



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)*

HKEX: 0020 (HKD Counter) 80020 (RMB Counter)

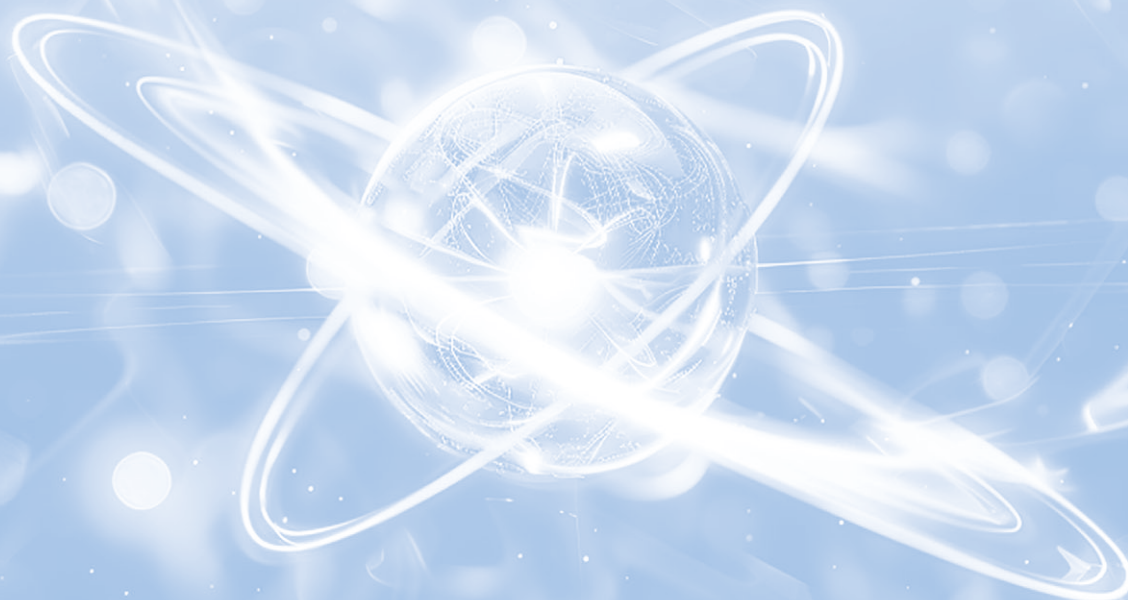


INTERIM REPORT

2024

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. XU Li (徐立) (*Executive Chairman of the Board*)
Dr. WANG Xiaogang (王曉剛)
Mr. XU Bing (徐冰)
Dr. LIN Dahua (林達華)

Non-executive Director

Ms. FAN Yuanyuan (范瑗瑗)

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

Mr. XU Bing (徐冰)
Ms. LIN Jiemin (林潔敏)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
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REGISTERED OFFICE

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Shatin
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Hong Kong

COMPLIANCE ADVISOR

Haitong International Capital Limited
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HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
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183 Queen's Road East
Wan Chai
Hong Kong

STOCK CODES

0020 (HKD Counter)
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COMPANY'S WEBSITE

www.sensetime.com

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PRINCIPAL BANKS

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Xicheng District
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PRC

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Pudong New District
Shanghai
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China Construction Bank
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PRC

Key Highlights

FINANCIAL SUMMARY

Six months ended June 30					
	2024	As a percentage of revenue	2023	As a percentage of revenue	Period- over- period change
	Amount (Unaudited) (RMB in thousands, except for percentages)		Amount (Unaudited) (RMB in thousands, except for percentages)		
Revenue	1,739,717	100.0	1,433,122	100.0	21.4%
Gross Profit	766,760	44.1	648,673	45.3	18.2%
Loss for the period	(2,477,212)	(142.4)	(3,142,624)	(219.3)	-21.2%
EBITDA	(2,040,685)	(117.3)	(2,775,083)	(193.6)	-26.5%
Non-IFRS Measures:					
Adjusted EBITDA	(1,889,638)	(108.6)	(2,025,854)	(141.4)	-6.7%
Adjusted net loss	(2,326,165)	(133.7)	(2,393,395)	(167.0)	-2.8%

Chairman's Statement

OVERALL PERFORMANCE

In the first half of 2024, the Group achieved robust revenue growth. The capabilities of our SenseNova Large Model Series have advanced materially, resulting in a rapid decrease in model inference costs and a notable surge in model usage. Total revenue of the Group in the first half of 2024 reached RMB1,739.7 million, representing a 21.4% year-on-year increase. Of the Group's three businesses, Generative AI revenue reached RMB1,051.2 million, increasing by 255.7% year-on-year and accounting for 60.4% of total revenue of the Group. Smart Auto business revenue reached RMB168.1 million, increasing by 100.4% year-on-year. Traditional AI revenue was RMB520.4 million, representing a 50.6% year-on-year decline. In the meantime, our overseas revenue increased steadily, achieving a 40.1% year-on-year growth and accounting for 18.5% of the Group's revenue. In the first half of 2024, the Group achieved a gross profit of RMB766.8 million, a year-on-year increase of 18.2%, with a gross profit margin of 44.1%. While increasing investment in Large Language Model (LLM)-related research and development, the Group actively optimized operational expenses to reduce losses. Selling expenses declined 21.2% year-on-year to RMB329.2 million, administrative expenses decreased 7.7% year-on-year to RMB734.9 million, and research and development expenses increased 6.1% year-on-year, to RMB1,892.2 million, with the latest total number of research & development staff stood at 3,399. Compared to the same period last year, overall period losses decreased 21.2% to RMB2,477.2 million.

2024 marks the burgeoning year of generative AI, as enterprise clients across industries collaborate with us to shift from traditional computing to intelligent computing, valued at trillions of RMB. Large Language Models and intelligent computing have become new quality productive forces, significantly enhancing efficiency across industries and empowering clients to capture revenue growth opportunities in the generative AI era. Our Generative AI business grew 255.7%, becoming the Group's dominant business, driven by robust demand for large models and AIDC in the Chinese market. Beyond the internet sector, industries such as intelligent hardware, electric vehicles, robotics, healthcare, and finance are actively embracing generative AI technology, creating multiple vertical markets. We are well-positioned to capitalize on the next wave of growth. The SenseNova large model product suites and SenseCore AI cloud service are fully operational, effectively enabling the training of trillion-parameter, multi-modal models and large-scale AI inference. Through a broad network of partners, we provide comprehensive enterprise-level generative AI solutions covering cloud, on-premises data centers, and edge devices. According to recent market reports published by IDC¹, our LLM platform and applications achieved 16% market share, ranking second in the industry. Our AIDC services achieved 15.4% market share, placing us at top three position among peers.

¹ July 2024, IDC Report "China's Intelligent Computing Services Market (2H 2023) Tracking"; August 2024, IDC Report "China's Large Language Model Platform Market Share, 2023: The Year of Large Language Models – Initial Situation"

GENERATIVE AI

In the first half of 2024, our Generative AI business continued its rapid growth trajectory from 2023, achieving revenue of RMB1,051.2 million, a 255.7% year-on-year increase. Generative AI business revenue now contributes over 60.4% to the Group's total revenue. Over 3,000 leading industry companies utilize our large models and AIDC services. SenseTime's strategic goal of transitioning to Generative AI is making significant progress. Our core advantage lies in the deep synergy between "SenseCore AI infrastructure + SenseNova large models," enabling us to rapidly iterate models and reduce inference costs, setting us apart in a fiercely competitive market.

SenseCore AI Infrastructure and AIDC Strengthens Our Market Leadership

In the first half of 2024, the training and inference demands for generative AI continued to show strong growth. We further expanded our AIDC scale and enhanced service capabilities. Our AIDC services achieved economies of scale, with total operational computing power exceeding 20,000 PetaFLOPS, an increase from March 2024 of approximately 12,000. The number of GPUs deployed reached 54,000, solidifying our industry leadership. We possess mature capabilities in designing, constructing, and flexibly scheduling operations for clusters ranging from thousands to tens of thousands of GPUs, enabling the stable and efficient training and inference of multi-modal models with up to 2 trillion parameters. In inference scenarios, our innovative technical architecture has achieved a 4x increase in queries per second (QPS) at the same computing power and electricity cost, while enabling elastic on-demand scaling of inference services, optimizing the overall cost of large-scale AI inference. Furthermore, through innovations like training-inference integration and compute-electricity synergy, we expect to continuously optimize the utilization rate to over 80% for large clusters with more than 10,000 GPUs, which will significantly enhance the investment return of AIDCs.

SenseCore's capabilities are highly recognized by industry clients, including internet companies such as JD.com, Xiaomi, and Kingsoft Office; the three major telecom operators; automakers including Geely; universities such as Tsinghua; and leading LLM start-ups. According to a recent IDC report, our AIDC services rank third in terms of market share. IDC forecasts that the Chinese AIDC services market will continue to grow at a high rate for the next five years, with an estimated compound annual growth rate (CAGR) of 57.3%, reaching a total market size of nearly 200 billion RMB by 2028. Training-side computing power demands are expected to increase more than tenfold, while inference-side computing power demands will surge over 200 times.

SenseCore's capabilities have also received national-level evaluation and certification. After expert review by the China Electronics Technology Standardization Institute, SenseCore achieved the Enhanced Level in the Computing Power Service Capability Maturity Model (CPMM) assessment, which is the first to receive this recognition.

SenseNova Upgrades

SenseNova Large Model Series, a culmination of the company's cutting-edge research and development resources, have been iterated from version 1.0 in late 2022 to version 5.5, released in July 2024, with the support of tens of thousands of GPUs of computing power. In April 2024, the release of "SenseNova 5.0" marked a significant milestone for homegrown LLMs. It became the first model to surpass GPT-4 Turbo in the SuperCLUE benchmark and ranked first among homegrown LLMs in the Auto Arena benchmark conducted by Alibaba DAMO Academy for Chinese language capabilities, also surpassing GPT-4 Turbo. In July 2024, SenseNova was further upgraded to version 5.5, exhibiting approximately a 30% improvement in overall capabilities compared to version 5.0. Its multi-modal capabilities have been comprehensively enhanced, achieving comprehensive performance and real-time interactive experiences comparable to GPT-4o, marking it the first multi-modal real-time interactive large model in China. We have distilled various sizes of models based on "SenseNova 5.5" to provide comprehensive enterprise-level generative AI solutions covering cloud, on-premises data centers, and edge devices. We have also expanded our customer base beyond internet companies to include industries such as intelligent hardware, electric vehicles, robotics, healthcare, and finance. The overall usage of SenseNova increased more than 400% during the reporting period, with a substantial increase in both the number of users and the average usage volume per user.

- Finance: Enterprise clients including Bank of China, China Merchants Bank, Ningbo Bank, Shanghai Bank, and Haitong Securities, leverage our financial LLM capabilities to develop financial vertical applications covering employee assistants, compliance risk control, coding assistants, digital employees, and marketing and sales empowerment.
- Healthcare: Major hospitals such as Ruijin Hospital, Xinhua Hospital, and the First Affiliated Hospital of Zhengzhou University adopt our "SenseChat-Dayi" model, aiming to establish LLMs as the intelligent hub of hospitals. This enables intelligent pre-consultation, drug consultation, post-consultation follow-up, multi-modal data governance, and empowers patients throughout their healthcare journey, as well as facilitating research on specific diseases.
- Enterprise Copilot Assistants: SenseTime's coding copilot and office copilot product has become one of the fastest-growing Copilot products in China. Large enterprise users like China Telecom and Kingsoft Office, along with hundreds of thousands of individual users and developers, have become our users.
- Anthropomorphic Interaction: SenseTime's anthropomorphic LLM powers internet applications like Weibo, China Literature, iQiyi and IdeaFlow, with user stickiness and active user numbers consistently ranking among industry leaders. Daily usage has increased nearly 22 times within the past six months.
- Smart Device: our edge-side models maintain a leading position in terms of inference speed and model capabilities, delivering novel user interaction experiences on various IoT devices like smartphones, automobiles, personal computers, and smart speakers. Inference speed reaches up to 100 tokens per second, serving clients such as Xiaomi and Oppo.

SMART AUTO

SenseAuto positions itself as the leader in smart auto technology for the era of general artificial intelligence. In the first half of 2024, SenseAuto achieved revenue of RMB168.1 million, a year-on-year increase of 100.4%. In terms of mass production delivery, 705,000 new vehicles were delivered in the first half of the year, representing a 80.0% year-on-year increase. The cumulative number of vehicles delivered reached 2.6 million, covering 104 models. In the first half of the year, we received confirmation letters as the designated supplier for 15 new models, with additional volume of approximately 6 million vehicles, including overseas brands such as Volkswagen MQB and Toyota Lexus. Moreover, SenseAuto is involved in overseas projects with several Chinese automakers, enhancing its global influence.

In the field of Smart Pilot, SenseAuto continues to lead the development of mass-produced, end-to-end autonomous driving. Leveraging the abundant computing power of our SenseCore AI infrastructure, high-quality simulation data, and industry-leading LLM performance, the UniAD end-to-end autonomous driving solution delivers a higher ceiling for smart pilot capabilities. At the 2024 Beijing Auto Show, UniAD successfully demonstrated real-world testing, navigating complex real-world road conditions solely through visual perception without high-precision maps. This achievement was lauded by the media as "China's own Full Self-Driving". SenseAuto employs world models to synthesize multi-view video data for use in UniAD model training and testing, accelerating the development and iteration of UniAD. In the first half of the year, the SenseAuto-empowered FAW Hongqi EH7 achieved mass

production. To date, SenseAuto has delivered Navigate-on-Autopilot (NOA) functions to five models from three automakers: GAC, Hozon, and FAW. In June 2024, the Ministry of Industry and Information Technology (MIIT) announced the nine automakers nationwide that were the first to conduct pilot testing of L3 autonomous driving on public roads. SenseAuto provides L3 smart pilot solutions for two of those nine automakers – GAC and FAW. SenseAuto is also the leading party in the Shanghai Autonomous Driving Large Model Technology Innovation and Application Project initiated by the Shanghai Municipal Commission of Economy and Information Technology. The goal is to develop a self-controllable, mature, and deployable Shanghai autonomous driving large model by 2026, with a mass production scale of tens of thousands of vehicles.

As for Smart Cabin, SenseAuto has established partnerships with over 10 domestic and foreign automakers, including Audi, Volkswagen, Honda, BMW, Xiaomi, SAIC IM Motors, and Geely, to develop LLMs for smart cabin based on the capabilities of "SenseNova" multi-modal LLMs, text-to-image models, and other technologies. SenseAuto has become the first in the industry to deploy the real-time interactive multi-modal LLM "SenseNova 5.5" on vehicles, reducing the first-frame delay to 60 milliseconds, significantly enhancing the real-time experience of in-vehicle human-computer interaction.

In the field of V2X, SenseAuto's autonomous-driving minibuses are operating on routes in several cities, including Shenzhen Qianhai, Wuxi, Xi'an Xixian, and Shanghai Lingang. The total mileage driven by SenseAuto's autonomous driving minibuses has exceeded 3 million kilometers.

CORPORATE SOCIAL RESPONSIBILITY

SenseTime is committed to green development and leveraging AI technology to build a sustainable future. Since 2024, SenseTime has taken multiple measures to improve AIDC efficiency and energy efficiency. With its excellent ESG practices, SenseTime has won the “ESG New Benchmark Enterprise Award” from StockStar.

SenseTime is devoted to use AI technologies to benefit the public. In the field of smart healthcare, SenseTime's around 40 applications have assisted tens of millions of individuals in disease screening and diagnosis and treatment. The Company received the “AI Medical Device Innovation Task Winner” award jointly announced by the MIIT and the State Administration for Market Regulation. The AI intelligent care system designed by SenseTime for Amyotrophic Lateral Sclerosis (ALS) patients, has recently been upgraded with large-scale model capabilities. It now can provide 24-hour non-contact care for patients with limited mobility, or patients with difficulties swallowing and breathing. The upgraded model can observe abnormal situations and send situational alarms, proactively calling for care, and analyzing sleep and abnormality. This provides better support for ALS patients and their families.

Furthermore, SenseTime applied AI technologies to the 2024 Paris Olympics, employing 3D motion capture, track analysis and AI commentators in basketball, ping pong and archery. It significantly enhanced the viewing experience, promoting the development of intelligent sports and building a leading sporting nation.

During the Reporting Period, SenseTime launched the Cantonese version of SenseChat in Hong Kong, and made it permanently free for Hong Kong users via mobile apps and websites, effectively meeting the needs of Cantonese-speaking users and promoting cultural and economic exchanges in the Greater Bay Area, reflecting the inclusiveness of technology.

In terms of AI Ethics & Governance, during the Reporting Period, SenseTime's “Financial Model Empowered AI Digital Employee – Bridge ‘Digital Divide’” case was successfully selected into the world's first 40 “AI for Good” cases issued by the International Telecommunications Union (ITU), a United Nations agency. SenseTime has been highly recognized by the international community in its efforts to use AI technology to achieve sustainable development goals.

In terms of employee care and talent development, SenseTime has been awarding the “SenseTime Scholarship” since 2017. Over the past 7 years, the Company has provided financial support to hundreds of outstanding students who have demonstrated academic excellence in the field of Artificial Intelligence. During the reporting period, SenseTime also received the “Forbes 2023 China Best Employer” and “Forbes 2023 China Most Digitally Responsible Employer” awards.

Management Discussion and Analysis

Six months ended June 30, 2024 compared to six months ended June 30, 2023

The following table sets forth the comparative figures for the six months ended June 30, 2024 and 2023:

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	1,739,717	1,433,122
Cost of sales	(972,957)	(784,449)
Gross profit	766,760	648,673
Selling expenses	(329,158)	(417,957)
Administrative expenses	(734,936)	(796,516)
Research and development expenses	(1,892,226)	(1,783,186)
Net impairment losses on financial assets and contract assets	(587,653)	(396,493)
Other income	108,736	152,240
Other losses – net	(53,037)	(754,066)
Operating loss	(2,721,514)	(3,347,305)
Finance income	350,153	168,904
Finance costs	(85,864)	(68,367)
Finance income – net	264,289	100,537
Share of losses of investments accounted for using the equity method	(11,878)	(10,029)
Fair value losses of preferred share	(12,101)	(10,043)
Loss before income tax	(2,481,204)	(3,266,840)
Income tax credit	3,992	124,216
Loss for the period	(2,477,212)	(3,142,624)
Loss is attributable to:		
Equity holders of the Company	(2,456,782)	(3,122,744)
Non-controlling interests	(20,430)	(19,880)
	(2,477,212)	(3,142,624)
Non-IFRS measures:		
Adjusted EBITDA	(1,889,638)	(2,025,854)
Adjusted net losses	(2,326,165)	(2,393,395)

Six months ended June 30, 2024 compared to six months ended June 30, 2023

Revenue

Our revenue increased by 21.4% to RMB1,739.7 million in the six months ended June 30, 2024, compared to RMB1,433.1 million in the six months ended June 30, 2023, primarily due to the increase in Generative AI and Smart Auto revenues, partially offset by the decrease in Traditional AI 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,			
	2024		2023	
	RMB million (Unaudited)	%	RMB million (Unaudited)	%
Generative AI	1,051.2	60.4	295.5	20.6
Smart Auto	168.1	9.7	83.9	5.9
Traditional AI	520.4	29.9	1,053.7	73.5
Total	1,739.7	100.0	1,433.1	100.0

Our Generative AI revenue increased by 255.7% to RMB1,051.2 million in the six months ended June 30, 2024, compared to RMB295.5 million in the six months ended June 30, 2023, as the demand for generative AI model training, fine-tuning, and inference has experienced exponential growth. We have also continued to commercialize our Generative AI related applications in a number of verticals including internet, intelligent hardware, robotics, healthcare, and finance.

Our Smart Auto revenue increased by 100.4% to RMB168.1 million in the six months ended June 30, 2024, compared to RMB83.9 million in the six months ended June 30, 2023, primarily due to increase on product mass production and V2X related services revenue.

Our Traditional AI revenue decreased by 50.6% to RMB520.4 million in the six months ended June 30, 2024, compared to RMB1,053.7 million in the six months ended June 30, 2023, due to our effort in shifting away from Smart City and focusing to Generative AI business. Smart City business' revenue contribution has declined significantly to less than 10% of total revenue. We are also proactively introducing our generative AI capabilities to our traditional AI customers.

Management Discussion and Analysis

Six months ended June 30, 2024 compared to six months ended June 30, 2023

Cost of sales

Our cost of sales increased by 24.0% from RMB784.4 million in the six months ended June 30, 2023 to RMB973.0 million in the six months ended June 30, 2024. 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,			
	2024		2023	
	RMB million (Unaudited)	%	RMB million (Unaudited)	%
Hardware costs and subcontracting service fees	773.2	79.5	643.1	82.0
Depreciation and amortization	106.4	10.9	79.4	10.1
AIDC operation costs	45.5	4.7	20.3	2.6
Employee benefit expenses	30.8	3.2	27.3	3.5
Other expenses	17.1	1.7	14.3	1.8
Total	973.0	100.0	784.4	100.0

The increase in cost of sales was primarily attributable to the increase in hardware costs and subcontracting service fees, whose percentage contribution of total cost of sales has remained largely stable. AIDC-related depreciation and operation costs grew faster than total cost of sales due to our continued expansion of Generative AI-related services.

Gross Profit and Gross Margin

Our gross profit increased by 18.2% from RMB648.7 million in the six months ended June 30, 2023 to RMB766.8 million in the six months ended June 30, 2024, primarily due to the increase of revenue. Our gross margin remained relatively stable, slightly decreasing from 45.3% in the six months ended June 30, 2023 to 44.1% in the six months ended June 30, 2024.

Research and Development Expenses

Our research and development expenses increased by 6.1% from RMB1,783.2 million in the six months ended June 30, 2023 to RMB1,892.2 million in the six months ended June 30, 2024, primarily due to increase of depreciation and amortization, server operation and cloud based service fees which resulted from our increasing investment in training and fine-tuning our foundation models as well as developing Generative AI applications.

Selling Expenses

Our selling expenses decreased by 21.2% from RMB418.0 million in the six months ended June 30, 2023 to RMB329.2 million in the six months ended June 30, 2024, primarily due to decrease in employee benefit expenses.

Six months ended June 30, 2024 compared to six months ended June 30, 2023

Administrative Expenses

Our administrative expenses decreased by 7.7% from RMB796.5 million in the six months ended June 30, 2023 to RMB734.9 million in the six months ended June 30, 2024, primarily due to decrease in employee benefit expenses.

Net Impairment Losses on Financial Assets and Contract Assets

Our net impairment losses on financial assets and contract assets increased by 48.2% from RMB396.5 million in the six months ended June 30, 2023 to RMB587.7 million in the six months ended June 30, 2024, primarily due to increased impairment provision for trade receivables.

Other Income

Our other income decreased by 28.6% from RMB152.2 million in the six months ended June 30, 2023 to RMB108.7 million in the six months ended June 30, 2024, primarily due to a decrease in government grants.

Other Losses – Net

Our net other losses decreased from RMB754.1 million in the six months ended June 30, 2023 to RMB53.0 million in the six months ended June 30, 2024, primarily due to (1) decrease in fair value losses on financial assets at fair value through profit or loss, and (2) decrease in net foreign exchange losses.

Finance Income – Net

Net finance income increased by 162.9% from RMB100.5 million in the six months ended June 30, 2023 to RMB264.3 million in the six months ended June 30, 2024 primarily due to gains from remeasurement of put option liabilities.

Fair Value Losses of Preferred Share

Fair value losses of preferred share increased from RMB10.0 million in the six months ended June 30, 2023 to RMB12.1 million in the six months ended June 30, 2024 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 RMB4.0 million in the six months ended June 30, 2024, compared to income tax credit of RMB124.2 million in the six months ended June 30, 2023 primarily due to a decrease in tax losses, for which deferred income tax assets were recognised.

Loss for the period

As a result of the foregoing, we had a loss of RMB2,477.2 million in the six months ended June 30, 2024, which has declined from a loss of RMB3,142.6 million in the six months ended June 30, 2023.

Management Discussion and Analysis

Six months ended June 30, 2024 compared to six months ended June 30, 2023

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,	
	2024 RMB million (Unaudited)	2023 RMB million (Unaudited)
Loss before income tax	(2,481.2)	(3,266.8)
Add:		
Finance income, net	(264.3)	(100.5)
Depreciation and amortization	704.8	592.3
EBITDA	(2,040.7)	(2,775.0)
Add:		
Fair value losses of preferred share	12.1	10.0
Share-based compensation expenses	125.5	233.9
Fair value losses on financial assets at fair value through profit or loss	10.9	505.3
Professional service fees in connection with equity fundraising	2.6	—
Adjusted EBITDA	(1,889.6)	(2,025.8)

Six months ended June 30, 2024 compared to six months ended June 30, 2023

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,	
	2024 RMB million (Unaudited)	2023 RMB million (Unaudited)
Net losses for the period	(2,477.2)	(3,142.6)
Add:		
Fair value losses of preferred share	12.1	10.0
Share-based compensation expenses	125.5	233.9
Fair value losses on financial assets at fair value through profit or loss	10.9	505.3
Professional service fees in connection with equity fundraising	2.6	–
Adjusted net losses	(2,326.2)	(2,393.4)

Trade, Other Receivables and Prepayments

Our trade, other receivables and prepayments, which primarily comprise trade receivables, increased from RMB5,159.3 million as of December 31, 2023 to RMB5,355.9 million as of June 30, 2024.

Trade Receivables

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

	As at June 30, 2024 RMB million (Unaudited)	As at December 31, 2023 RMB million
Trade receivables		
– Due from related parties	3.5	3.0
– Due from third parties	8,321.0	7,909.0
Provision for impairment	(4,790.5)	(4,191.4)
Total	3,533.9	3,720.6

Our trade receivables remained relatively stable as of June 30, 2024, compared to that as of December 31, 2023.

Management Discussion and Analysis

Six months ended June 30, 2024 compared to six months ended June 30, 2023

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

	As at June 30, 2024 RMB million (Unaudited)	As at December 31, 2023 RMB million
Up to 6 months	1,223.6	1,039.7
6 months to 1 year	412.4	242.9
1 to 2 years	1,313.1	1,891.9
2 to 3 years	2,939.7	3,195.9
More than 3 years	2,435.7	1,541.6
	8,324.5	7,912.0

As of June 30, 2024, the aging of our gross trade receivables has worsened, compared to that as of December 31, 2023. 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 has maintained a relatively healthy momentum since 2023, cash collections for relatively long outstanding receivables remain challenging, as some of our customers, especially those from or are exposed to the public sector.

LIQUIDITY AND FINANCIAL RESOURCES

We had historically funded our cash requirements principally from capital contribution from shareholders.

We had cash and cash equivalents of RMB7,626.5 million and term deposits of RMB1,193.4 million as of June 30, 2024, compared to the balance of RMB9,423.5 million and RMB1,099.9 million as of December 31, 2023.

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

	Six months ended June 30, 2024 RMB million (Unaudited)	2023 RMB million (Unaudited)
Net cash used in operating activities	(3,523.8)	(1,804.8)
Net cash (used in)/generated from investing activities	(1,068.2)	384.7
Net cash generated from financing activities	2,722.7	413.2
Net decrease in cash and cash equivalents	(1,869.3)	(1,006.9)
Cash and cash equivalents at the beginning of the period	9,423.5	7,962.8
Exchange changes on cash and cash equivalents	72.3	197.1
Cash and cash equivalents at the end of the period	7,626.5	7,153.0

Six months ended June 30, 2024 compared to six months ended June 30, 2023

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, 2024, net cash used in operating activities was RMB3,523.8 million, which was primarily attributable to our loss before income tax, as adjusted by (i) 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 (ii) changes in operating assets and liabilities. Net cash used in operating activities increased in the first half of 2024 primarily due to increased prepayments and inventory to further secure computing power for expansion of our Generative AI business.

Net Cash (used in)/Generated from Investing Activities

For the six months ended June 30, 2024, net cash used in investing activities was RMB1,068.2 million, which was mainly attributable to purchase of property, plant and equipment, acquisition of debt and equity investments and net increase in investments in structured and term deposits.

Net Cash Generated from Financing Activities

For the six months ended June 30, 2024, net cash generated from financing activities was RMB2,722.7 million, which was mainly attributable to net proceeds from placing ordinary shares and borrowings.

Borrowings

As of December 31, 2023 and June 30, 2024, we had total borrowings of RMB4,473.1 million and RMB5,287.3 million, respectively. Repayment analysis and the currency denomination of bank borrowings of the Group as at June 30, 2024 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.

Management Discussion and Analysis

Six months ended June 30, 2024 compared to six months ended June 30, 2023

Employees, Training and Remuneration Policies

As at June 30, 2024, the Group had 4,672 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 from the Global Offering

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. Please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus and the results announcement for the year ended December 31, 2023 of the Company dated March 26, 2024 for details of the intended use of proceeds and the expected timeframe for utilisation of the proceeds.

As of June 30, 2024, all 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 results announcement of the Company for the year ended December 31, 2023.

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, 2023 (Approximately HK\$ million)	Actual use of net proceeds during the Reporting Period (Approximately HK\$ million)	Net proceeds unused as of June 30, 2024 (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	–	–	–	N.A.
(ii) Expansion of our business	15.0	952.7	44.8	44.8	–	N.A.
(iii) Pursuing strategic investment and acquisition opportunities	15.0	952.7	–	–	–	N.A.
(iv) Working capital and general corporate purposes	10.0	635.0	–	–	–	N.A.
Total	100.0	6,351.0	44.8	44.8	–	

The utilization of the net proceeds has been converted from RMB into HKD at an exchange rate of RMB0.81912 to HKD1.00 (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, 2024 compared to six months ended June 30, 2023

Use of Proceeds from Placing of Class B Shares under General Mandate

On June 21, 2024, the Company entered into a placing agreement (the “Placing Agreement”) with Guotai Junan Securities (Hong Kong) Limited and Huatai Financial Holdings (Hong Kong) Limited in relation to the placing of 1,673,446,000 new Class B Shares (the “Placing Shares”) at HK\$1.20 per Placing Share (the “Placing Price”) to not less than six placees who and whose ultimate beneficial owner(s) (where applicable) shall be independent third parties (the “Placing”). All the conditions set out in the Placing Agreement were fulfilled and the Placing was completed on June 27, 2024, where a total of 1,673,446,000 Placing Shares (with an aggregate nominal value of US\$41.84), representing approximately 6.06% of the number of the then issued Class B Shares and approximately 4.76% of the number of the then existing issued Shares as enlarged by the allotment and issue of the Placing Shares, have been successfully placed to no fewer than six independent placees (which were individual, professional, corporate and/or institutional investors) at the Placing Price of HK\$1.20 pursuant to the terms and conditions of the Placing Agreement. The closing price of the Class B Share as quoted on the Stock Exchange on June 20, 2024, being the date on which the Placing Price was fixed, was HK\$1.32. For details, please refer to the announcements of the Company dated June 21, 2024 and June 27, 2024 respectively.

The Directors considered that the Placing represents a suitable financing option for the Company to raise further funding to support the Group’s continuous development and business growth, which is in the interest of the Company and its Shareholders as a whole.

The net proceeds from the Placing, after deducting the Placing commission and other relevant costs and expenses of the Placing, amounted to approximately HK\$1,995.1 million (representing a net issue price of approximately HK\$1.19 per Placing Share). The Company intends to use such net proceeds mainly for further enhancing the scale of the Company’s industry leading AI infrastructure – SenseCore, supporting the further development of generative AI including large model research and product development, and for the purpose of general working capital of the Company. As at June 30, 2024, none of such net proceeds had been utilised by the Group. Details of the use of proceeds and the expected timeline for utilisation of the unutilised net proceeds from the Placing are set out below:

Intended purposes of placing net proceeds	Planned proportion of the net proceeds (%)	Planned use of the net proceeds (Approximately HK\$ million)	Actual use of net proceeds during the Reporting Period (Approximately HK\$ million)	Net proceeds unused as of June 30, 2024 (Approximately HK\$ million)	Expected timeline for fully utilising the net proceeds from the Placing
Enhancing the scale of the Company’s industry leading AI infrastructure	35.0	698.3	–	698.3	by December 2024
Supporting the further development of generative AI	30.0	598.5	–	598.5	by December 2024
General working capital (Note)	35.0	698.3	–	698.3	by December 2024
Total	100.0	1,995.1	–	1,995.1	

Note: Such proceeds will be used to satisfy the general working capital needs of the Group, including but not limited to the working capital and expenses for business operations, general research and development costs, general sales and administrative expenses and staff costs.



Management Discussion and Analysis

Six months ended June 30, 2024 compared to six months ended June 30, 2023

Gearing Ratio

As at June 30, 2024, our gearing ratio was -0.6%, 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, 2024, we did not have any material contingent liabilities.

Significant Investments Held

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

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For the six months ended June 30, 2024, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Pledge of Assets

As of June 30, 2024, we pledged certain buildings and land use rights with carrying amount of RMB4,270.4 million and restricted guarantee deposits amounting to RMB331.3 million for borrowings.

Future Plans for Material Investments and Capital Assets

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

Events After the Reporting Period

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

Report on Review of Interim Financial Information

To the Board of Directors of SenseTime Group Inc.

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 22 to 82, which comprises the interim condensed consolidated balance sheet of SenseTime Group Inc. (the “Company”) and its subsidiaries (together, the “Group”) as at June 30, 2024 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 27, 2024

Interim Condensed Consolidated Income Statement

For the six months ended June 30, 2024

	Notes	Six months ended June 30	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	5(a), 6	1,739,717	1,433,122
Cost of sales	7	(972,957)	(784,449)
Gross profit		766,760	648,673
Selling expenses	7	(329,158)	(417,957)
Administrative expenses	7	(734,936)	(796,516)
Research and development expenses	7	(1,892,226)	(1,783,186)
Net impairment losses on financial assets and contract assets		(587,653)	(396,493)
Other income	8	108,736	152,240
Other losses – net	9	(53,037)	(754,066)
Operating loss		(2,721,514)	(3,347,305)
Finance income	10	350,153	168,904
Finance costs	10	(85,864)	(68,367)
Finance income – net	10	264,289	100,537
Share of losses of investments accounted for using the equity method		(11,878)	(10,029)
Fair value losses of preferred share	26(d)	(12,101)	(10,043)
Loss before income tax		(2,481,204)	(3,266,840)
Income tax credit	11	3,992	124,216
Loss for the period		(2,477,212)	(3,142,624)
Loss is attributable to:			
Equity holders of the Company		(2,456,782)	(3,122,744)
Non-controlling interests		(20,430)	(19,880)
		(2,477,212)	(3,142,624)
Loss per share for loss attributable to equity holders of the Company			
Basic and diluted loss per share (RMB)	12	(0.08)	(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, 2024

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Loss for the period	(2,477,212)	(3,142,624)
Other comprehensive income		
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(205,147)	(1,095,142)
<i>Item that will not be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	282,142	1,631,358
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss (Note 26(d))	(5,017)	(132)
Other comprehensive income for the period, net of taxes	71,978	536,084
Total comprehensive loss for the period	(2,405,234)	(2,606,540)
Total comprehensive loss for the period is attributable to:		
Equity holders of the Company	(2,381,324)	(2,593,859)
Non-controlling interests	(23,910)	(12,681)
	(2,405,234)	(2,606,540)

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, 2024

	Notes	As at June 30 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	7,280,503	7,378,707
Right-of-use assets	15	300,735	349,554
Intangible assets	16	251,682	325,675
Contract assets	6(d)	19,735	10,802
Investments accounted for using the equity method		137,832	135,235
Deferred income tax assets	18	743,733	725,440
Restricted cash	23	160,785	153,986
Financial assets at fair value through profit or loss	22	6,675,101	6,527,475
Long-term receivables	21	34,806	87,251
Other non-current assets	17	715,760	253,425
		16,320,672	15,947,550
Current assets			
Inventories	19	1,105,190	506,128
Contract assets	6(d)	15,789	19,785
Trade, other receivables and prepayments	20	5,355,949	5,159,278
Financial assets at fair value through profit or loss	22	724,000	521,805
Restricted cash	23	208,660	210,085
Term deposits	23	1,193,410	1,099,898
Cash and cash equivalents	23	7,626,544	9,423,495
		16,229,542	16,940,474
Total assets		32,550,214	32,888,024
Equity			
Equity attributable to equity holders of the Company			
Share capital	24	6	5
Other reserves	25	73,572,739	71,666,422
Currency translation reserves		4,207,636	4,127,161
Accumulated losses		(55,090,950)	(52,634,168)
		22,689,431	23,159,420
Non-controlling interests		15,128	(3,947)
Total equity		22,704,559	23,155,473

Interim Condensed Consolidated Balance Sheet

As at June 30, 2024

	Notes	As at June 30 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000 (Restated)
Liabilities			
Non-current liabilities			
Borrowings	30	4,658,035	4,278,686
Lease liabilities	15	109,024	145,290
Deferred income tax liabilities	18	6,209	10,383
Contract liabilities	6(e)	46,932	24,650
Deferred revenue		248,606	305,664
Other financial liabilities	26	796,500	530,471
Long-term payables		6,452	5,294
		5,871,758	5,300,438
Current liabilities			
Borrowings	30	629,260	194,429
Trade and other payables	28	1,597,188	2,262,133
Lease liabilities	15	124,868	146,410
Contract liabilities	6(e)	302,720	265,959
Deferred revenue		137,266	113,368
Current income tax liabilities		13,492	21,701
Preferred share liabilities	26	1,169,103	1,144,805
Put option liability	29	–	283,308
		3,973,897	4,432,113
Total liabilities		9,845,655	9,732,551
Total equity and liabilities		32,550,214	32,888,024

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, 2024

		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
Notes								
(Unaudited)								
As at January 1, 2024		5	71,666,422	4,127,161	(52,634,168)	23,159,420	(3,947)	23,155,473
Comprehensive loss								
Loss for the period		-	-	-	(2,456,782)	(2,456,782)	(20,430)	(2,477,212)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss		26(d)	(5,017)	-	-	(5,017)	-	(5,017)
Exchange differences on translation of foreign operations		-	-	80,475	-	80,475	(3,480)	76,995
Total comprehensive loss		-	(5,017)	80,475	(2,456,782)	(2,381,324)	(23,910)	(2,405,234)
Transactions with equity holders								
Placing of ordinary shares		24, 25	1,815,598	-	-	1,815,599	-	1,815,599
Exercise of share options		-	26,760	-	-	26,760	-	26,760
Transactions with non-controlling interests		29	(31,585)	-	-	(31,585)	31,585	-
Recognition of financial instruments with preferred rights at amortised cost		26(c)	(11,400)	-	-	(11,400)	11,400	-
Purchase of ordinary shares of the Company for share award scheme		25(b)	(13,530)	-	-	(13,530)	-	(13,530)
Share-based compensation expenses		7, 27(c)	125,491	-	-	125,491	-	125,491
Total transactions with equity holders		1	1,911,334	-	-	1,911,335	42,985	1,954,320
As at June 30, 2024		6	73,572,739	4,207,636	(55,090,950)	22,689,431	15,128	22,704,559
(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		26(d)	(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		7, 27(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

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, 2024

		Six months ended June 30	
	Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations		(3,501,379)	(1,793,363)
Income tax paid		(22,384)	(11,442)
Net cash used in operating activities		(3,523,763)	(1,804,805)
Cash flows from investing activities			
Purchase of property, plant and equipment		(650,125)	(690,836)
Purchase of intangible assets		(49,524)	(43,872)
Proceeds from disposal of property, plant and equipment		9,209	5,712
Net cash outflow from disposal of subsidiaries	9	(36,044)	–
Increase in investments accounted for using the equity method		(14,460)	(64,349)
Dividend received from financial assets			
at fair value through profit and loss	8	2,257	11,579
Acquisition of debt and equity investments	22(a), (b)	(176,865)	(214,992)
Acquisition of structured deposits	22(c)	(1,679,000)	(2,030,000)
Disposal of debt and equity investments	22(a), (b)	26,107	49,082
Disposal of structured deposits	22(c)	1,489,599	1,636,805
Net (increase)/decrease in investments in term deposits		(102,339)	1,625,297
Interest received from banks		113,017	105,410
Loans granted to a related party	32(b)	–	(5,115)
Net cash (used in)/generated from investing activities		(1,068,168)	384,721

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2024

	Notes	Six months ended June 30	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows from financing activities			
Proceeds from borrowings		997,429	764,331
Repayments of borrowings		(183,500)	(200,514)
Interest paid		(79,994)	(61,857)
Principal elements of lease payments		(81,671)	(98,778)
Interests elements of lease payments		(5,221)	(7,422)
Net payment of settlement of put option liabilities	29	(21,330)	–
Net increase in restricted cash	23(b)	(803)	(41,611)
Capital injection by limited partners of investment fund controlled by the Group	26(b)	272,272	45,500
Capital injection by non-controlling shareholder	26(c)	11,400	–
Proceeds from placing of ordinary shares		1,815,599	–
Purchase of ordinary shares of the Company for share award scheme		(13,530)	–
Proceeds from exercise of share options		12,015	13,550
Net cash generated from financing activities		2,722,666	413,199
Net decrease in cash and cash equivalents		(1,869,265)	(1,006,885)
Cash and cash equivalents at beginning of period		9,423,495	7,962,813
Effect of foreign exchange rates changes		72,314	197,087
Cash and cash equivalents at end of period		7,626,544	7,153,015

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

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 Group did not have ultimate holding company and controlling shareholder.

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 27, 2024.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended June 30, 2024 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, 2023, which have been prepared in accordance with IFRS Accounting Standards (IFRS), as set out in the Company’s annual report dated March 26, 2024 except for the adoption of amended standard as disclosed in Note 3.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

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, 2023, 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 following amendments to standards have been adopted by the Group for the first time for the financial year beginning on January 1, 2024:

IAS 1 (Amendments)	Classification of Liabilities as current or non-current
IAS 1 (Amendments)	Non-current liabilities with covenants
IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback
IAS 7 and IFRS 7 (Amendments)	Supplier Finance Arrangements

Since the effective of amendments to IAS 1 “Classification of Liabilities as current or non-current” and the modification made in April 2024 as disclosed in Note 26, the preferred share liability are classified as current liabilities as at June 30, 2024 and December 31, 2023 respectively. Other than mentioned above, the adoption of these amended standards does not have significant impact on the interim condensed consolidated financial information of the Group.

For the six months ended June 30, 2024

3 NEW STANDARDS AND INTERPRETATIONS (CONTINUED)**(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, 2025 and have not been early adopted by the Group in preparing the interim condensed consolidated financial statements. According to the preliminary assessment made by the directors of the Group, no significant impact on the financial performance and positions of the Group is expected when they become effective.

		Effective for annual periods Beginning on or after
IAS 21 (Amendments)	Lack of Exchangeability	January 1, 2025
Amendments to IFRS 7 and IFRS 9	Classification and Measurement of Financial Instruments	January 1, 2026
Annual Improvements to IAS 7 (Amendments)	Cost Method	January 1, 2026
Annual Improvements to IAS 9 (Amendments)	Derecognition of Lease Liabilities	January 1, 2026
Annual Improvements to IAS 10 (Amendments)	Determination of a "De Facto Agent"	January 1, 2026
Annual Improvements to IFRS 7 (Amendments)	Disclosure of Deferred Difference between Fair Value and Transaction Price	January 1, 2026
Annual Improvements to IFRS 7 (Amendments)	Gain or Loss on Derecognition	January 1, 2026
Annual Improvements to IFRS 1 (Amendments)	Hedge Accounting by a First-time Adopter	January 1, 2026
Annual Improvements to IFRS 7 (Amendments to Guidance on implementing IFRS 7)	Introduction and Credit Risk Disclosures	January 1, 2026
Annual Improvements to IFRS 9 (Amendments)	Transaction Price	January 1, 2026
IFRS 19	Subsidiaries without public accountability: disclosures	January 1, 2027
IFRS 18	Presentation and disclosure in financial statements	January 1, 2027
IFRS 10 and IAS 28 (Amendments)	Sales or Contribution Assets between an Investor and Its Associate or Joint Venture	To be determined

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

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, 2024 on a recurring basis:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)				
At June 30, 2024				
Assets:				
– Financial assets at fair value through profit or loss ("FVPL")	438,121	–	6,960,980	7,399,101
Liabilities:				
– Preferred share liabilities	–	–	1,169,103	1,169,103
– Other financial liabilities	–	–	785,100	785,100
	–	–	1,954,203	1,954,203
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2023				
Assets:				
– Financial assets at FVPL	412,342	–	6,636,938	7,049,280
Liabilities:				
– Preferred share liabilities	–	–	1,144,805	1,144,805
– Other financial liabilities	–	–	530,471	530,471
	–	–	1,675,276	1,675,276

For the six months ended June 30, 2024

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.

There were no changes in valuation techniques during the six months ended June 30, 2024. The Group also did not change any valuation techniques in determining the level 2 and level 3 fair values.

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

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, 2024:

	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	Total RMB'000
(Unaudited)						
At January 1, 2024	5,766,378	348,755	521,805	(1,144,805)	(530,471)	4,961,662
Additions	112,814	14,051	1,679,000	-	(272,272)	1,533,593
Disposals	(10,140)	(4,452)	(1,489,599)	-	-	(1,504,191)
Fair value changes	(8,024)	(4,184)	12,794	(12,101)	17,643	6,128
Losses attributable to changes in credit risk recognised in other comprehensive loss	-	-	-	(5,017)	-	(5,017)
Foreign currency translation	20,252	1,530	-	(7,180)	-	14,602
At June 30, 2024	5,881,280	355,700	724,000	(1,169,103)	(785,100)	5,006,777
(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	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

For the six months ended June 30, 2024

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, 2024 (Unaudited)

Description	Fair Value RMB'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Assets:				
Debt instruments – Unlisted entities	3,575,868	Expected volatility	32.50%-71.58%	A shift of the expected volatility by +/- 5% results in a (decrease)/ increase in FV of RMB(18,802,000)/ RMB18,700,000
		Risk-free rate	1.54%-5.09%	A shift of the risk-free rate by +/- 5% results in a (decrease)/ increase in FV of RMB(2,942,000)/ RMB2,947,000
		DLOM	30%	A shift of the DLOM by +/- 5% results in a (decrease)/increase in FV of RMB(56,574,000)/RMB56,317,000
Debt instruments – Fund	634,012	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 RMB32,693,000/ RMB(31,431,000)
Debt instruments – Investments in bonds	1,671,400	Expected rate of return	1.62%-3.36%	A change in the expected rate of return by +/- 50 bps would increase/(decrease) the FV by RMB18,882,000/RMB(37,644,000)
Equity instruments- unlisted entities	355,700	Expected volatility	50.97%-57.34%	A shift of the expected volatility by +/- 5% results in a decrease/ increase in FV of RMB50,767,000
Structured deposits	724,000	Expected rate of return	1.8%-2.85%	A change in the expected rate of return by 50 bps would increase/ decrease the FV by RMB768,000

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

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, 2024 (Unaudited) (continued)

Description	Fair Value RMB'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Liabilities:				
Net asset value of investment funds attributable to limited partners	785,100	Net assets per unit	0.91-1.07	A shift of the net assets per unit by +/- 5% results in an increase/decrease in FV of RMB39,255,000
Preferred shares issued by a subsidiary	1,169,103	Expected volatility	49.47%	A shift of the expected volatility by +/- 5% results in a change in FV of RMB(1,445,000)/RMB1,473,000
		Risk-free rate	4.38%	A shift of the risk-free rate by +/- 5% results in a change in FV of RMB(473,000)/RMB473,000

(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, 2024

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) Revenue by geographical areas

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, 2024:

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Mainland China	1,418,730	1,203,994
Northeast Asia	222,557	185,367
Southeast Asia	39,608	11,169
Others*	58,822	32,592
	1,739,717	1,433,122

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

(b) Non-current assets by geographical areas

The total of the non-current assets including property, plant and equipment, right-of-use assets and intangible assets as at June 30, 2024, broken down by the location of the assets, is as follows:

	As at June 30 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Mainland China	7,707,098	7,900,623
Northeast Asia	63,916	72,276
Southeast Asia	8,063	14,437
Others	53,843	66,600
	7,832,920	8,053,936

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

6 REVENUE

(a) 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, 2024 are listed as below:

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Percentage of revenue from the major customers to the total revenue of the Group		
Client A	23.5%	*
Client B	16.4%	*
Client C	10.4%	*
Client D	*	12.7%

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

(b) Disaggregation of revenue

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue		
– recognised point in time	1,397,365	1,178,109
– recognised over time	342,352	255,013
	1,739,717	1,433,122

- (c) During the six months ended June 30, 2024, 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, 2024

6 REVENUE (CONTINUED)**(d) Contract assets**

The Group has recognised the following contract assets with customers:

	As at June 30 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Current assets	19,295	23,875
Loss allowance	(3,506)	(4,090)
	15,789	19,785
Non-current assets	24,117	13,035
Loss allowance	(4,382)	(2,233)
	19,735	10,802
	35,524	30,587

(e) Contract liabilities

	As at June 30 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Current		
Deferred service fee income (i)	22,854	31,934
Advances from customers	279,866	234,025
	302,720	265,959
Non-current		
Deferred service fee income (i)	46,932	24,650

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

7 EXPENSES BY NATURE

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

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Employee benefit expenses (a)	1,709,503	1,909,104
Hardware costs and project subcontracting service fees	773,156	643,147
Depreciation and amortization (Note 14, Note 15 and Note 16)	704,808	592,294
Professional service and other consulting fees	293,292	299,305
Server operation and cloud based service fees	176,257	51,673
Marketing, conference and travelling expenses	99,109	118,839
Utilities, property management and administrative expenses	90,955	90,297
Data labelling fees	28,894	24,766
Research and development tools and consumables	15,460	13,733
Taxes and surcharges	11,673	17,704
Other expenses	26,170	21,246
Total	3,929,277	3,782,108

- (a) During the six months ended June 30, 2024, employee benefits expenses included the share-based compensation expenses of approximately RMB125,491,000 (for the six months ended June 30, 2023: RMB233,934,000) (Note 27(c)).

For the six months ended June 30, 2024

8 OTHER INCOME

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Government grants		
– Financial subsidies (i)	101,665	76,476
– Tax refund (ii)	4,814	64,185
Dividend received	2,257	11,579
	108,736	152,240

- (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, 2024, 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.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

9 OTHER LOSSES – NET

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Fair value losses on financial assets at fair value through profit or loss (Note 22(d))	(10,897)	(505,252)
Fair value changes on net asset value of investment funds attributable to limited partners	17,643	(2,020)
Loss on disposal of subsidiaries (i)	(33,236)	–
Net foreign exchange losses	(25,700)	(246,652)
Losses on disposal of property, plant and equipment	(1,712)	(1,725)
Others	865	1,583
	(53,037)	(754,066)

- (i) During the six months ended June 30, 2024, the Group disposed certain subsidiaries with consideration of RMB250,000 and USD3,000,000 (equivalent to RMB21,330,000, Note 29) respectively, and the excess of net assets carrying amount of RMB54,816,000 of these subsidiaries to the disposal considerations was recognised in other losses.

	Six months ended June 30 2024 RMB'000 (Unaudited)
Consideration of disposal of subsidiaries	21,580
Carrying amount of net assets of these subsidiaries	(54,816)
Losses on disposal of subsidiaries	(33,236)
Consideration of disposal of subsidiaries	21,580
Cash held in these subsidiaries	(36,294)
Consideration of put option liability settled on net basis (Note 29)	(21,330)
Net decrease of cash and cash equivalent on disposal subsidiaries	(36,044)

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

10 FINANCE INCOME – NET

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Finance income		
Interest income	102,501	156,339
Accretion income for long-term receivables	6,372	12,565
Gain from remeasurement of put option liability (Note 29)	241,280	–
Finance income	350,153	168,904
Finance costs		
Interest expenses on long-term payables	(398)	(492)
Interest expenses on bank borrowings	(80,890)	(62,273)
Interest and finance charges paid/payable for lease liabilities (Note 15(b))	(5,221)	(7,422)
Amount capitalised (i)	645	1,820
Finance costs expensed	(85,864)	(68,367)
Finance income – net	264,289	100,537

- (i) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is 3.42% (for the six months ended June 30, 2023: 3.62%).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

11 INCOME TAX CREDIT

(i) Cayman Islands

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

(ii) British Virgin Islands

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

(iii) Hong Kong 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, 2023: 16.5%).

(iv) Singapore

Entities incorporated in Singapore are subject to income tax at a rate of 17% for the periods presented. 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, 2024 (for the six months ended June 30, 2023: 17%).

(v) Japan

Enterprises incorporated in Japan are subject to income tax rate at the state level of 23.2% during the six months ended June 30, 2024 (for the six months ended June 30, 2023: 23.2%).

(vi) Malaysia

Malaysia income tax rate is 24% during the six months ended June 30, 2024 (for the six months ended June 30, 2023: 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 MYR0.15 million chargeable income is 15%, the income tax rate on the next MYR0.45 million chargeable income is 17% and the part in excess of MYR0.6 million is 24%.

(vii) Saudi Arabia

Enterprises incorporated in Saudi Arabia are subject to income tax rate of 20% during the six months ended June 30, 2024 (for the six months ended June 30, 2023: 20%).

For the six months ended June 30, 2024

11 INCOME TAX CREDIT (CONTINUED)**(viii) 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, 2024 (for the six months ended June 30, 2023: 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”), 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”), Shanghai SenseTime Technology Development Co., Ltd. (上海商湯科技開發有限公司, “SenseTime Development”) and Shenzhen Tetras.AI Technology Co., Ltd. (深圳市慧鯉科技有限公司, “Tetras.AI Shenzhen”) 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, 2024 (for the six months ended June 30, 2023: Beijing SenseTime, Shenzhen SenseTime, Shanghai SenseTime and Shanghai SenseAuto). This status is subject to a requirement that Beijing SenseTime, Shenzhen SenseTime, Shanghai SenseTime and Shanghai SenseAuto, SenseTime Development and Tetras.AI Shenzhen reapply for HNTEs status every three years.

Group entities such as Shanghai SenseAuto, SenseTime Development, Tetras.AI Shenzhen and Shenzhen SenseTime were registered in such special zones and were also entitled to a preferential income tax rate of 15% by the local government.

(ix) 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, 2024, 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, 2023: nil).

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current income tax	(24,523)	(3,537)
Deferred income tax (Note 18)	28,515	127,753
Income tax credit	3,992	124,216

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

12 LOSS PER SHARE

Basic

The basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares (excluding treasury shares) issued during the six months ended June 30, 2024:

	Six months ended June 30	
	2024 (Unaudited)	2023 (Unaudited)
Loss attributable to equity holders of the Company (RMB'000)	(2,456,782)	(3,122,744)
Weighted average number of ordinary shares in issue	32,441,299,311	31,958,495,179
Basic loss per share (expressed in RMB per share)	(0.08)	(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, 2024, the Company has two categories of dilutive potential ordinary shares: Preferred shares issued by a subsidiary of the Company and share options. As the Group incurred losses for the six months ended June 30, 2024, 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, 2024 is the same as basic loss per share of the respective period (for the six months ended June 30, 2023: same as basic loss per share of the respective period).

13 DIVIDENDS

No dividend had been declared or paid by the Company during the six months ended June 30, 2024 (for the six months ended June 30, 2023: nil).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities (a)	Property 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, 2023									
Cost	4,567,174	412,066	3,986,353	702,503	75,904	60,317	36,727	126,667	9,967,711
Accumulated depreciation	(277,109)	(251,896)	(1,503,121)	(477,220)	(34,839)	(35,023)	(9,796)	-	(2,589,004)
Net book amount	4,290,065	160,170	2,483,232	225,283	41,065	25,294	26,931	126,667	7,378,707
(Unaudited)									
Six months ended June 30, 2024									
Opening net book amount	4,290,065	160,170	2,483,232	225,283	41,065	25,294	26,931	126,667	7,378,707
Additions	-	6,693	336,989	56,989	1,260	2,255	688	67,273	472,147
Internal transfer	-	58,827	-	763	-	-	-	(59,590)	-
Disposals	-	(24,562)	(1,381)	(1,476)	(11,789)	(1,022)	-	(69)	(40,299)
Depreciation charge	(65,162)	(35,637)	(342,004)	(68,318)	(5,858)	(5,379)	(2,355)	-	(524,713)
Currency translation differences	(1,657)	(553)	51	(1,808)	56	(82)	(1,388)	42	(5,339)
Closing net book amount	4,223,246	164,938	2,476,887	211,433	24,734	21,066	23,876	134,323	7,280,503
At June 30, 2024									
Cost	4,565,621	452,471	4,301,124	734,687	61,738	59,548	36,027	134,323	10,345,539
Accumulated depreciation	(342,375)	(287,533)	(1,824,237)	(523,254)	(37,004)	(38,482)	(12,151)	-	(3,065,036)
Net book amount	4,223,246	164,938	2,476,887	211,433	24,734	21,066	23,876	134,323	7,280,503

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) As at June 30, 2024, certain buildings with carrying amount of RMB4,207,904,000 (December 31, 2023: RMB4,272,828,000) were pledged as collaterals for the Group's borrowings (Note 30).
- (b) During the six months ended June 30, 2024, depreciation charges were expensed off in the following categories in the interim condensed consolidated income statement:

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cost of sales	104,568	79,247
Selling expenses	9,010	10,407
Administrative expenses	105,615	99,826
Research and development expenses	305,520	232,732
	524,713	422,212

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

(a) 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 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Right-of-use assets		
Leased buildings	238,248	286,390
Land use right (i)	62,487	63,164
	300,735	349,554
Lease liabilities		
Current	124,868	146,410
Non-current	109,024	145,290
	233,892	291,700

- (i) As at June 30, 2024, certain land use right with carrying amount of RMB62,485,000 (December 31, 2023: RMB63,164,000) was pledged as collaterals for the Group's borrowings (Note 30).

For the six months ended June 30, 2024

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)**(b) 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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets		
Leased buildings	72,982	87,168
Land use right	677	677
	73,659	87,845
Interest expense (included in finance income – net)	5,221	7,422

The total cash outflow for leases for the six months ended June 30, 2024 was RMB141,445,000 (for the six months ended June 30, 2023: RMB138,549,000).

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

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

(d) 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, 2023			
Cost	759,484	67,674	827,158
Accumulated depreciation	(473,094)	(4,510)	(477,604)
Net book amount	286,390	63,164	349,554
(Unaudited)			
Six months ended June 30, 2024			
Opening net book amount	286,390	63,164	349,554
Additions	25,732	–	25,732
Termination	(3,458)	–	(3,458)
Depreciation charge	(72,982)	(677)	(73,659)
Currency translation differences	2,566	–	2,566
Closing net book amount	238,248	62,487	300,735
At June 30, 2024			
Cost	740,584	67,674	808,258
Accumulated depreciation	(502,336)	(5,187)	(507,523)
Net book amount	238,248	62,487	300,735

During the six months ended June 30, 2024, depreciation charges were expensed off in the following categories in the interim condensed consolidated income statement:

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cost of sales	1,612	–
Selling expenses	710	1,464
Administrative expenses	68,822	83,262
Research and development expenses	2,515	3,119
	73,659	87,845

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

16 INTANGIBLE ASSETS

	Patents RMB'000	Trademarks RMB'000	Computer software RMB'000	Licensed intellectual properties RMB'000	Total RMB'000
At December 31, 2023					
Cost	73,096	22	663,218	43,169	779,505
Accumulated amortisation and impairment	(73,096)	(18)	(357,336)	(23,380)	(453,830)
Net book amount	–	4	305,882	19,789	325,675
(Unaudited) Six months ended June 30, 2024					
Opening net book amount	–	4	305,882	19,789	325,675
Additions	–	–	32,373	–	32,373
Amortisation charge	–	(1)	(101,039)	(5,396)	(106,436)
Currency translation differences	–	–	70	–	70
Closing net book amount	–	3	237,286	14,393	251,682
At June 30, 2024					
Cost	73,529	22	685,177	43,169	801,897
Accumulated amortisation and impairment	(73,529)	(19)	(447,891)	(28,776)	(550,215)
Net book amount	–	3	237,286	14,393	251,682

During the six months ended June 30, 2024, amortization charges were expensed off in the following categories in the interim condensed consolidated income statement:

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cost of sales	211	163
Selling expenses	1,177	1,091
Administrative expenses	36,788	32,355
Research and development expenses	68,260	48,628
	106,436	82,237

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

17 OTHER NON-CURRENT ASSETS

	As at June 30 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Advance payment for purchase of property, plant and equipment and intangible assets	243,559	253,425
Advance payment for purchase of services	472,201	–
	715,760	253,425

18 DEFERRED INCOME TAX

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

	As at June 30 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Deferred income tax assets:		
– to be recovered within 12 months	500,353	463,038
– to be recovered after more than 12 months	284,834	301,465
Offset by deferred income tax liabilities	(41,454)	(39,063)
Net deferred income tax assets	743,733	725,440
Deferred income tax liabilities:		
– to be recovered after more than 12 months	(47,663)	(49,446)
Offset by deferred income tax assets	41,454	39,063
Net deferred income tax liabilities	(6,209)	(10,383)

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

18 DEFERRED INCOME TAX (CONTINUED)

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

Deferred income tax assets	Tax losses carried forward RMB'000	Impairment provision on assets RMB'000	Unrealised profit RMB'000	Fair value changes on financial assets carried at FVPL RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
(Unaudited)							
At January 1, 2024	249,346	460,676	506	475	38,024	15,476	764,503
(Charged)/Credit to the interim condensed consolidated income statement	(12,642)	40,695	(285)	(475)	3,118	(3,679)	26,732
Currency translation differences	(4,722)	(1,326)	–	–	–	–	(6,048)
At June 30, 2024	231,982	500,045	221	–	41,142	11,797	785,187
(Unaudited)							
At January 1, 2023	369,846	293,267	1,825	1,918	33,806	21,851	722,513
(Charged)/Credit 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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

18 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities	Fair value changes on financial assets carried at FVPL RMB'000	Right-of-use assets RMB'000	Total RMB'000
(Unaudited)			
At January 1, 2024	(10,383)	(39,063)	(49,446)
Credit to the interim condensed consolidated income statement	4,174	(2,391)	1,783
At June 30, 2024	(6,209)	(41,454)	(47,663)
(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)

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

19 INVENTORIES

	As at June 30 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Purchased hardware and components	866,237	296,348
Contract fulfilment cost	256,619	223,719
	1,122,856	520,067
Less: allowance for impairment of inventories	(17,666)	(13,939)
	1,105,190	506,128

The provision for impairment of inventories recorded as cost of sales during the six months ended June 30, 2024 was RMB16,328,000 (for the six months ended June 30, 2023: RMB12,023,000).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

20 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Notes receivables	68,210	62,236
Provision for impairment	(49,024)	(49,021)
	19,186	13,215
Trade receivables		
– Due from related parties (Note 32(c))	3,478	2,992
– Due from third parties	8,320,982	7,909,027
Gross trade receivables	8,324,460	7,912,019
Provision for impairment	(4,790,548)	(4,191,392)
	3,533,912	3,720,627
Other receivables		
– Refundable deposits (i)	62,361	46,639
– Loans to related parties (Note 32(c))	666	666
– Payments on behalf of customers	427,478	438,988
– Others	79,112	74,865
Gross other receivables	569,617	561,158
Provision for impairment	(403,264)	(394,223)
	166,353	166,935
Prepayments	879,119	578,734
Input VAT to be deducted	757,379	679,767
Total trade, other receivables and prepayments	5,355,949	5,159,278

For the six months ended June 30, 2024

20 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 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Bank's notes receivables		
– Up to 6 months	19,210	13,236
Commercial notes receivables		
– 6 months to 1 year	–	–
– Over 1 year	49,000	49,000
	68,210	62,236

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 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Up to 6 months	1,223,601	1,039,742
6 months to 1 year	412,353	242,863
1 to 2 years	1,313,094	1,891,876
2 to 3 years	2,939,689	3,195,901
More than 3 years	2,435,723	1,541,637
	8,324,460	7,912,019

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

21 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 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Payment by installment sales contract	179,182	313,808
Refundable deposits due after one year	36,267	51,770
Less: due within one year	(179,182)	(230,200)
	36,267	135,378
Less: provision for impairment	(1,461)	(48,127)
	34,806	87,251

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets at fair value through profit or loss

The Group classified the following financial assets at FVPL:

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

For the six months ended June 30, 2024

22 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 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Non-current assets		
Debt investments (a)		
– Unlisted entities	3,575,868	3,486,248
– Investments in bonds	1,671,400	1,636,209
– Fund	634,012	643,921
Equity investments (b)		
– Listed entities	438,121	412,342
– Unlisted entities	355,700	348,755
	6,675,101	6,527,475
Current assets		
Structured deposits (c)	724,000	521,805
	7,399,101	7,049,280

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

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

(a) Debt investments

The movement of the debt investments during the six months ended June 30, 2024 is as follows:

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
At beginning of the period	5,766,378	5,798,760
Additions	112,814	167,966
Disposals	(10,140)	(5,627)
Fair value changes	(8,024)	(437,892)
Currency translation differences	20,252	112,480
At end of the period	5,881,280	5,635,687

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, 2024

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

The movement of the equity investments during the six months ended June 30, 2024 is as follows:

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
At beginning of the period	761,097	877,773
Additions	64,051	50,000
Disposals	(15,967)	(43,455)
Fair value changes	(15,667)	(75,331)
Currency translation differences	307	11,408
At end of the period	793,821	820,395

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, 2024 is as follows:

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
At beginning of the period	521,805	632,124
Additions	1,679,000	2,030,000
Disposals	(1,489,599)	(1,636,805)
Fair value changes	12,794	7,971
At end of the period	724,000	1,033,290

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

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

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

During the six months ended June 30, 2024, the following gains/(losses) were recognised in the interim condensed consolidated income statement:

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Fair value gains/(losses) on investments in:		
– Debt investments	(8,024)	(437,892)
– Equity investments	(15,667)	(75,331)
– Structured deposits	12,794	7,971
	(10,897)	(505,252)

23 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TERM DEPOSITS

(a) Cash and cash equivalents

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000
Cash at bank and in hand	9,189,399	10,887,464
Less: Restricted cash (b)	(369,445)	(364,071)
Less: term deposits with initial term of over three months (c)	(1,193,410)	(1,099,898)
Cash and cash equivalents	7,626,544	9,423,495

For the six months ended June 30, 2024

23 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TERM DEPOSITS (CONTINUED)**(b) Restricted cash**

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000
Non-current		
Security deposit (Note 30)	157,538	153,986
Performance security	3,247	–
	160,785	153,986
Current		
Security deposit (Note 30)	173,755	169,998
Performance security	34,905	40,087
	208,660	210,085
	369,445	364,071

- (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, 2024, all term deposits' maturity dates are within 1 year. The carrying amount of the term deposits with initial terms of over three months approximated to their fair value as at June 30, 2024.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

24 SHARE CAPITAL

Authorised:

	Number of ordinary shares
At January 1, 2023, 2024 and June 30, 2023, 2024	2,000,000,000

Issued:

	Note	Number of shares	Share capital RMB'000
At January 1, 2024		33,468,925,000	5
Placing of ordinary shares	(a)	1,673,446,000	1
At June 30, 2024 (Unaudited)		35,142,371,000	6
At January 1, 2023 and June 30, 2023 (Unaudited)		33,468,925,000	5

- (a) In June 2024, a total number of 1,673,446,000 Class B ordinary shares have been placed at HK\$1.20 per share. Accordingly, the net proceeds recorded in share capital and other reserves (after deducting the commission and transaction levy) were RMB298 and RMB1,815,598,000, respectively.

As at June 30, 2024, the ordinary shares of the Company represented two classes as follows:

	As at June 30, 2024 Number of shares	As at December 31, 2023 Number of shares
Class A ordinary shares (other than those held by Amind Inc. ("Amind"))	614,034,470	614,034,470
Class A ordinary shares held by Amind*	6,906,080,602	6,906,080,602
Class B ordinary shares	27,622,255,928	25,948,809,928
	35,142,371,000	33,468,925,000

- * The weighted voting rights of the 6,906,080,602 Class A ordinary shares of the Group held by Professor Tang Xiao'ou (湯曉鵬教授, "Prof. Tang") through Amind Inc. has ceased as a result of the passing of Prof. Tang on December 15, 2023. The 6,906,080,602 Class A ordinary shares are expected to be converted into Class B ordinary shares of the Company on a one-to-one basis.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

25 OTHER RESERVES

	Shares held for share award scheme RMB'000	Share premium RMB'000	Share-based compensation expenses RMB'000	Other comprehensive loss reserve RMB'000	Others RMB'000	Total RMB'000
(Unaudited)						
At January 1, 2024	*	71,740,498	633,706	(6,902)	(700,880)	71,666,422
Share-based compensation expenses (Note 27)	-	-	125,491	-	-	125,491
Recognition of financial instruments with preferred rights at amortised cost (Note 26(c))	-	-	-	-	(11,400)	(11,400)
Treasury shares issued to employees (a)	*	107,936	(81,176)	-	-	26,760
Placing of ordinary shares (Note 24)	-	1,815,598	-	-	-	1,815,598
Purchase of ordinary shares of the Company for share award scheme (b)	-	-	-	-	(13,530)	(13,530)
Transactions with non-controlling interests (Note 29)	-	-	-	-	(31,585)	(31,585)
Changes in credit risk for financial liabilities designated as at fair value through profit or loss	-	-	-	(5,017)	-	(5,017)
At June 30, 2024	*	73,664,032	678,021	(11,919)	(757,395)	73,572,739
(Unaudited)						
At January 1, 2023	*	71,317,758	632,166	(3,155)	(697,869)	71,248,900
Share-based compensation expenses (Note 27)	-	-	233,934	-	-	233,934
Treasury shares issued to employees (a)	*	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

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

- (a) Unvested shares held by the SenseTalent Management Limited are disclosed as treasury shares and deducted from equity attributable to the Company's equity holders. As at June 30, 2024, 975,112,000 treasury shares in SenseTalent Management Limited have not been issued to employees (December 31, 2023: 1,044,605,000).
- (b) During the six months ended June 30, 2024, the Group purchased 23,000,000 ordinary shares of the Company at an aggregate consideration of RMB13,530,000 for share award scheme.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

26 PREFERRED SHARE AND OTHER FINANCIAL LIABILITIES

As at June 30, 2024, the preferred share and other financial liabilities included:

	As at June 30 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000 (Restated)
Preferred share liabilities issued by a subsidiary (a)	1,169,103	1,144,805
Net asset value of investment funds attributable to limited partners (b)	785,100	530,471
Financial instruments with preferred rights at amortised cost (c)	11,400	–
Total preferred share and other financial liabilities	1,965,603	1,675,276
Including:		
Current portion	1,169,103	1,144,805
Non-current portion	796,500	530,471
	1,965,603	1,675,276

(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 SenseTime MEA Ltd. (formerly named “SenseWonder Technology Limited”, “SenseTime MEA”). 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. No more consideration was received during the six months ended June 30, 2024. Pursuant to the agreement, Fund A was also granted a put option to require SenseMeet to acquire all its preferred shares in SenseTime MEA on the occurrence of some certain events. 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 SenseTime MEA are recognised as preferred share liability at FVPL. As at June 30, 2024, the preferred shares liability was disclosed in current liability and balance as at December 31, 2023 was restated to current portion retrospectively according to IAS 1 (Amendments).

For the six months ended June 30, 2024

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

In August 2021, the Group established Beijing Guoxiang Shangheng Equity Investment Fund Partnership (limited partnership), as a limited partnership with an 8-year life, together with ten limited partners for strategic investment. As at June 30, 2024, the Group has already received RMB660,343,000 (December 31, 2023: RMB388,071,000) 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, 2024, the Group has already received RMB15,000,000 (December 31, 2023: RMB15,000,000) capital injection from the limited partner.

In November 2023, the Group established Jiujiang Youdi Technology Industry Investment Partnership (limited Partnership), together with a limited partner for strategic investment. As at June 30, 2024, the Group has already received RMB100,500,000 (December 31, 2023: RMB100,500,000) 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) Financial instruments with preferred rights at amortised cost

The financial instruments with preferred rights represent the paid-in capital and capital reserve of certain subsidiaries received from the certain non-controlling shareholders ("Investors"). The Group recognised the financial instruments with preferred rights as financial liabilities considering that the triggering events for the redemption rights are out of the control of the Group and these financial instruments do not meet the definition of equity for the Group. The financial liabilities were initially measured at fair value and subsequently measured at amortised cost. The fair value for initial recognition represented the present value of the amount expected to be paid to the Investors upon redemption which was assumed at the dates of issuance of the financial instruments. Interests from the financial instruments were charged to finance cost.

During the six months ended June 30, 2024, these subsidiaries of the Group received capital injection with total consideration of RMB11,400,000 from the Investors. The Group recognised non-controlling interests of RMB11,400,000 and debited other reserves to reflect the carrying amount of credited the financial instruments of RMB11,400,000. As at June 30, 2024, the interests from the financial instruments were not material.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

26 PREFERRED SHARE AND OTHER FINANCIAL LIABILITIES (CONTINUED)

(d) Gains/(losses) on the changes in fair value of preferred share and other financial liabilities

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Changes in fair value of preferred shares issued by a subsidiary	(12,101)	(10,043)
Losses attributable to changes in credit risk of above financial instruments recognised in other comprehensive loss	(5,017)	(132)
Changes on net asset value of investment funds attributable to limited partners	17,643	(2,020)

27 SHARE-BASED COMPENSATION PLANS

Starting from 2016, the board of directors approved the restricted shares plan ("Pre-IPO RSU Plan"), share option plan and Post-IPO restricted shares plan ("2022 RSU Scheme") 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, 2024 and December 31, 2023, all RSUs were exercised.

For the six months ended June 30, 2024

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

From 2016 to 2024, 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, 2024	73,250,846	4 years	7 years
April 25, 2024	199,192,107	4.18 years	7 years
May 28, 2024	4,099,980	4.09 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, 2024 are as follows:

	Six months ended June 30			
	2024 (Unaudited)		2023 (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	0.73	793,776,345	0.62	1,004,051,796
Granted	0.38	276,542,933	0.78	129,973,116
Exercised	0.42	(69,493,069)	0.36	(171,362,381)
Forfeited	0.77	(42,463,940)	0.74	(37,282,885)
At end of the period	0.65	958,362,269	0.69	925,379,646

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For the six months ended June 30, 2024

27 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, 2024, 405,208,448 options were vested but not exercised (June 30, 2023: 415,816,780).

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 2024 (Unaudited)	December 31 2023
July 1, 2017	July 1, 2024	0.22 or *	–	18,019,452
February 1, 2019	February 1, 2026	0.78 or 0.22 or *	21,760,781	46,056,884
June 30, 2019	June 30, 2026	0.78	8,299,453	9,207,944
January 1, 2020	January 1, 2027	0.78 or 0.22 or *	80,127,748	88,050,435
July 1, 2020	July 1, 2027	0.78	4,535,844	5,516,421
January 1, 2021	January 1, 2028	0.78 or 0.22 or *	187,472,971	203,656,966
July 1, 2021	July 1, 2028	0.78 or 0.22	8,504,042	10,191,217
January 1, 2022	January 1, 2029	0.78	64,082,451	71,712,808
July 1, 2022	July 1, 2029	0.78	4,947,802	6,197,680
September 13, 2022	September 13, 2029	0.78	168,846,937	183,439,513
January 1, 2023	January 1, 2030	0.78	17,882,464	19,630,919
April 1, 2023	April 1, 2030	0.78	81,871,371	90,573,201
July 1, 2023	July 1, 2030	0.78	36,510,345	41,522,905
January 1, 2024	January 1, 2031	0.78	70,262,275	–
April 25, 2024	April 25, 2031	0.78 or 0.01	199,157,805	–
May 28, 2024	May 28, 2031	0.78	4,099,980	–
			958,362,269	793,776,345

* 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, 2023 RMB'000	April 1, 2023 RMB'000	January 1, 2024 RMB'000	April 25, 2024 RMB'000	May 28, 2024 RMB'000
Share options (i)	38,169	184,493	46,039	129,146	3,128

For the six months ended June 30, 2024

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

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

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

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

Grant date	Risk-free interest rate	Expected volatility	Time to maturity
January 1, 2024	3.09%	52.67%	7 years
April 25, 2024	3.80%	53.95%	7 years
May 28, 2024	3.69%	53.80%	7 years

During the six months ended June 30, 2024, 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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Selling expenses	15,044	41,920
Administrative expenses	51,018	91,516
Research and development expenses	59,429	100,498
	125,491	233,934

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For the six months ended June 30, 2024

28 TRADE AND OTHER PAYABLES

	As at June 30 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Trade payables		
– Third parties	521,616	840,767
– Related parties (Note 32(c))	643	790
Long-term payables due within 1 year	16,000	16,000
Other payables		
– Third parties	467,816	502,520
– Related parties (Note 32(c))	4,015	6,641
Payables on purchase of property, plant and equipment and intangible assets	210,450	416,090
Accrued taxes other than income tax	85,843	72,087
Staff salaries and welfare payables	268,604	366,766
VAT payables related to contract liabilities	13,469	31,505
Accrued warranty expenses	8,732	8,967
	1,597,188	2,262,133

Aging analysis of the trade payables based on purchase date at the end of June 30, 2024 are as follows:

	As at June 30 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Up to 6 months	320,337	599,714
6 months to 1 year	26,044	115,885
1 to 2 years	71,993	79,267
More than 2 years	103,885	46,691
	522,259	841,557

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29 PUT OPTION LIABILITY

	As at June 30 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Present value of liability in relation to a put option granted to non-controlling shareholder of a subsidiary	–	283,308

- (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.

During the six months ended June 30, 2024, the Company Z requested the Group to purchase the 45% equity. According to the arrangement, the total consideration was USD6,000,000 (equivalent to RMB42,660,000). The Group remeasured put option liability and recognised gain from remeasurement of RMB241,280,000 (Note 10). Meanwhile, the Group derecognized non-controlling interests of Company Z amounted RMB31,585,000 and debited to other reserves (Note 25).

During the six months ended June 30, 2024, the Group also came into an agreement with Company Z to dispose a subsidiary with total consideration of USD3,000,000 (equivalent to RMB21,330,000).

Pursuant to the agreement, the put option liability settlement consideration amounted to USD6,000,000 (equivalent to RMB42,660,000) and subsidiary disposal consideration amounted USD3,000,000 (equivalent to RMB21,330,000, Note 9) were settled on a net basis.

	Six months ended June 30 2024 RMB'000 (Unaudited)
Carrying amount of put option liability as at December 31, 2023	283,308
Gain from remeasurement of put option liability (Note 10)	(241,280)
Currency translation differences	632
Consideration of put option liability	(42,660)
Carrying amount of put option liability as at June 30, 2024	–
Put option liability settlement consideration	42,660
Consideration of the disposal of a subsidiary	(21,330)
Net payment of settlement of put option liability	21,330

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For the six months ended June 30, 2024

30 BORROWINGS

	As at June 30 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Non-Current		
Bank borrowing – secured	3,849,840	3,532,070
Bank borrowing – guaranteed	897,915	764,346
Less: current portion of non-current borrowings	(89,720)	(17,730)
	4,658,035	4,278,686
Current		
Short-term bank borrowing – guaranteed	495,350	132,760
Short-term bank borrowing – secured	40,000	40,000
Current portion of non-current borrowings	89,720	17,730
Interest payable	4,190	3,939
	629,260	194,429
	5,287,295	4,473,115

Secured bank borrowings

As at June 30, 2024, the Group had bank borrowings with carrying amount of RMB257,770,000 which were secured by the Group's restricted deposits of USD43,900,000 (equivalent to RMB331,293,000) (December 31, 2023: bank borrowings with carrying amount of RMB259,080,000 which were secured by the Group's restricted deposits of USD43,900,000 (equivalent to RMB323,984,000)) (Note 23).

As at June 30, 2024, the Group had a bank borrowing with carrying amount of RMB1,929,930,000 (December 31, 2023: RMB1,608,850,000) which was pledged by equity interest of Shanghai Yuqin Information Technology Co., Ltd. ("Shanghai Yuqin") and joint liability guarantee from Shanghai Yuqin and Shanghai SenseTime. In addition, certain buildings (Note 14(a)) with a carrying amount of RMB1,044,411,000 and land use right with a carrying amount of RMB62,485,000 (Note 15) (December 31, 2023: buildings with a carrying amount of RMB1,074,851,000 and land use right with a carrying amount of RMB63,164,000) respectively were also pledged as collaterals for this bank borrowing.

As at June 30, 2024, the Group had a bank borrowing with carrying amount of RMB1,662,140,000 which was pledged by certain buildings (Note 14(a)) with a carrying amount of RMB3,163,493,000 as a collateral for the Group's borrowings (December 31, 2023: bank borrowings with carrying amount of RMB1,664,140,000 which was pledged by certain buildings with a carrying amount of RMB3,197,977,000).

As at June 30, 2024, the Group had a current bank borrowing with carrying amount of RMB40,000,000 (December 31, 2023: RMB40,000,000) which was secured by certain Group's licensed intellectual properties and guaranteed by SenseTime Group Limited.

For the six months ended June 30, 2024

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

As at June 30, 2024, the Group had a non-current bank borrowing with carrying amount of RMB142,500,000 for public rental housing, which was guaranteed by a state-owned property developer before the property registration is ready. After that, this borrowing will be guaranteed by Shanghai SenseTime and be pledged by the public rental housing itself as a collateral (December 31, 2023: bank borrowing with a carrying amount of RMB143,000,000).

As at June 30, 2024, the Group had non-current bank borrowings with carrying amount of RMB587,415,000 which were guaranteed by SenseTime Group Limited (December 31, 2023: bank borrowing with a carrying amount of RMB542,346,000).

As at June 30, 2024, the Group had non-current bank borrowings with carrying amount of RMB110,000,000 which were guaranteed by Beijing SenseTime (December 31, 2023: bank borrowing with a carrying amount of RMB79,000,000).

As at June 30, 2024, the Group had non-current bank borrowings with carrying amount of RMB58,000,000 which were guaranteed by Shanghai SenseTime.

As at June 30, 2024, the Group had current bank borrowings with carrying amount of RMB495,350,000 which were guaranteed by SenseTime Group Limited (December 31, 2023: RMB132,760,000 which were guaranteed by SenseTime Group Limited).

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates of the borrowings at the end of the reporting period are as follows:

	As at June 30 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Variable rate borrowings	4,321,985	3,958,336
Fixed rate borrowings – repricing or maturity dates:		
6 months or less	71,610	104,070
Between 6 and 12 months	534,100	71,560
Between 1 and 2 years	246,210	226,950
Between 2 and 5 years	109,200	108,260
	5,283,105	4,469,176

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For the six months ended June 30, 2024

30 BORROWINGS (CONTINUED)

Guaranteed bank borrowings (continued)

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

	As at June 30, 2024		As at December 31, 2023	
	Amount RMB'000 (Unaudited)	Interest rate Per annum	Amount RMB'000	Interest rate Per annum
RMB bank borrowings	5,283,105	1.95%-3.80%	4,469,176	1.95%-3.80%

As at June 30, 2024, 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, 2024 (for the six months ended June 30, 2023: complied with all of the financial covenants of its borrowing facilities).

As at June 30, 2024, the weighted average effective interest rate for borrowings was 3.17% (December 31, 2023: 3.23%).

As at June 30, 2024, the Group has the following undrawn bank facilities:

	As at June 30 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
RMB facilities	6,653,785	8,153,792
USD facilities	111,903	108,203
	6,765,688	8,261,995

31 CAPITAL COMMITMENTS

Significant capital expenditure commitments are set out below:

	As at June 30 2024 RMB'000 (Unaudited)	As at December 31 2023 RMB'000
Capital contribution to financial assets at fair value through profit or loss	281,000	227,800
Property, plant and equipment	243,939	247,394
Intangible assets	2,994	2,992
	527,933	478,186

For the six months ended June 30, 2024

32 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related 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
Shangyu Technology (Beijing) Co., Ltd. (商予科技(北京)有限公司, "Shangyu")	Associate of the Group
Intelligent Computing Cloud (Chongqing) Technology Co., Ltd. (智算雲(重慶)科技有限公司, "ICC")	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
Huangpu Intelligent Computing (Guangzhou) Co., Ltd. (黃埔智算(廣州)有限公司, "Huangpu Intelligent")	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
Shanghai Hengdao Medical Pathology Diagnosis Center Co., Ltd. (上海衡道醫學病理診斷中心有限公司, "Shanghai Hengdao")	Investment with significant influence
Mantis Vision Technologies Co., Ltd. (螳螂慧視科技有限公司, "Tanglang")	Investment with significant influence
Shanghai Linguniverse Technology Development Co., Ltd. (上海靈宇宙科技發展有限公司, "Shanghai Linguniverse")	Investment with significant influence

- (i) Softbank Corp. was a substantial shareholder of the Company and the shareholding percentage in the Company was over 10% before 2023. After the continuous dilution of the shareholding percentage in the Company, Softbank Corp. and its wholly-owned subsidiary Japan Computer Vision Corp. were no longer the related parties of the Company since July 2023.
- (ii) Shanghai Qianshi was no longer a related party of the Company after the shares of Shanghai Qiangshi was sold to a third party by the Company's key management personnel on August 15, 2023 and was not able to exercise its significant influence in Shanghai Qianshi.

Notes to the Interim Condensed Consolidated Financial Information

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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, 2024 include:

(i) Sale of products or provision of services

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Huangpu Intelligent	3,308	–
Shangyu	438	–
SAIRI	261	–
Japan Computer Vision Corp.*	–	11,667
Lingang Yuanqi	–	573
Shanghai Qianshi*	–	110
	4,007	12,350

(ii) Purchase of products or services

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Shangyu	645	–
Sun Vision	483	6,274
Shanghai Huiming	442	–
Shandong Hoooon	237	3,604
Shang Jing Yun	–	2,130
Tanglang	–	47
	1,807	12,055

(iii) Purchase of property, plant and equipment

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
SAIRI	–	48,673

For the six months ended June 30, 2024

32 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Transactions with related parties (continued)****(iv) Loans granted to a related party**

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Shanghai Qianshi*	–	5,115

(v) Government grants received on behalf of a related party

	Six months ended June 30	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Shanghai Hengdao	500	–

(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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Wages, salaries and bonuses	8,258	11,016
Pension costs – defined contribution plans	113	106
Other social security costs, housing benefits and other employee benefits	92	90
Share-based compensation expenses	2,347	3,763
	10,810	14,975

* These companies were no longer related parties of the Company as at June 30, 2024 and the transactions were not disclosed as related party transactions.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2024

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties

(i) Trade receivables

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000
Shang Jing Yun	2,391	2,391
Huangpu Intelligent	1,017	510
Shangyu	70	–
Lingang Yuanqi	–	91
	3,478	2,992
Loss allowance	(2,589)	(2,503)
	889	489

(ii) Other receivables – non-trade

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000
Linkface	666	666
Loss allowance	(666)	(666)
	–	–

(iii) Trade payables

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000
Sun Vision	546	528
Shandong Hoooon	97	162
Shang Jing Yun	–	100
	643	790

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32 RELATED PARTY TRANSACTIONS (CONTINUED)**(c) Balances with related parties (continued)****(iv) Other payables**

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000
Non-trade		
Seno China Limited	662	657
Shanghai Hengdao	500	–
Trade		
Shanghai Huiming	2,830	2,830
Shandong Hoooon	23	5
Shangyu	–	1,813
Huangpu Intelligent	–	872
Sun Vision	–	464
	4,015	6,641

(v) Prepayment

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000
Lu Xingtong	5,241	5,241
Shanghai Huiming	–	250
Shang Jing Yun	–	218
	5,241	5,709

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For the six months ended June 30, 2024

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties (continued)

(vi) Contract liabilities

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000
Shangyu	397	283
ICC	200	–
SAIRI	56	–
Lu Xingtong	54	54
Shanghai Linguniverse	18	18
	725	355

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

33 CONTINGENCIES

As at June 30, 2024, there were no significant contingencies items for the Group.

34 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to June 30, 2024 and up to the date of this report, there is no material subsequent event.

Other Information

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

As at June 30, 2024, 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 – Amind				
Amind ⁽³⁾	Beneficial interest	6,906,080,602 Class A Shares	91.83%	19.65%
Class A Shares – Dr. Xu Li				
XWorld ⁽⁴⁾	Beneficial interest	286,317,668 Class A Shares	3.81%	0.81%
Dr. Xu Li	Interest in a controlled corporation	286,317,668 Class A Shares	3.81%	0.81%
Class A Shares – Dr. Wang Xiaogang				
Infinity Vision ⁽⁵⁾	Beneficial interest	223,526,705 Class A Shares	2.97%	0.64%
Dr. Wang Xiaogang	Interest in a controlled corporation	223,526,705 Class A Shares	2.97%	0.64%
Class A Shares – Mr. Xu Bing				
Vision Worldwide ⁽⁶⁾	Beneficial interest	104,190,097 Class A Shares	1.39%	0.30%
Mr. Xu Bing	Interest in a controlled corporation	104,190,097 Class A Shares	1.39%	0.30%
Class B Shares – Dr. Xu Li				
Dr. Xu Li through SenseTalent ⁽⁷⁾	Beneficial interest	565,386,529 Class B Shares	2.05%	1.61%

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. Wang Xiaogang				
Dr. Wang Xiaogang through SenseTalent ⁽⁷⁾	Beneficial interest	302,140,243 Class B Shares	1.09%	0.86%
Infinity Vision ⁽⁵⁾	Beneficial interest	8,644,928 Class B Shares	0.03%	0.02%
Dr. Wang Xiaogang	Interest in a controlled corporation	8,644,928 Class B Shares	0.03%	0.02%
Class B Shares – Mr. Xu Bing				
Mr. Xu Bing through SenseTalent ⁽⁷⁾	Beneficial interest	252,236,581 Class B Shares	0.91%	0.72%
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%
Class B Shares – Dr. Lin Dahua				
Dr. Lin Dahua through SenseTalent ⁽⁷⁾	Beneficial interest	98,441,401 Class B Shares	0.36%	0.28%
Dr. Lin Dahua through Ms. Chen Lei ⁽⁹⁾	Interest of spouse	19,000 Class B Shares	0.00%	0.00%

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, 2024, comprising 7,520,115,072 Class A Shares and 27,622,255,928 Class B Shares.
- (3) The entire interest in Amind was held by Prof. Tang Xiao'ou prior to his passing on December 15, 2023. Upon the passing of Prof. Tang Xiao'ou, the weighted voting rights in the 6,906,080,602 Class A Shares held by Amind ceased. The succession arrangements under the applicable laws were completed on August 19, 2024. In this connection, the conversion of 6,906,080,602 Class A Shares held by Amind into 6,906,080,602 Class B Shares was completed on August 27, 2024 upon which the issued share capital of the Company comprised 614,034,470 Class A Shares and 34,528,336,530 Class B Shares.
- (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 on and exercised by the relevant Directors. On August 15, 2024, all the Class B Shares held by each of Dr. Xu Li, Dr. Wang Xiaogang, Mr. Xu Bing and Dr. Lin Dahua through SenseTalent were transferred from SenseTalent to each of them respectively. Please refer to the announcement of the Company dated August 16, 2024 for details.
- (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.
- (9) Ms. Chen Lei is the spouse of Dr. Lin Dahua. Under the SFO, Dr. Lin Dahua is deemed to be interested in the same number of Shares in which Ms. Chen Lei is interested.

Save as disclosed above, as at June 30, 2024, 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, 2024, 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	3,419,131,871	12.38%	9.73%
Ms. Lin Jiemin ⁽³⁾	Interest in a controlled corporation	3,419,131,871	12.38%	9.73%

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, 2024, comprising 7,520,115,072 Class A Shares and 27,622,255,928 Class B Shares.
- (3) As Ms. Lin Jiemin holds 67.25% interest in SenseTalent, Ms. Lin Jiemin is deemed to be interested in the 3,419,131,871 Class B Shares held by SenseTalent.

Save as disclosed above, as at June 30, 2024, 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 which fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were 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.

Other Information

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. As at the date of this interim report, the Board has resolved that no further grant will be made under the Pre-IPO RSU Plan and the Pre-IPO ESOP. However, the subsisting rights of the grantees under the Pre-IPO RSU Plan and the Pre-IPO ESOP remain unaffected.

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

The original validity period of the Pre-IPO RSU Plan was 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 1.40% of the total issued Shares as at June 30, 2024 and 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. As at the date of this interim report, the Board has resolved that no further grant will be made under the Pre-IPO RSU Plan, but the subsisting rights of the grantees will remain unaffected.

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, 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 427,566,689 Class B Shares. As at June 30, 2024, 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 407,427,513, representing approximately 1.16% of the issued share capital of the Company as at June 30, 2024 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

The original validity period of the Pre-IPO ESOP was 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 are held by SenseTalent. The Pre-IPO ESOP Limit represents approximately 9.61% of the issued share capital as at June 30, 2024 and 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.

Other Information

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 Pre-IPO ESOP 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. As at the date of this interim report, the Board has resolved that no further grant will be made under the Pre-IPO ESOP, but the subsisting rights of the grantees will remain unaffected.

Options granted under the Pre-IPO ESOP

As at June 30, 2024, 2,994,954,239 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 2,289 grantees (including Directors, members of senior management and other connected persons of the Company).

As at December 31, 2023, the aggregate number of the Class B Shares underlying the Pre-IPO ESOP and which remain held by SenseTalent was 3,085,537,752 Class B Shares. As at June 30, 2024, the aggregate number of Class B Shares underlying the Pre-IPO ESOP and which remain held by SenseTalent is 3,011,704,358, representing approximately 8.57% of the issued share capital of the Company as at June 30, 2024.

Details of share 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, 2023	Number of share options granted	Number of share options exercised	Number of share options lapsed	Number of share options cancelled	Outstanding at June 30, 2024
Total of all grantees under the Pre-IPO ESOP Plan ⁽¹⁾	793,776,345	276,542,933	(69,493,069)	0	(42,463,940)	958,362,269
	7,956,791 ⁽²⁾	0	(7,956,791)	0	0	0
	0 ⁽³⁾	142,501,482	0	0	0	142,501,482
	64,874,935 ⁽⁴⁾	0	(33,303,015)	0	(870,016)	30,701,904
	720,944,619 ⁽⁵⁾	134,041,451	(28,233,263)	0	(41,593,924)	785,158,883
Total	793,776,345	276,542,933	(69,493,069)	0	(42,463,940)	958,362,269

Notes:

- (1) As at June 30, 2024, the number of outstanding Options is 958,362,269. Such Options were granted from February 1, 2019 to May 28, 2024 with a vesting period of 3.5 to 4.25 years, exercise period of 7 years and exercise price of approximately HK\$0.78 or HK\$0.22 or HK\$0.01.

During the Reporting Period, a total of 276,542,933 Options were granted on January 1, 2024, April 25, 2024 and May 28, 2024 with a vesting period of 4 to 4.18 years, exercise period of 7 years and exercise price of approximately HK\$0.78 or HK\$0.01. The vesting of these Options are subject to fulfilment 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, 2024, April 25, 2024 and May 28, 2024) was HK\$1.16, HK\$0.80 and HK\$1.37 respectively. For the fair value of the Options granted during the Reporting Period and the accounting standard and policy adopted, please refer to Note 27 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 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\$1.24.

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.

- (2) Options granted to the other grantees with an exercise price of approximately HK\$0.0001.
- (3) Options granted to the other grantees with an exercise price of approximately HK\$0.01.
- (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, 2024, 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, 252,236,581 Class B Shares on behalf of Mr. Xu Bing, and 98,441,401 Class B Shares on behalf of Dr. Lin Dahua. Such Class B Shares held by SenseTalent on behalf of Dr. Xu Li, Dr. Wang Xiaogang, Mr. Xu Bing and Dr. Lin Dahua 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 and as amended by a Shareholders' resolution dated June 26, 2024. The 2022 RSU Scheme constitutes 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, the circular of the Company dated June 4, 2024 and the poll results announcement of the Company dated June 26, 2024.

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 one or more trustee(s) may be appointed to assist with the administration and vesting of RSUs granted pursuant to the 2022 RSU Scheme. In addition, the Company may establish one or more special purpose vehicle(s) for the purpose of holding any Class B Shares and/or the consideration received in accordance with the terms and conditions of the 2022 RSU Scheme. A trustee and/or any registered holder of any special purpose vehicles shall not exercise any voting rights in respect of any Class B Shares held under the relevant trust or special purpose vehicles (as the case may be) in satisfaction of any unvested RSUs, unless required by law to vote in accordance with the beneficial owner's direction and such a direction is given.

An administrative committee (the "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) direct the Company to allot and issue Class B Shares or transfer any treasury shares of the Company in issue to the relevant trustee and/or special purpose vehicle subject to compliance with any applicable laws and regulations (including but not limited to the Listing Rules) and any trust deed; and/or (ii) direct and procure the trustee and/or special purpose vehicle to receive existing Class B Shares from any Shareholder or purchase existing Class B Shares (either on-market or off-market), for the purposes of satisfying any RSUs granted or to be granted under the 2022 RSU Scheme.

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 person who provides services to any members of the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group, including but not limited to any person providing advisory and consultancy services (in connection with, among others, research and development of the Group’s products and services and commercial planning and development), sales and marketing services, technology services, administrative services, strategic or commercial planning services, agency and subcontracting services and technical services, but excluding any placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions or any professional service providers such as auditors or valuers who provide assurance or are required to perform their services to the Group with impartiality and objectivity (“Service Providers”).

Scheme Mandate Limit, Service Provider Sublimit and Individual Limits

Subject to the terms of the 2022 RSU Scheme:

- (a) the maximum number of new Class B Shares which may be allotted and issued in respect of all restricted share units (“RSUs”) to be granted under the 2022 RSU Scheme and all options and/or awards under any other share schemes of the Company shall not exceed 10% of the number of Shares in issue as at June 26, 2024 (the “Amendment Date”) (excluding any treasury shares of the Company), being 3,346,892,500 Class B Shares (the “Scheme Mandate Limit”). The Scheme Mandate Limit represents approximately 9.52% of the issued share capital as at June 30, 2024 and the date of this interim report. Any RSUs lapsed in accordance with the 2022 RSU Scheme and any awards or options lapsed in accordance with any other share schemes of the Company shall not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit;
- (b) the maximum number of new Class B Shares which may be allotted and issued in respect of all RSUs to be granted under the 2022 RSU Scheme and all options and/or awards under any other share schemes of the Company to the Service Providers under the Scheme Mandate Limit shall not exceed 1% of the number of Shares in issue as at the Amendment Date (excluding any treasury shares of the Company), being 334,689,250 Class B Shares;
- (c) no RSU may be granted to any 2022 RSU Scheme Participant if such further grant of RSUs would result in the Shares issued and to be issued in respect of any RSUs granted under the 2022 RSU Scheme and all awards and options granted under any other share schemes of the Company to any 2022 RSU Scheme Participant (excluding any RSUs lapsed in accordance with the terms of the 2022 RSU Scheme or any awards or options lapsed in accordance with the terms of any other share schemes of the Company) in the 12-month period up to and including the date of such proposed grant exceeding 1% of the Shares in issue at the time of such proposed grant;

- (d) where any further grant of RSUs to a 2022 RSU Scheme Participant would result in the Shares issued and to be issued in respect of any RSUs granted under the 2022 RSU Scheme and all awards and options granted under any other share schemes of the Company to any 2022 RSU Scheme Participant (excluding any RSUs lapsed in accordance with the terms of the 2022 RSU Scheme or any awards or options lapsed in accordance with the terms of any other share schemes of the Company) in the 12-month period up to and including such proposed grant to exceed 1% of the Shares in issue at the time of such proposed grant (excluding any treasury shares of the Company), such grant shall be separately approved by the Shareholders, and for such purposes, the 2022 RSU Scheme Participant and his close associates (or where the 2022 RSU Scheme Participant is a connected person, his associates) shall abstain from voting on the resolution approving such grant to the relevant 2022 RSU Scheme Participant;
- (e) where any further grant of RSUs to a Director (other than an independent non-executive Director) or chief executive of the Company, or any of their respective associates, would result in the Shares issued and to be issued in respect of all RSUs granted under the 2022 RSU Scheme and all awards granted under any other share schemes of the Company (excluding any RSUs lapsed in accordance with the terms of the 2022 RSU Scheme, any awards lapsed in accordance with the terms of any other share schemes of the Company, and any options) to such person in the 12-month period up to and including such grant to exceed 0.1% of the Shares in issue at the time of such proposed grant (excluding any treasury shares of the Company), such grant must be separately approved by the Shareholders, and for such purposes, the relevant 2022 RSU Scheme Participant to which the grant is proposed to be made, his associates and all core connected persons of the Company shall abstain from voting in favour on the resolution approving such grant to the relevant 2022 RSU Scheme Participant; and
- (f) where any further grant of RSUs to an independent non-executive Director or a substantial Shareholder, or any of their respective associates, would result in the Shares issued and to be issued in respect of all RSUs granted under the 2022 RSU Scheme and all awards and options granted under any other share schemes of the Company (excluding any RSUs lapsed in accordance with the terms of the 2022 RSU Scheme, any awards or options lapsed in accordance with the terms of any other share schemes of the Company) to such person in the 12-month period up to and including such grant to exceed 0.1% of the Shares in issue at the time of such proposed grant (excluding any treasury shares of the Company), such grant must be separately approved by the Shareholders, and for such purposes, the relevant 2022 RSU Scheme Participant to which the grant is proposed to be made, his associates and all core connected persons of the Company shall abstain from voting in favour on the resolution approving such grant to the relevant 2022 RSU Scheme Participant.

Terms and Conditions of the 2022 RSU Scheme

Grant of 2022 RSU Scheme Awards

On and 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 RSUs to be granted may be determined at the sole and absolute discretion of the Board (in the case of Senior Grantees) or the Chairman (in the case of Junior Grantees) and may differ among selected 2022 RSU Scheme Participants.

Conditions of the 2022 RSU Scheme Awards

RSUs may be granted on such terms and conditions (such as by linking the vesting of the RSU to the attainment or performance of certain objectives or performance 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. Such performance targets may include, but are not limited to, targets that are benchmarked to the business and operational segments of the Group such as research and development, business development, sales and marketing and financial performance of the Group, or those relating to individual performance relevant to the 2022 RSU Scheme Participant’s roles and responsibilities, which shall be assessed at the end of the performance period for such target by comparing the actual performance against the pre-agreed targets. The Board (in the case of Senior Grantees) or the Chairman (in the case of Junior Grantees) shall have the right to make adjustments to the relevant objectives or performance targets subsequent to the grant of RSUs, provided that such adjustments shall be considered fair and reasonably by the Board (in the case of Senior Grantees) or the Chairman (in the case of Junior Grantees).

Vesting Period

Subject to the terms of the 2022 RSU Scheme, the specific terms and conditions applicable to each RSU, the vesting period shall be determined by the Board (in the case of Senior Grantees) or the Chairman (in the case of Junior Grantees), provided that the vesting period for any RSU shall not be less than 12 months except under the specific circumstances as set out below:

- (a) granting RSUs to new employees to replace the share awards they forfeited (the “Forfeited Awards”) when leaving their previous employers (including any entity which, as a result of mergers and acquisitions by the Company, became a subsidiary of the Company). The vesting period for such RSUs will be the same as the remaining vesting period of the Forfeited Awards (which may be less than 12 months);
- (b) granting RSUs to a 2022 RSU Scheme Participant whose employment or service (as the case may be) was terminated due to death, illness, disability or any force majeure event;
- (c) granting RSUs which are subject to performance-based vesting conditions (as opposed to time-based conditions);
- (d) granting RSUs that are made in batches during a year for administrative and/or compliance reasons, in which case the vesting periods for such RSUs may be shortened to reflect the time from which the RSUs would have been granted;
- (e) granting RSUs with a mixed or accelerated vesting schedule such that the RSUs may vest evenly over a period of 12 months; or
- (f) granting RSUs with a total vesting and holding period of more than 12 months.

Other Information

The RSUs which have vested shall be satisfied at the sole and absolute discretion of the Board (in the case of Senior Grantees) or the Chairman (in the case of Junior Grantees) within a reasonable period from the vesting date of such RSUs, in whole or in part by either: (a) the Administrative Committee directing and procuring the relevant trustee and/or special purpose vehicle to transfer the Class B Shares underlying the RSUs 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 and/or special purpose vehicle to pay to the Grantee in cash an amount which is equivalent to the market value of the Class B Shares (in which case, the amount payable to such Grantee shall be the actual sale proceeds net of any tax, fees, levies or other charges applicable).

Unless otherwise provided in the 2022 RSU Scheme, any RSU shall vest upon the expiry of the vesting period subject to the specific terms and conditions as determined by the Board (in the case of Senior Grantees) or the Chairman (in the case of Junior Grantees), provided that:

(a) 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 RSU shall vest prior to the expiry of the vesting period and the period within which such RSU shall vest. If the Board determines that such RSU shall vest prior to the expiry of the vesting period, it shall notify the Grantee, and the Company that the RSU shall vest and the period within which such RSU shall vest. In the absence of such determination by the Board, the RSUs shall continue to vest in accordance with their respective vesting timetable;

(b) in the event of a compromise or arrangement between the Company and the Shareholders or its creditors being proposed in connection with a scheme for the reconstruction of the Company or its amalgamation or merger with any other company or companies pursuant to the Companies Act of the Cayman Islands, the Board may, prior to or immediately upon the meeting of the Shareholders or creditors considering such compromise or arrangement, determine at its absolute discretion whether any RSU shall vest prior to the expiry of the vesting period and the period within which such RSU shall vest. If the Board determines that such RSU shall vest, it shall notify the Grantee, and the Company that the RSU shall vest prior to the expiry of the vesting period and the period within which such RSU shall vest. In the absence of such determination by the Board, the RSUs shall continue to vest in accordance with their respective vesting timetable, provided that upon such compromise, arrangement, amalgamation or merger becoming effective, all RSUs shall, to the extent that they have not been vested, lapse and determined;

(c) in the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Board may, prior to or immediately upon the meeting of the Shareholders considering such resolution, determine at its absolute discretion whether any RSU shall vest prior to the expiry of the vesting period and the period within which such RSU shall vest. If the Board determines that such RSU shall vest prior to the expiry of the vesting period, it shall notify the Grantee, and the Company that the RSU shall vest prior to the expiry of the vesting period and the period within which such RSU shall vest. In the absence of such determination by the Board, the RSUs shall continue to vest in accordance with their respective vesting timetable, provided that all RSUs shall, to the extent that they have not been vested, lapse immediately on the date of the commencement of the voluntary winding-up of the Company; and

- (d) the Board may, in its absolute discretion and on any terms and conditions as it thinks fit, accelerate the vesting period of all or any RSUs at any time subject to the applicable terms and conditions in connection with such RSUs.

Consideration and Basis of Consideration

The consideration (if any) payable by a selected 2022 RSU Scheme Participant to the relevant trustee and/or special purpose vehicle for acceptance and/or vesting of the RSU under the 2022 RSU Scheme and the period within which such consideration shall be paid by a selected 2022 RSU Scheme Participant shall 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). Such consideration (if any) shall be determined taking into account the prevailing market price of the Class B Shares, the purposes of the 2022 RSU Scheme and the RSUs to be granted, the profile of the relevant Participant, and such other factors as the Board (in the case of the Senior Grantees) or the Chairman (in the case of Junior Grantees) may deem relevant.

Rights of the Participants

The RSUs do not carry any right to vote general meetings of the Company. No Grantees shall enjoy any of the rights of a Shareholder by virtue of the grant of an RSU under the 2022 RSU Scheme, unless and until the Class B Shares underlying the RSUs are actually transferred to or allotted or issued to (as the case may be) to the Grantees following the vesting of such RSUs, provided that (i) the Board (in the case of Senior Grantees) or the Chairman (in the case of Junior Grantees) shall have the sole and absolute discretion to determine that any Grantee shall be entitled to exercise the voting rights in any Class B Shares held by a trustee and/or a special purpose vehicle for the purpose of satisfying any vested RSUs held by such Grantee through the trustee and/or special purpose vehicle; and (ii)

the Board (in the case of Senior Grantees) or the Chairman (in the case of Junior Grantees) shall have the sole and absolute discretion to determine that any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions derived from any Shares underlying a RSU prior to vesting of the RSU shall also be paid to any Grantee upon vesting of the RSUs.

Lapsing of the 2022 RSU Scheme Awards

The unvested RSUs shall automatically lapse upon the earliest of: (a) the date on which the 2022 RSU Scheme Participant ceases to be an eligible 2022 RSU Scheme Participant; (b) the expiry of any of the periods or the occurrence of the relevant event referred to in the paragraph "Vesting Period"; (c) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company; (d) the date on which the Grantee commits a breach of the restrictions; (e) the date on which the 2022 RSU Scheme Participants are found to be an Excluded Person; (f) the date on which it is no longer possible to satisfy any outstanding conditions to vesting; or (g) 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.

Alteration and Termination of the 2022 RSU Scheme

Subject to the terms 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 thereunder.

Other Information

RSUs granted under the 2022 RSU Scheme

As at June 30, 2024 and the Latest Practicable Date, 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 3,346,892,500 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 Reporting Period divided by the weighted average number of total Shares in issue for the Reporting Period is 9.99%.

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 in 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, 2024, the WVR Beneficiaries were Dr. Xu Li, Dr. Wang Xiaogang and Mr. Xu Bing.

- (1) Dr. Xu Li beneficially owned 286,317,668 Class A Shares and 565,386,529 Class B Shares, representing approximately 8.43% 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.
- (2) Dr. Wang Xiaogang beneficially owned 223,526,705 Class A Shares and 310,785,171 Class B Shares, representing approximately 6.26% 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 SenseTalent.
- (3) Mr. Xu Bing beneficially owned 104,190,097 Class A Shares and 252,236,581 Class B Shares, representing approximately 3.18% 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.

On August 27, 2024, the 6,906,080,602 Class A Shares then held by Prof. Tang Xiao'ou through Amind has been converted into 6,906,080,602 Class B Shares on a one-to-one basis following the passing of Prof. Tang. Following the conversion of the Class A Shares indirectly held by Prof. Tang Xiao'ou into Class B Shares, the total number of Class A Shares in issue is 614,034,470 (representing approximately 15.10% 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) and the total number of Class B Shares in issue is 34,528,336,530 (representing approximately 84.90% 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).

Class A Shares may be converted into Class B Shares on a one to one ratio. On the basis of 7,520,115,072 issued and outstanding Class A Shares as at June 30, 2024 (prior to the conversion of the 6,906,080,602 Class A Shares held by Amind into 6,906,080,602 Class B Shares on August 27, 2024), 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 27.22% of the total number of issued and outstanding Class B Shares as at June 30, 2024. On the basis of 614,034,470 issued and outstanding Class A Shares as at the Latest Practicable Date (subsequent to the conversion of the Class A Shares into 6,906,080,602 Class B Shares on August 27, 2024), upon the conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue

614,034,470 Class B Shares, representing approximately 2.22% of the total number of issued and outstanding Class B Shares as at June 30, 2024 or approximately 1.78% of the issued and outstanding Class B Shares as at the Latest Practicable Date.

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 Rule 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.

Other Information

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 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, Ms. Fan Yuanyuan was appointed as a director of Everpine Asset Management since June 2024. Save as disclosed above, during the Reporting Period, there is no other change in 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 (including any sale of treasury shares).

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 code provisions under the Corporate Governance Code set out in Appendix C1 to the Listing Rules save for code provision C.2.1 of Part 2 of the Corporate Governance Code as discussed below.

Pursuant to code provision C.2.1 of Part 2 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Dr. Xu Li currently performs these two roles. The Board believes that vesting the roles of both executive chairman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of executive chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2024 (June 30, 2023: 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, risk management, internal control and financial reporting with senior management members and the Auditor.

Other Board Committees

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

Corporate Governance Committee

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

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

During the six months ended June 30, 2024, the Corporate Governance Committee has convened 2 meetings 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 and made recommendations to the Board as appropriate. 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 (a) they have been members of the Board throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the year ended December 31, 2023; and (b) they have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year ended December 31, 2023.
- 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.



Other Information

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

Definitions

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

“2022 RSU Scheme”	the restricted share unit scheme of the Company adopted by the Board on June 20, 2022 and as amended by a Shareholders’ resolution dated June 26, 2024
“Amind”	Amind Inc., an exempted company incorporated under the laws of the Cayman Islands with limited liability. Amind was wholly-owned by Prof. Tang Xiao’ou prior to his passing
“Articles” or “Articles of Association”	the twenty-third amended and restated articles of association of the Company, adopted by special resolutions of the shareholders of the Company dated 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
“Board”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“Class A Share(s)”	class A ordinary shares of the share capital of the Company with a par value of US\$0.000000025 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to 10 votes per share on any resolution tabled at the Company’s general meeting, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
“Class B Share(s)”	class B ordinary shares of the share capital of the Company with a par value of US\$0.000000025 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meeting
“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
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company



Definitions

“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
“Excluded Person”	(i) at the time of the proposed grant of RSU under the 2022 RSU Scheme, any connected person of the Company, other than directors or substantial shareholders of any member of the Group, who did not notify the Company that they were connected person of the Company or (ii) any 2022 RSU Scheme Participant who is resident in a place where the award of the RSUs and/or the vesting and transfer of the Shares underlying the vested RSUs pursuant to the terms of the 2022 RSU Scheme is not permitted under the laws and regulations of such place such that in the view of the Board or the Chairman, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such 2022 RSU Scheme Participant
“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
“JPY”	Japanese Yen, the lawful currency of Japan
“Latest Practicable Date”	September 19, 2024, 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 amended and restated memorandum of association of the Company, adopted by special resolutions of the shareholders of the Company dated June 23, 2023, and as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix C3 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 on November 1, 2016 as amended from time to time
“Pre-IPO RSU Plan”	the pre-IPO restricted share units plan adopted by the Company on November 1, 2016 as amended from time to time
“Prospectus”	the prospectus of the Company dated December 7, 2021, as supplemented by the supplemental prospectus of the Company dated December 20, 2021
“Reporting Period”	the six months ended June 30, 2024
“Reserved Matters”	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 Articles of Association; (ii) the variation of rights attached to any class of shares; (iii) the appointment, election or removal of any independent non-executive Director; (iv) the appointment, election or removal of the Company’s auditor; and (v) the voluntary liquidation or winding-up of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“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 Class B Shares in the share capital of our Company, as the context so requires



Definitions

“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 to it under the Listing Rules and unless the context otherwise requires, refers to Dr. Xu Li, Dr. Wang Xiaogang and Mr. Xu Bing, being the holders of the Class A Shares, entitling each to weighted voting rights
“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



SenseTime Group Inc.
商汤集团股份有限公司