limited ⁽⁵⁾	Interest in a controlled corporation	1,533,898,000	5.91%	4.58%
Alibaba Group Holding Limited ⁽⁵⁾	Interest in a controlled corporation	1,533,898,000	5.91%	4.58%

Other Information

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, 2023, comprising, 7,520,115,072 Class A Shares and 25,948,809,928 Class B Shares.
- (3) As Ms. Lin Jiemin holds 68.93% interest in SenseTalent, Ms. Lin Jiemin is deemed to be interested in the 3,603,518,324 Class B Shares held by SenseTalent.
- (4) 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. As at the Latest Practicable Date, based on the disclosure of interests filings dated August 3, 2023 (being the latest available filing as at the Latest Practicable Date), SVF Sense (Singapore) Pte. Ltd. holds 3,369,687,397 Class B Shares (representing approximately 12.99% of the total issued Class B Shares of the Company and approximately 10.07% of the total issued Shares of the Company⁽²⁾), and each of SVF Holdings (UK) LLP, SoftBank Vision Fund L.P., Public Investment Fund, Vision Technology Investment Company, SB Investment Advisers (UK) Limited, SVF GP (Jersey) Limited and SoftBank Group Corp. are deemed to be interested in such Class B Shares held by SVF Sense (Singapore) Pte. Ltd.
- (5) 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). As at the Latest Practicable Date, Taobao Holding Limited ceased to hold any interest in the shares of the Company. Please refer to the Company's announcement dated July 21, 2023 for further details.

Save as disclosed above, as at June 30, 2023, 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. As the Pre-IPO RSU Plan involves grant of RSU Awards which are funded by existing Class B Shares of the Company, upon the revised Chapter 17 of the Listing Rules coming into effect in January 2023, the Pre-IPO RSU Plan constitutes a share scheme which is funded by existing shares of the Company under Chapter 17 of the Listing Rules.

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 "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 RSU Administrators may, from time to time, select the participants to whom a restricted stock unit ("RSU Awards") may be granted.

The 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 RSU Awards under the Pre-IPO RSU Plan, the terms and conditions on which 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 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 (“RSU Limit”) is 492,327,394 Shares, all of which have been issued and held by SenseTalent. The RSU Limit represents approximately 1.47% of the total issued Shares as at the date of this interim report. There is no maximum limit of Class B Shares which may be awarded to any one Participant under the Pre-IPO RSU Plan.

Terms and Conditions of RSU Award

Grant of RSU Awards

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

Acceptance of RSU Awards

If the selected person intends to accept the offer of grant of RSU Awards as specified in the grant letter, he or she is required to sign the grant notice and return it to the Company within the time period pursuant to the terms of the Pre-IPO RSU Plan. No consideration is payable by the selected person upon the acceptance of an RSU Award. Upon the receipt from the selected person of a duly executed grant notice, the RSU Awards are granted to such person, who becomes a grantee pursuant to the Pre-IPO RSU Plan.

Conditions of RSU Awards

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

Rights attached to 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 RSU Awards. The Pre-IPO RSU Participants have the rights to any dividends or distributions from any Shares underlying an RSU Award.

Exercise of RSU Awards

RSU Awards held by the Pre-IPO RSU Participants were exercised on December 30, 2016. The exercise price per RSU Award was HKD0.00007789. Any RSUs or any Share underlying any RSUs shall not be transferred or sold prior to the Listing unless approved by the Board. After the Listing, subject to the lock-up period and restrictions set forth under the Pre-IPO RSU Plan and the sole discretion of the Board, the Pre-IPO RSU Participants may dispose of part or all of the Shares underlying their RSU Awards to any third party (other than anyone who, in the opinion of the RSU Administrators or the Board, are the Company's actual or potential competitors, hostile acquirers, or anyone who will adversely affect the Company's operations) at terms and conditions negotiated between the Pre-IPO RSU Participants and the transferees.

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

Prior to the Reporting Period, the Pre-IPO RSU Plan has been fully granted up to its RSU Limit (i.e. 492,327,394 Shares) to a total of 59 grantees (including Directors, members of senior management and other connected persons of the Company). As disclosed above, all the RSUs granted were fully exercised by the Pre-IPO RSU Participants on December 30, 2016 and the underlying Shares were held by SenseTalent on behalf of such Pre-IPO RSU Participants since the date of such exercise.

Accordingly, during the Reporting Period, no granting, vesting, lapsing or cancellation of RSU has taken place. As at December 31, 2022, the aggregate number of the Class B Shares underlying the Pre-IPO RSU Plan and which remain held by SenseTalent on behalf of the Pre-IPO RSU Participants were 472,088,044 Class B Shares. As at June 30, 2023, the aggregate number of the Class B Shares underlying the Pre-IPO RSU Plan and which remain held by SenseTalent on behalf of the Pre-IPO RSU Participants were 453,445,044, representing approximately 1.35% of the issued share capital of the Company as at June 30, 2023 and the date of this interim report.

Details of RSU Awards granted under the Pre-IPO RSU Plan

As of January 1, 2023, the Pre-IPO RSU Plan have been fully granted, vested and exercised up to the RSU Limit. Therefore, no RSU Awards were granted, vested, exercised, lapsed or cancelled during the Reporting Period.

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. Upon the revised Chapter 17 of the Listing Rules coming into effect in January 2023, the Pre-IPO ESOP constitutes a share scheme which is funded by existing shares of the Company under Chapter 17 of the Listing Rules. 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.

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. The Pre-IPO ESOP Limit represents approximately 10.09% of the issued share capital as at the date of this interim report. There is no maximum limit of Class B Shares which may be awarded to any one Participant under the Pre-IPO ESOP.

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. No consideration is payable by the Pre-IPO ESOP Participants upon the acceptance of an Option.

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, 2023, 2,913,716,559 Options under the Pre-IPO ESOP including those which (i) remain unvested; (ii) are vested and exercisable but unexercised; and (iii) have been fully vested and exercised but remained held by SenseTalent on behalf of the relevant grantees have been granted to 2,344 grantees (including Directors, members of senior management and other connected persons of the Company).

As at January 1, 2023, the aggregate number of the Class B Shares underlying the Pre-IPO ESOP and which remain held by SenseTalent was 3,253,888,486 Class B Shares. As at June 30, 2023, the aggregate number of Class B Shares underlying the Pre-IPO ESOP and which remain held by SenseTalent is 3,150,073,280, representing approximately 9.41% of the issued share capital of the Company as at June 30, 2023.

Details of Options granted under the Pre-IPO ESOP

Details of outstanding options over new shares of the Company at the beginning and at the end of the Reporting Period which have been granted under the Pre-IPO ESOP are as follows:

Grantees	Outstanding at December 31, 2022	Number of share options granted	Number of share options exercised	Number of share options lapsed	Number of share options cancelled	Outstanding at June 30, 2023
Category 1: Five highest paid individuals during the six months ended June 30, 2023						
Five highest paid individuals during the six months ended June 30, 2023 ⁽¹⁾	107,751,530	367,439	(33,405,807)	0	0	74,713,162
Category 2: Other Grantees						
Total of all other grantees under the Pre-IPO ESOP Plan ⁽²⁾	896,300,266	129,605,677	(137,956,574)	0	(37,282,885)	850,666,484
	73,301,419 ⁽³⁾	0	(26,156,416)	0	0	47,145,003
	143,944,421 ⁽⁴⁾	0	(65,660,105)	0	(2,603,826)	75,680,490
	679,054,426 ⁽⁵⁾	129,605,677	(46,140,053)	0	(34,679,059)	727,840,991
Total all categories	1,004,051,796	129,973,116	(171,362,381)	0	(37,282,885)	925,379,646

Notes:

- (1) As at June 30, 2023, the number of outstanding Options is 74,713,162. Such Options were granted from February 2, 2019 to April 1, 2023 with a vesting period from 2.5 to 4.25 years, exercise period of 7 years and exercise price of approximately HK\$0.78 or HK\$0.22.

During the Reporting Period, a total of 367,439 Options were granted on April 1, 2023 with a vesting period of 4.25 years, exercise period of 7 years and exercise price of approximately HK\$0.78. The vesting of these Options are subject to fulfillment of specific conditions (including performance targets). The closing price of the Class B Shares on the Stock Exchange immediately before the date on which the grant was made was HK\$2.66 (the grant dates being April 1, 2023). For the fair value of the Options granted during the Reporting Period and the accounting standard and policy adopted, please refer to Note 26 to the consolidated financial statements.

The Options which were exercised during the Reporting Period have an exercise price of approximately HK\$0.78 or HK\$0.22. The weighted average closing price of the Class B Shares on the Stock Exchange immediately before the dates on which the Options were exercised was HK\$3.09.

- (2) As at June 30, 2023, the number of outstanding Options is 850,666,484. Such Options were granted from November 2, 2016 to April 1, 2023 with a vesting period of 0 to 4.25 years, exercise period of 7 years and exercise price of approximately HK\$0.78 or HK\$0.22 or HK\$0.0001.

During the Reporting Period, a total of 129,605,677 Options were granted on January 1, 2023 and April 1, 2023 with a vesting period of 4 to 4.25 years, exercise period of 7 years and exercise price of approximately HK\$0.78. The vesting of these Options are subject to fulfillment of specific conditions (including performance targets). The closing price of the Class B Shares on the Stock Exchange immediately before the date on which the grant was made (the grant dates being January 1, 2023 and April 1, 2023) was HK\$2.22 or HK\$2.66 respectively. For the fair value of the Options granted during the Reporting Period and the accounting standard and policy adopted, please refer to Note 26 to the consolidated financial statements.

The Options which were exercised during the Reporting Period have an exercise price of approximately HK\$0.78, HK\$0.22 or HK\$0.0001. The weighted average closing price of the Class B Shares on the Stock Exchange immediately before the date of exercise was HK\$2.71.

The Options which were cancelled during the Reporting Period had an exercise price of approximately HK\$0.78 or HK\$0.22 as set out above.

- (3) Options granted to the other grantees with an exercise price of approximately HK\$0.0001.

- (4) Options granted to the other grantees with an exercise price of approximately HK\$0.22.

- (5) Options granted to the other grantees with an exercise price of approximately HK\$0.78.

- (6) During the Reporting Period, the Directors hold no outstanding Options under the Pre-IPO ESOP. In addition, during the Reporting Period, no Options were granted to, vested on or exercised by any Director and there were no lapsing or cancellation of Options with respect to any Director. As at June 30, 2023, SenseTalent holds 565,386,529 Class B Shares on behalf of Dr. Xu Li, 302,140,243 Class B Shares on behalf of Dr. Wang Xiaogang, and 252,236,581 Class B Shares on behalf of Mr. Xu Bing. Such Class B Shares held by SenseTalent on behalf of Dr Xu Li, Dr. Wang Xiaogang and Mr. Xu Bing represents Class B Shares which were issued to them upon the full exercise of Options granted to them under the Pre-IPO ESOP prior to the Reporting Period.

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. Upon the revised Chapter 17 coming into effective in January 2023, the 2022 RSU Scheme constitute a share scheme under 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.

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 RSUs 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 RSUs 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 RSUs 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.

Any Class B Share covered by a 2022 RSU Scheme Award (or any portion of an Award) which is forfeited, canceled or expires (whether voluntarily or involuntarily) shall be deemed not to have been issued for purposes of determining the scheme limit. Class B Shares that actually have been issued under the 2022 RSU Scheme pursuant to a 2022 RSU Scheme Award shall not be returned to the 2022 RSU Scheme and shall not become available for future issuance under the 2022 RSU Scheme, except (i) otherwise permitted by the 2022 RSU Scheme; and (ii) that if any unvested 2022 RSU Scheme Award (or any portion thereof) are repurchased by the Company, any Class B Shares underlying such unvested 2022 RSU Scheme Award (or any portion thereof) shall become available for future grant under the 2022 RSU Scheme.

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. As at the Latest Practicable Date, no Class B Shares have been issued for the purposes of the 2022 RSU Scheme.

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. No consideration is payable by the selected person upon the grant of a 2022 RSU Scheme Award.

Conditions of the 2022 RSU Scheme Awards

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.

Vesting of the 2022 RSU Scheme Awards

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

The 2022 RSU Scheme Awards which have vested shall be satisfied at the sole and absolute discretion of the Board or the Chairman (as the case may be) within a reasonable period from the vesting date of such 2022 RSU Scheme Awards, either by: (a) the Administrative Committee directing and procuring the relevant trustee to transfer the Class B Shares underlying the 2022 RSU Scheme Awards to the Grantee in such manner as determined by it from time to time; and/or (b) the Administrative Committee directing and procuring the trustee to pay to the Grantee in cash an amount which is equivalent to the market value of the Class B Shares.

In the event a general offer for Shares (whether by way of voluntary offer, takeover, scheme of arrangement or otherwise) is made to all holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror), the Board may, prior to or immediately upon the offer becoming or being declared unconditional, determine at its absolute discretion whether any 2022 RSU Scheme Awards shall vest. If the Board determines that such 2022 RSU Scheme Awards shall vest, it shall notify the Grantee and the Company that the RSU shall vest and the period within which such 2022 RSU Scheme Awards shall vest. In the absence of such determination by the Board, the 2022 RSU Scheme Awards shall continue to vest in accordance with their respective vesting timetable.

Lapsing of the 2022 RSU Scheme Awards

The unvested RSUs shall automatically lapse upon the earliest of: (a) the date on which the Grantee ceases to be an eligible participant; (b) an order for the winding up of the Company is made or a resolution is passed for the voluntary winding-up of the Company; (c) the date on which the Grantee commits a breach of restrictions in respect of the transferability of the 2022 RSU Scheme Awards; (d) the date on which the Grantee is found to be an excluded person for the purposes of the 2022 RSU Scheme; (e) the date on which it is no longer possible to satisfy any outstanding conditions to vesting; or (f) the Board has decided that the unvested RSUs shall not be vested for the Grantee in accordance with the rules of the 2022 RSU Scheme and the terms and conditions as set out in the notice of grant.

Rights attached to the 2022 RSU Scheme Awards

The RSUs 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 RSUs are actually transferred to the Grantee upon the vesting of the RSUs. 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.

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, 2023, 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.

Percentage of weighted average number of shares

The total number of Class B Shares that may be issued in respect of options or awards granted under the Pre-IPO RSU Plan, the Pre-IPO ESOP and the 2022 RSU Scheme of the Company (being the 1,675,370,000 Class B Shares which may be issued under the 2022 RSU Scheme, as each of the Pre-IPO RSU Plan and the Pre-IPO ESOP does not involve issue of new Shares) during the six months ended June 30, 2023 divided by the weighted average number of total Shares in issue for the six months ended June 30, 2023 is 5.01%.

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.

As at June 30, 2023, the WVR Beneficiaries were Prof. Tang Xiao'ou, Dr. Xu Li, Dr. Wang Xiaogang and Mr. Xu Bing.

As at June 30, 2023:

- (1) Prof. Tang Xiao'ou beneficially owned 6,906,080,602 Class A Shares, representing approximately 68.28% 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 were held by Amind, a company wholly owned by Prof. Tang Xiao'ou.
- (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 Xiaogang beneficially owned 223,526,705 Class A Shares and 310,785,171 Class B Shares, representing approximately 2.52% 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 Xiaogang were held by Infinity Vision, a company wholly owned by Dr. Wang Xiaogang, and the Class B Shares were held through Infinity Vision and 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 into Class B Shares, the Company will issue 7,520,115,072 Class B Shares, representing approximately 22.47% of the total number of issued and outstanding Class B Shares as at June 30, 2023.

Other Information

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.

Continuing Disclosure Obligations Pursuant to the Listing Rules

Save as otherwise disclosed in this interim report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

Changes in Directors' Information

During the Reporting Period, there is no change in the Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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.

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 the Shareholders. The principles of the Company's corporate governance are to promote effective internal control measures, to enhance transparency of the work of the Board, and to strengthen accountability to all the Shareholders.

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 provisions C.2.1 and F.2.2 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.

In addition, code provision F.2.2 of the Corporate Governance Code provides that, amongst others, that the chairman of the Board should attend the annual general meeting. Due to other work engagement of the Group, Dr. Xu Li, the chairman of the Board, was unable to attend the annual general meeting held by the Company on June 23, 2023. The aforementioned annual general meeting was attended by, amongst others, the independent non-executive Directors (who are also the chairmen of the Board committees of the Company) and the external auditors to ensure effective communication with the Shareholders.

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2023 (June 30, 2022: 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 information 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, the 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.

Other Information

During the six months ended June 30, 2023, 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, 2022 and no matters under Rule 8A.17 of the Listing Rules have occurred during the year ended December 31, 2022, 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, 2022.
- 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.

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, performance 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.

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
“AGI”	artificial general intelligence
“AI”	artificial intelligence
“AIDC”	artificial intelligence data centre
“Amind”	Amind Inc., an exempted company incorporated under the laws of the Cayman Islands with limited liability, which is wholly-owned by Prof. Tang Xiao’ou
“Articles” or “Articles of Association”	the twenty-third amended and restated articles of association of the Company, adopted by special resolution passed on June 23, 2023, and as amended from time to time
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the independent auditor of the Company
“BEV”	bird’s-eye-view perception
“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. (商汤集团股份有限公司), 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 codes: 0020 (HKD counter) and 80020 (RMB counter))
“Compliance Advisor”	Haitong International Capital Limited, being the compliance advisor of the Company

Definitions

“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” or “Dr. Wang Xiaogang”	Dr. Wang Xiaogang (王曉剛), the Company’s co-founder, executive Director, chief scientist and a WVR Beneficiary
“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
“ExaFLOPS”	one quintillion (10 ¹⁸) floating-point operations per second
“GPU”	graphic processing unit
“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 Xiaogang
“ISP”	image signal processor
“JPY”	Japanese Yen, the lawful currency of Japan
“Latest Practicable Date”	September 19, 2023, 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-third amended and restated memorandum of association of the Company, adopted by special resolution passed on June 23, 2023, 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” or “Prof. Tang Xiao’ou”	Professor Tang Xiao’ou (湯曉鷗), our founder, executive Director and a WVR Beneficiary
“Prospectus”	the prospectus of the Company dated December 7, 2021, as supplemented by the supplemental prospectus of the Company dated December 20, 2021
“R&D”	research and development
“Reporting Period”	the six months ended June 30, 2023
“RMB”	Renminbi, the lawful currency of the PRC
“Reserved Matter”	those matters 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 the 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
“SDK”	software development kit, a set of software development tools in one installable package that can be used to create and develop applications
“SenseAuto”	our intelligent automotive platform

Definitions

“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
“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
“Share(s)”	the Class A Shares and the 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 Xiao’ou, Dr. Xu Li, Dr. Wang Xiaogang 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



商汤
sensetime

SenseTime Group Inc.
商汤集团股份有限公司