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Post Hearing Information Pack of

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)

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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)

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Maximum [REDACTED]	**:**	**HK$[REDACTED] per [REDACTED] plus brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% (payable in full on application, subject to refund)**
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[REDACTED]

[REDACTED]

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[REDACTED]

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this document. You should read the entire document before you decide to invest in the **[REDACTED]**.

There are risks associated with any investment. Some of the particular risks in investing in the **[REDACTED]** *are set out in "Risk Factors." You should read that section carefully before you decide to invest in the* **[REDACTED]**.

OVERVIEW

We are a leading AI software company serving a broad range of industries with a focus on computer vision software. We are the largest AI software company in Asia in terms of revenue in 2020, and the largest computer vision software provider in China in terms of revenue in 2020 with a market share of 11%, according to Frost & Sullivan. We have built market leadership by helping customers drive productivity, creativity and efficiency with our AI software platforms. As of June 30, 2021, our software platforms had been used by a total of over 2,400 customers, including over 250 Fortune 500 and other publicly-listed companies, 119 cities and over 30 automobile companies, while empowering over 450 million mobile phones and over 200 mobile apps.

Our business is underpinned by our original and cutting-edge research, recognized by over 70 first-prize awards in global academic competitions, more than 600 top-tier academic paper publications and over 8,000 AI patents and patent applications. We have built a first-of-its-kind universal AI infrastructure to achieve mass production of a diverse and growing portfolio of AI models with rich functionality and superior accuracy. We develop scalable AI software platforms to facilitate the rapid deployment of AI models and applications in numerous scenarios. Fueled by technological excellence and scale effects, we have achieved leading market positions in smart business, smart city, smart life and smart auto, serving a wide spectrum of industries across commercial space management, residential property management, urban management, manufacturing, infrastructure, transportation, mobile devices and applications, healthcare and automobiles, according to Frost & Sullivan.

Our culture is deep-rooted in academic excellence. In 2014, Professor Tang Xiao'ou, who founded the CUHK Multimedia Lab in Hong Kong in 2001, and other core members of the lab jointly started our company. As of June 30, 2021, 40 professors led our research efforts, and approximately two-thirds of our over 5,000 employees were scientists and engineers. This vast intellectual capital lays the foundation for a comprehensive and integrated innovation system from AI research to production and allows us to offer and continuously improve industry-leading, full-stack AI capabilities, cementing our commercialization success.

AI Models are the Building Blocks for AI Software, Underpinning Digital Transformation

According to Frost & Sullivan, AI software is expected to be one of the fastest-growing business areas in this decade. The global AI software market size is expected to reach

USD121.8 billion in 2025, growing at a CAGR of 31.9% from 2020. The computer vision software market in China is expected to grow at a CAGR of 43.5% from RMB16.7 billion in 2020 to RMB101.7 billion in 2025. As the core building blocks of AI software, AI models are algorithms which can take unstructured data as an input and transform it into informative output. As digital transformation accelerates, AI models are being widely deployed at customer locations, over the cloud and on an increasingly large number of devices. The ability to produce high-performance AI models at scale and in a cost-effective way is crucial and represents a major technology entry barrier in the AI industry. Based on our innovations and technology breakthroughs, we have built a first-of-its-kind AI infrastructure capable of mass production of high-performance AI models. We have also enabled rapid and code-free deployment of AI models and applications in numerous scenarios through our software platforms. As our AI models become more sophisticated and accurate in processing real-world data and driving various AI applications, they become the building blocks to advance digital transformation across industries.

Centralized Mass Production of AI Models with our Proprietary AI Infrastructure — SenseCore

Our proprietary AI infrastructure, SenseCore, makes industrial-grade AI model production feasible. SenseCore is built on three pillars: (i) large-scale supercomputing power; (ii) massive data processing and desensitization; and (iii) shared platforms and production tools for developers. It distinguishes us through the following features:

- Supporting the training of state-of-the-art large AI models for high performance and accuracy
- Low-cost production of scenario-specific AI models, achieving economies of scale for model improvement
- Industry-leading automatic machine learning for efficiency and easy use
- Industry-leading privacy computing and data desensitization
- Cross-chip, cross-device and cross-cloud-platform adaptability
- Comprehensive AI functions across industry verticals

By using SenseCore to power all AI workloads, our researchers and engineers can develop AI models in hours rather than in weeks. As we continuously enhance SenseCore's capabilities and capacity, our R&D staff developed an annual average of 0.44, 3.45 and 5.24 AI models per person in 2019, 2020 and the first half of 2021, respectively. As of June 30, 2021, we had developed over 22,000 commercialized AI models to power varied applications across industry verticals.

Rapid Deployment and Commercialization of AI Models through Software Platforms

We develop and offer standard software platforms with modular flexibility to customers empowered by SenseCore. Our software platforms can be seamlessly integrated with customers'

devices or IT infrastructure, and our AI models can be deployed both on edge devices and on the cloud through our software platforms.

- ***SenseFoundry-Enterprise for Smart Business:*** SenseFoundry-Enterprise is used to create interconnected, efficient and scalable operations that drive better business outcomes for customers. It is a one-stop software platform embedded with more than 9,300 AI models and enables various applications which meet various industry needs for real-world data perception and process automation across industries. SenseFoundry-Enterprise enables customers to build AI-integrated workflows and operations in a code-free, modular, flexible and scalable manner. SenseFoundry-Enterprise has been widely adopted in many industrial verticals, including commercial space management, residential property management, manufacturing, infrastructure, transportation and financial services. In the first half of 2021, we served 635 Smart Business customers.

- ***SenseFoundry for Smart City:*** SenseFoundry software platform embedded with more than 14,000 AI models is transcribing raw and real-time city visual data into insights, alerts and actions. SenseFoundry is used to monitor the conditions of public facilities, detect incidents and track the impact of natural disasters. SenseFoundry is also equipped with an online incremental training engine derived from SenseCore, through which it provides AI-as-a-Service to cities. SenseFoundry facilitates the transformation of urban administration from human-intensive to human-computer interactive, from empirical judgment-based to data-driven, and from passive response to early detection. SenseFoundry has become the operating system for digital city operations and improved the safety, efficiency, convenience and environmental quality of cities. As of June 30, 2021, it had been deployed in 119 cities in China and overseas, mainly serving end users from the public sector, including municipal governments and their departments.

- ***SenseME, SenseMARS and SenseCare for Smart Life:*** We have built a multi-layer infrastructure to empower IoT devices and the Metaverse enriching user experiences. With a full stack of offerings including SDKs, AI sensors and ISP chips, our SenseME software platform, powered by over 3,500 AI models, enables a broad range of IoT devices to facilitate perception intelligence and content enhancement. Our SenseMARS software platform, powered by over 3,500 AI models, supports the development of Metaverse to create exciting new life experiences. SenseME and SenseMARS create the interface connecting the physical and digital worlds by empowering more than 200 types of mobile phones, AR and VR glasses, smart screens and consumer drones. As of June 30, 2021, SenseME and SenseMARS had empowered over 450 million mobile phones and over 200 mobile apps. Our AI software platform for smart healthcare, SenseCare, provides AI tools in diagnosis, treatment planning and rehabilitation. We have obtained three NMPA certifications and two CE marks for five SenseCare modules.

- ***SenseAuto for Smart Auto:*** Our SenseAuto software platform, powered by around 1,400 AI models, provides automobile companies with ADAS systems, smart cabin systems and AI-as-a-Service which enables them to develop and enhance their autonomous driving capabilities. Since 2017, we have been a strategic partner with Honda to provide it with

our autonomous driving-related AI technologies. In addition, we have launched SenseAuto Robobus for L4 autonomous shuttle services for bus operating companies. We also developed SenseAuto Connect, our V2X product, that enables smart interactions among vehicles and their surroundings such as roads, traffic lights and roadside units. As of June 30, 2021, we had collaborated with over 30 automobile companies and been selected as the supplier for more than 20 million automobiles across over 50 vehicle models in the next several years. We were recognized by CB Insights Research as The Most Valuable Private Auto Tech Company in 2021.

With our software platforms, we have achieved economies of scale and shortened time-to-market of our AI model deployment and commercialization. In addition, we also provide SenseCore's capabilities as a versatile AI-as-a-Service offering to customers through our software platforms, enabling them to produce AI models tailored to their business needs with minimal effort, expertise and investment. To further enhance SenseCore's production capabilities and expand our AI-as-a-Service offering to more industry verticals, we are constructing a large-scale AIDC with a designed computing capacity of 3.74 exaFLOPS in Shanghai, which will bring our total computing capacity to 4.91 exaFLOPS. This AIDC is expected to be launched in early 2022, and become one of the largest supercomputers in Asia. We believe this AIDC and others we plan to build will not only accelerate our innovations and enhance our competitiveness, but also cultivate an open and rapidly growing ecosystem that further strengthens the connections with our customers.

We have achieved strong growth since our inception in 2014. Our revenues grew from RMB1,853.4 million in 2018 to RMB3,026.6 million in 2019 and further to RMB3,446.2 million in 2020, and from RMB861.2 million in the first half of 2020 to RMB1,651.8 million in the first half of 2021. Our gross profit margin grew from 56.5% in 2018 to 56.8% in 2019 and further to 70.6% in 2020, and from 72.1% in the first half of 2020 to 73.0% in the first half of 2021. Our research and development expenses in 2018, 2019, 2020 and the first half of 2021 were RMB848.7 million, RMB1,916.0 million, RMB2,453.9 million and RMB1,771.7 million, respectively. Our net losses in 2018, 2019, 2020 and the first half of 2021 were RMB3,432.7 million, RMB4,967.7 million, RMB12,158.3 million and RMB3,712.9 million, respectively. Our historical net losses were also largely attributable to the fair value losses of our preferred shares.

Eliminating the impact of items that our management does not consider to be indicative of our operating performance, we had adjusted net losses (non-IFRS measure) of RMB150.0 million, RMB1,155.2 million, RMB707.7 million and RMB578.3 million in 2018, 2019, 2020 and the first half of 2021, respectively. See "Risk Factors — Risks Relating to our Business — We have incurred significant operating losses and net losses during the Track Record Period, and may not be able to achieve or subsequently maintain profitability in the future, and we had negative equity or net deficit during the Track Record Period."

OUR MISSION

To create a better AI-empowered future through innovation.

OUR VISION

To advance the interconnection of the physical and digital worlds with artificial intelligence, driving sustainable productivity growth and seamless interactive experiences.

OUR STRENGTHS

We believe that the following competitive strengths contribute to our success:

- Technology Pioneer and Industry Leader in AI
- Powerful AI Infrastructure
- Comprehensive and Scalable Software Platforms
- Successful Commercialization with Broad Coverage of Industries and Regions
- Effective AI Talent Development
- Visionary Management Team with a Young and Deep Talent Pool
- A Vibrant AI Ecosystem
- High Standards on Data Security, Privacy and Ethics for Sustainable AI

OUR STRATEGIES

We will focus on the following key strategies to achieve our mission and vision:

- Expand AI Research Talent Pool and Research Focus Areas
- Invest in SenseCore AI Infrastructure and Model Development
- Expand Use Cases and Verticals
- Extend Our Reach: Devices, Service Offerings and Geographies
- Invest in Sustainable Technology

OUR BUSINESS MODEL

We generate revenue primarily from sales of our software platforms, comprising software licenses, AI software-embedded hardware and related services. Software platforms are delivered primarily through (i) license of software installed on customers' devices or on-premise at customers' servers; and (ii) AI software-embedded hardware combining AI chips and/or AI sensors to effectively run our AI models, both of which allow integration of our AI models and applications with customers' devices or IT infrastructure. Hardware, including those designed by us, is sourced from third parties.

The price of our software platforms is primarily based on (i) the number and complexity of the AI models provided, (ii) the number and types of IoT devices empowered, (iii) hardware and computing resources required to run the AI models, and (iv) services for deployment and maintenance. Through our software platforms, we also provide SenseCore's capabilities as a versatile AI-as-a-Service offering to customers for customized model production. As customers expand the scale and diversity of AI applications, they are expected to purchase additional products and services from us, which will generate recurring revenue for us.

We also generate revenue by providing research and development services with pricing based primarily on our proprietary technologies involved and research and development resources consumed.

COMPETITIVE LANDSCAPE

AI software, with its ability to effectively utilize massive data, is expected to represent an increasingly significant portion of software spending. The global AI software market size is expected to reach USD121.8 billion in 2025, representing a CAGR of 31.9% from USD30.5 billion in 2020, according to Frost & Sullivan. The AI software market in China is expected to grow at a CAGR of 41.5% from RMB29.5 billion in 2020 to RMB167.1 billion in 2025, which would make it the fastest-growing among major markets globally. Computer vision software is the largest segment of the global AI software market. The computer vision software market in China is projected to grow at a CAGR of 43.5% from 2020 to reach RMB101.7 billion in 2025, according to Frost & Sullivan.

We are the largest AI software provider in terms of revenue in Asia in 2020, and the largest computer vision software provider in China in terms of software revenue in 2020 with a market share of 11%, according to Frost & Sullivan. Specifically:

- We are the largest computer vision software provider for enterprise applications in China, with a market share of 14% in terms of software revenue in 2020.

- We are the largest computer vision software provider for city management applications in China, with a market share of 12% in terms of software revenue in 2020.

- We are the second-largest computer vision software provider for consumer applications in China, with a market share of 9% in terms of software revenue in 2020.

- We have leading capabilities in terms of autonomous driving technologies and collaboration with Chinese and global automobile companies.

The AI software market is highly competitive. Our competitors in the computer vision software market in China can be categorized into (i) computer vision-centric software companies, (ii) computer vision-related hardware providers, and (iii) cloud service providers, according to Frost & Sullivan. See "Industry Overview" for more details of the competitive landscape of the industry in which we operate.

RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors." As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to **[REDACTED]** in our Shares. Some of the major risks that we face include:

- We are subject to the risks associated with international trade policies, geopolitics and trade protection measures, and our business, financial condition and results of operations could be adversely affected. One of our subsidiaries, Beijing SenseTime, was added to the U.S. Entity List by the BIS in October 2019, which restricts its ability to purchase or otherwise access certain goods, software and technology.

- If we fail to continuously develop and innovate our products and services to meet customers' evolving needs of functionality, performance, reliability, design and security, we may not be able to retain existing customers, attract new customers or increase sales.

- If we are unable to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.

- We have incurred significant operating losses and net losses during the Track Record Period, and may not be able to achieve or subsequently maintain profitability in the future, and we had negative equity or net deficit during the Track Record Period.

- Any flaws or misuse of AI technologies, whether actual or perceived, intended or inadvertent, committed by us or by other third parties, could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

- We are subject to complex and evolving laws, regulations and governmental policies regarding privacy and data protection. Actual or alleged failure to comply with privacy

and data protection laws, regulations and governmental policies could damage our reputation, deter current and potential customers from using our products and services and could subject us to significant legal, financial and operational consequences.

- We have a limited operating history, which makes it difficult to evaluate our business and prospects, and our historical growth may not be indicative of our future performance.

- If either the growth of AI technology commercialization or the usage of AI and other products and services in industry verticals we focus on does not meet expectation, our business, growth and prospects may be significantly affected.

- We had net cash flows used in operating activities during the Track Record Period. If we cannot improve our operating cash flows and if we fail to obtain sufficient capital on acceptable terms and on a continuous basis to fund our operations, our business, financial condition and prospects may be materially and adversely affected.

- If our expansion into new verticals or attempt to develop new products and services is unsuccessful, our business, prospects and growth momentum may be materially and adversely affected.

KEY OPERATING DATA

The total number of AI models that we have produced as of December 31, 2018, 2019 and 2020 and June 30, 2021 was 2,994, 4,146, 13,819 and 22,196, respectively.

Our total computing capacity was 0.3 exaFLOPS, 0.7 exaFLOPS, 0.8 exaFLOPS and 1.2 exaFLOPS as of December 31, 2018, 2019 and 2020 and June 30, 2021, respectively.

Smart Business: The number of customers increased from 539 in 2018 to 834 in 2019, further to 848 in 2020, and from 532 in the first half of 2020 to 635 in the first half of 2021.

Smart City: The number of cities served increased from 21 as of December 31, 2018 to 47 as of December 31, 2019, and further to 94 as of December 31, 2020 and 119 as of June 30, 2021.

Smart Life: The number of customers increased from 126 in 2018 to 211 in 2019, and further to 236 in 2020, and from 152 in the first half of 2020 to 155 in the first half of 2021.

Smart Auto: The number of customers increased from 9 in 2018 to 19 in 2019, and further to 25 in 2020, and from 9 in the first half of 2020 to 13 in the first half of 2021.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, derived from the Accountant's Report set out in Appendix I. The summary consolidated financial data set forth below should be read together with, the consolidated financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

Selected Items from the Consolidated Statements of Comprehensive Income

The following table sets forth a summary of our consolidated statements of comprehensive income for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%	RMB million	%
							(Unaudited)			
Revenue	1,853.4	100.0	3,026.6	100.0	3,446.2	100.0	861.2	100.0	1,651.8	100.0
Cost of sales	(806.6)	(43.5)	(1,307.4)	(43.2)	(1,014.1)	(29.4)	(240.3)	(27.9)	(446.7)	(27.0)
Gross profit	**1,046.8**	**56.5**	**1,719.2**	**56.8**	**2,432.1**	**70.6**	**620.9**	**72.1**	**1,205.1**	**73.0**
Research and development expenses	(848.7)	(45.9)	(1,916.0)	(63.3)	(2,453.9)	(71.3)	(1,219.5)	(141.6)	(1,771.7)	(107.3)
Selling expenses	(204.7)	(11.0)	(453.2)	(15.0)	(536.5)	(15.6)	(238.1)	(27.6)	(292.4)	(17.7)
Administrative expenses	(452.5)	(24.4)	(765.7)	(25.3)	(1,589.5)	(46.1)	(1,037.5)	(120.5)	(1,443.0)	(87.4)
Net impairment losses on financial assets	(60.7)	(3.3)	(278.1)	(9.2)	(522.0)	(15.1)	(227.2)	(26.4)	(178.7)	(10.8)
Other income	206.7	11.2	252.8	8.4	352.8	10.2	42.2	4.9	123.6	7.5
Other (losses)/gains, net	(25.7)	(1.4)	(165.5)	(5.5)	505.3	14.7	(108.2)	(12.6)	206.4	12.5
Operating loss	**(338.8)**	**(18.3)**	**(1,606.5)**	**(53.1)**	**(1,811.7)**	**(52.6)**	**(2,167.4)**	**(251.7)**	**(2,150.7)**	**(130.2)**
Finance income, net	75.8	4.1	118.2	3.9	62.4	1.8	27.8	3.2	74.8	4.5
Share of losses of investments accounted for using the equity method	(11.2)	(0.6)	(3.1)	(0.1)	(6.1)	(0.2)	(2.0)	(0.2)	(3.4)	(0.2)
Fair value losses of preferred shares and other financial liabilities	(3,182.0)	(171.7)	(3,681.5)	(121.6)	(10,563.6)	(306.5)	(3,341.6)	(388.0)	(1,713.6)	(103.7)
Loss before income tax	**(3,456.2)**	**(186.5)**	**(5,172.9)**	**(170.9)**	**(12,319.0)**	**(357.5)**	**(5,483.2)**	**(636.7)**	**(3,792.9)**	**(229.6)**
Income tax credit	23.5	1.3	205.2	6.8	160.7	4.7	150.4	17.5	80.0	4.8
Loss for the year/period	**(3,432.7)**	**(185.2)**	**(4,967.7)**	**(164.1)**	**(12,158.3)**	**(352.8)**	**(5,332.8)**	**(619.2)**	**(3,712.9)**	**(224.8)**
Loss is attributable to:										
Owners of the Company	(3,427.8)	(184.9)	(4,962.5)	(164.0)	(12,158.2)	(352.8)	(5,323.8)	(618.2)	(3,702.6)	(224.2)
Non-controlling interests	(4.9)	(0.3)	(5.2)	(0.1)	(0.1)	—	(9.0)	(1.0)	(10.3)	(0.6)
	(3,432.7)	**(185.2)**	**(4,967.7)**	**(164.1)**	**(12,158.3)**	**(352.8)**	**(5,332.8)**	**(619.2)**	**(3,712.9)**	**(224.8)**

Non-IFRS measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use EBITDA/adjusted EBITDA (non-IFRS measure) and adjusted net loss (non-IFRS

measure) 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. 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.

We define EBITDA as loss before income tax for the period adjusted for finance income and depreciation and amortization expenses. We add back fair value losses of preferred shares and other financial liabilities and share-based compensation expenses to EBITDA to derive adjusted EBITDA. We have made the following adjustments consistently during the Track Record Period complying with Guidance Letter HKEX-GL103-19 issued by the Stock Exchange:

- Fair value changes of preferred shares and other financial liabilities mainly represent changes in the fair value of the preferred shares, convertible liabilities and warrant liabilities issued by us and relate to changes in our valuation. Fair value changes of the preferred shares and other financial liabilities are not directly related to our ability to generate revenue from our daily operations, and we do not expect to record any further fair value changes of the preferred shares and other financial liabilities as (i) convertible liabilities have been converted to preferred shares liabilities during the Track Record Period; (ii) preferred shares liabilities will be redesignated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the **[REDACTED]**; and (iii) warrant liability has been settled during the six months ended June 30, 2021.

- Share-based compensation expenses represent the non-cash employee benefit expenses incurred in connection with our Pre-**[REDACTED]** RSU Plan and Pre-**[REDACTED]** ESOP. Such expenses in any specific period are not expected to result in future cash payments and are not indicative of our core operating results.

- Share-based compensation to a preferred shareholder represents the non-cash expenses incurred in connection with a preferred shareholder. Such expenses are not expected to result in future cash payments, nonrecurring and are not indicative of our core operating results.

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:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Reconciliation of loss before income tax to adjusted EBITDA (non-IFRS measure)					
Loss before income tax	(3,456.2)	(5,172.9)	(12,319.0)	(5,483.2)	(3,792.9)
Add:					
Finance income, net	(75.8)	(118.2)	(62.4)	(27.8)	(74.8)
Depreciation and amortization	159.5	377.5	569.7	276.2	301.4
EBITDA (non-IFRS measure)	**(3,372.5)**	**(4,913.6)**	**(11,811.7)**	**(5,234.8)**	**(3,566.3)**
Add:					
Fair value losses of preferred shares and other financial liabilities	3,182.0	3,681.5	10,563.6	3,341.6	1,713.6
Share-based compensation expenses	15.1	131.0	887.0	840.5	1,421.0
Share based compensation to a preferred shareholder	85.6	—	—	—	—
Adjusted EBITDA (non-IFRS measure)	**(89.8)**	**(1,101.1)**	**(361.1)**	**(1,052.7)**	**(431.7)**

We define adjusted net loss (non-IFRS measure) as net loss for the period adjusted by adding back fair value losses of preferred shares and other financial liabilities and share-based compensation expenses. For the same reasons stated above, we have made the adjustments consistently during the Track Record Period complying with Guidance Letter HKEX-GL103-19 issued by the Stock Exchange. The following table reconciles our adjusted net profit 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:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Reconciliation of net loss to adjusted net loss (non-IFRS measure)					
Net losses for the year/period	(3,432.7)	(4,967.7)	(12,158.3)	(5,332.8)	(3,712.9)
Add:					
Fair value losses of preferred shares and other financial liabilities	3,182.0	3,681.5	10,563.6	3,341.6	1,713.6
Share-based compensation expenses	15.1	131.0	887.0	840.5	1,421.0
Share-based compensation to a preferred shareholder	85.6	—	—	—	—
Adjusted net loss (non-IFRS measure)	**(150.0)**	**(1,155.2)**	**(707.7)**	**(1,150.7)**	**(578.3)**

During the Track Record Period, we had net losses of RMB3,432.7 million, RMB4,967.7 million, RMB12,158.3 million and RMB3,712.9 million in 2018, 2019, 2020 and the six months

ended June 30, 2021, respectively. We incurred net losses primarily due to (i) fair value losses of preferred shares and other financial liabilities; (ii) increased research and development expenses, as we continued to expand our research and development team; and (iii) share-based compensation expenses to our employees. We expect to incur significantly increased net losses and adjusted net losses in 2021, mainly attributable to (i) an increase in our fair value losses of preferred shares and other financial liabilities, primarily because our valuation is expected to increase more in 2021 than in 2020, and (ii) our investment in research and development. We expect to continue to incur net losses in the near future as we are in the stage of expanding our business and operations in the rapidly growing AI software market, and are continuously investing in research and development. In the meantime, we have achieved improved operating leverage by improving our cost structure and increasing economies of scale. Leveraging our proprietary universal AI infrastructure SenseCore, we expect to improve our research efficiency and reduce the marginal costs for production of AI models. For details, see "Business — Business Sustainability."

Revenue

The following table sets out a breakdown of our revenue by streams in absolute amounts and as percentages of our revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%	RMB million	%
							(Unaudited)			
Revenue										
Smart Business	853.9	46.1	1,203.1	39.8	1,485.0	43.1	406.6	47.2	647.1	39.2
Smart City[1]	530.4	28.6	1,270.7	41.9	1,368.9	39.7	231.3	26.9	786.3	47.6
Smart Life	330.3	17.8	413.5	13.7	433.9	12.6	155.8	18.1	147.8	8.9
Smart Auto	138.8	7.5	139.3	4.6	158.4	4.6	67.5	7.8	70.6	4.3
Total	**1,853.4**	**100.0**	**3,026.6**	**100.0**	**3,446.2**	**100.0**	**861.2**	**100.0**	**1,651.8**	**100.0**

Note:

(1) End users of Smart City are primarily municipal governments and their departments.

The following table sets out a breakdown of our revenue by geographical locations in absolute amounts and as percentages of our revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%	RMB million	%
							(Unaudited)			
Mainland China	1,533.7	82.8	2,551.4	84.3	2,684.1	77.9	457.7	53.1	1,413.0	85.5
Northeast Asia	201.4	10.9	188.9	6.2	443.7	12.9	227.2	26.4	203.0	12.3
Southeast Asia	84.9	4.5	257.3	8.5	192.2	5.5	94.7	11.0	21.7	1.3
Others[1]	33.4	1.8	29.0	1.0	126.2	3.7	81.6	9.5	14.1	0.9
	1,853.4	100.0	3,026.6	100.0	3,446.2	100.0	861.2	100.0	1,651.8	100.0

Note:

(1) Other geographical areas mainly represented Hong Kong China and the Middle East.

Cost of sales

Our cost of sales primarily consists of hardware costs and subcontracting service fees. Hardware costs are primarily costs of inventories sold including servers, components and semiconductors. Subcontracting service fees are primarily fees paid for outsourcing certain basic installation and maintenance services to third parties.

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:

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%	RMB million	%
							(Unaudited)			
Hardware costs and subcontracting service fees	766.8	95.1	1,228.2	93.9	909.5	89.7	204.9	85.3	383.0	85.7
Server operation and cloud-based service fees	10.3	1.3	32.2	2.5	1.4	0.1	0.2	0.1	0.9	0.2
Employee benefit expenses	4.1	0.5	13.8	1.1	57.0	5.6	17.9	7.4	24.1	5.4
Other expenses	25.4	3.1	33.2	2.5	46.2	4.6	17.3	7.2	38.7	8.7
Total	**806.6**	**100.0**	**1,307.4**	**100.0**	**1,014.1**	**100.0**	**240.3**	**100.0**	**446.7**	**100.0**

Selected Items from the Consolidated Statements of Financial Position

The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB million	RMB million	RMB million	RMB million
Total non-current assets	3,193.4	5,716.9	6,752.5	7,977.6
Total current assets	13,754.8	18,231.2	31,726.1	24,254.0
Total assets	16,948.2	23,948.1	38,478.6	32,231.6
Total deficits	(5,364.4)	(10,654.3)	(20,932.6)	(22,961.0)
Total non-current liabilities	19,165.1	27,746.6	49,588.7	53,287.1
Total current liabilities	3,147.5	6,855.8	9,822.5	1,905.5
Total liabilities	22,312.6	34,602.4	59,411.2	55,192.6
Total deficits and liabilities	16,948.2	23,948.1	38,478.6	32,231.6
Net current assets	10,607.3	11,375.4	21,903.6	22,348.5
Non-controlling interests	3.7	135.9	135.6	125.4

The following table sets out a breakdown of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB million	RMB million	RMB million	RMB million
Current assets				
Inventories	117.3	430.1	715.5	667.2
Contract assets	5.0	0.8	22.5	21.6
Trade, other receivables and prepayments	1,467.2	4,678.1	4,583.5	4,036.8
Amount due from preferred shareholders	1,391.5	878.9	8,593.1	—
Restricted cash	2,139.0	4,284.3	493.4	477.5
Financial assets at fair value through profit or loss	—	—	—	2,186.4
Term deposits	1,407.7	1,286.1	5,890.2	7,938.7
Cash and cash equivalents	7,227.1	6,672.9	11,427.9	8,925.8
Total current assets	**13,754.8**	**18,231.2**	**31,726.1**	**24,254.0**
Current liabilities				
Borrowings	1,557.2	3,356.5	593.6	212.4
Trade and other payables	887.1	3,103.3	1,724.5	1,438.5
Amount due to preferred shareholders	494.8	92.2	5,206.0	—
Lease liabilities	131.1	123.0	109.5	109.6
Contract liabilities	70.2	152.9	244.1	138.6
Current income tax liabilities	1.5	20.2	33.2	6.4
Preferred share liabilities	—	—	1,897.6	—
Other financial liabilities	5.6	7.7	14.0	—
Total current liabilities	3,147.5	6,855.8	9,822.5	1,905.5
Net current assets	10,607.3	11,375.4	21,903.6	22,348.5

The following table sets out a breakdown of our non-current assets and liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB million	RMB million	RMB million	RMB million
Non-current assets				
Property, plant and equipment	585.2	1,893.9	1,906.5	2,226.1
Right-of-use assets	454.8	404.2	335.9	278.6
Intangible assets	39.6	139.7	108.0	93.5
Contract assets	0.3	3.3	2.7	1.4
Investments accounted for using the equity method	60.7	59.1	70.3	67.0
Deferred income tax assets	39.9	261.2	450.3	538.9
Financial assets at fair value through profit or loss	1,851.4	2,901.4	3,738.6	4,500.6
Long-term receivables	96.9	46.2	127.5	221.1
Other non-current assets	64.6	7.9	12.7	50.4
Total non-current assets	**3,193.4**	**5,716.9**	**6,752.5**	**7,977.6**
Non-current liabilities				
Borrowings	—	—	423.0	409.5
Lease liabilities	334.6	295.7	184.1	134.4
Deferred income tax liabilities	8.3	5.5	7.6	10.4
Contract liabilities	—	—	9.3	19.2
Deferred revenue	61.4	59.1	349.6	385.9
Preferred share liabilities	18,506.2	27,105.7	48,288.0	52,037.0
Long-term payables	—	—	66.1	32.3
Other financial liabilities	254.6	—	—	—
Other non-current liabilities	—	280.6	261.0	258.4
Total non-current liabilities	**19,165.1**	**27,746.6**	**49,588.7**	**53,287.1**

We recorded net liabilities as of December 31, 2018, 2019, 2020 and June 30, 2021, primarily due to preferred share liabilities, which mainly represented the increases in the fair value of our preferred shares that we issued under our financing arrangements. We expect to achieve a net assets position upon **[REDACTED]**, as the convertible redeemable preferred shares will be re-designated from financial liabilities to equity as a result of the automatic conversion into ordinary shares.

Selected Items from the Consolidated Statements of Cash Flows

The following table sets forth a reconciliation from the operating cash flows before movements in working capital to net cash used in operating activities, and a summary of our cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Reconciliation of operating cash flows before movements in working capital to net cash used in operating activities					
Operating cash flows before movements in working capital	(81.5)	(692.1)	73.9	(764.2)	(386.7)
Add:					
Change in working capital	(666.1)	(2,176.1)	(1,289.6)	(378.1)	(411.5)
Income tax paid	(2.1)	(1.2)	(13.1)	(12.4)	(32.7)
Net cash used in operating activities	**(749.7)**	**(2,869.4)**	**(1,228.8)**	**(1,154.7)**	**(830.9)**
Net cash used in investing activities	(3,108.0)	(1,628.0)	(7,070.5)	(1,146.1)	(5,111.5)
Net cash generated from financing activities	8,798.9	3,772.6	13,185.7	679.8	3,536.3
Net increase/(decrease) in cash and cash equivalents	4,941.2	(724.8)	4,886.4	(1,621.0)	(2,406.1)
Cash and cash equivalents at the end of the year/period	7,227.1	6,672.9	11,427.9	5,161.1	8,925.8

During the Track Record Period, we had net operating cash outflow of RMB749.7 million, RMB2,869.4 million, RMB1,228.8 million and RMB830.9 million in 2018, 2019, 2020 and the six months ended June 30, 2021, respectively. We had net cash flows used in operating activities during the Track Record Period, primarily due to our significant investments in our research and development efforts to enhance our products and services, and changes in the working capital caused by increasing trade and other receivables, as our business grew rapidly. We expect to record net operating cash outflows in the year ending December 31, 2021 as we continuously expand our businesses and invest in research and development.

In the future, we expect to improve our net operating cash outflows position by taking advantage of (i) our continuous revenue growth fueled by our growing customer base, expanding product and service offerings and stronger global footprints; (ii) our improved operating leverage as we expect our revenue growth to exceed the increase in expenses gradually; and (iii) our improved working capital efficiency.

We expect to maintain sufficient working capital to meet our present requirements and in the near future. As of June 30, 2021, our total cash balance was RMB19,528.4 million, including RMB8,925.8 million in cash and cash equivalents, RMB7,938.7 million in term deposits, RMB2,186.4 million in structured deposits and RMB477.5 million in restricted cash. Our total cash balance substantially exceeds our net cash used in operating activities of RMB830.9 million in the six months ended June 30, 2021. Furthermore, we expect to turn our net liabilities position into net assets upon **[REDACTED]**, as the convertible redeemable preferred shares will be re-designated from financial liabilities to equity. We expect to improve our operating cash outflow primarily by refining our management of working capital, as well as by expanding our revenue. We continue to leverage

our leading industry position to negotiate more attractive contractual terms with our customers and have implemented strengthened customer credit term review and approval procedures. For example, we conduct individual assessment of customer's credit worthiness and examine the customer's business license and financial record. We grant the credit term to our customers based on various factors, including their individual financial conditions and our past collaborations with them, and may escalate the approval requirements where the credit term negotiated is longer than expected. We also implement credit release check before delivering our products and services according to our internal review procedures. Meanwhile, we negotiate with our suppliers and have recently been granted more favorable payment terms with several suppliers. In the future, we plan to develop relationships with more customers of sound credit profile. We also expect to collect our trade receivables in a more efficient manner and have implemented relevant measures, such as using the cash collection performance of trade receivables as one of the key performance indicators for our sales managers. In addition, we expect to increase revenue contribution from emerging revenue streams, such as Smart Life and Smart Auto, leading to a shift of our revenue mix as we develop, upgrade and commercialize our new products and services. See "Summary — Recent Development" for details. With our standardized software platform, we have achieved economies of scale, which has resulted in relatively high and increasing gross margins. We expect to improve our net margin over time as we drive operational efficiencies, including R&D efficiencies, creating significant economies of scale at the operating expense level. As a result, higher net margins will contribute to enhanced operating cash flow.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Revenue growth (%)	N/A	63.3	13.9	N/A	91.8
Gross profit growth (%)	N/A	64.2	41.5	N/A	94.1
Gross margin[1] (%)	56.5	56.8	70.6	72.1	73.0
Adjusted net margin (non-IFRS measure)[2] (%)	(8.1)	(38.2)	(20.5)	(133.6)	(35.0)
Adjusted EBITDA margin (non-IFRS measure)[3] (%)	(4.8)	(36.4)	(10.5)	(122.2)	(26.1)

Notes:

(1) Gross margin equals gross profit divided by revenue for the period and multiplied by 100%.

(2) Adjusted net margin (non-IFRS measure) equals adjusted net loss (non-IFRS measure) divided by revenue for the period and multiplied by 100%.

(3) Adjusted EBITDA margin (non-IFRS measure) equals adjusted EBITDA (non-IFRS measure) divided by revenue for the period and multiplied by 100%.

BUSINESS SUSTAINABILITY

We have achieved strong growth since our inception in 2014 in terms of both revenue and customers. Our revenues grew from RMB1,853.4 million in 2018 to RMB3,026.6 million in 2019 and

further to RMB3,446.2 million in 2020 with a CAGR of 36.4%, and from RMB861.2 million in the first half of 2020 to RMB1,651.8 million in the first half of 2021 with a year-on-year revenue growth rate of 91.8%. Our gross profit margin grew from 56.5% in 2018 to 56.8% in 2019 and further to 70.6% in 2020, and from 72.1% in the first half of 2020 to 73.0% in the first half of 2021.

On the other hand, we had operating losses for the year/period of RMB338.8 million, RMB1,606.5 million, RMB1,811.7 million and RMB2,150.7 million in 2018, 2019, 2020 and the first half of 2021, respectively. The operating losses were largely due to investments in our R&D capabilities, as our R&D expenses in 2018, 2019, 2020 and the first half of 2021 amounted to RMB848.7 million, RMB1,916.0 million, RMB2,453.9 million and RMB1,771.7 million respectively. After eliminating the impact of non-cash items not indicative of our operating performance, we had adjusted net losses (non-IFRS measure) in the same periods of RMB150.0 million, RMB1,155.2 million, RMB707.7 million and RMB578.3 million, respectively.

We have a healthy cash balance to support our operations and future business expansion. As of June 30, 2021, our total cash balance was RMB19,528.4 million, including RMB8,925.8 million in cash and cash equivalents, RMB7,938.7 in term deposits, RMB2,186.4 million in structured deposits and RMB477.5 million in restricted cash. Our total cash balance is sufficient to cover our net cash flows used in operating activities, providing ample liquidity for our continuing business operations.

In the future, we intend to maintain sustainability and growth of our business and achieve profitability through (i) continuous revenue growth and (ii) improvement of our operating leverage.

Continuous Revenue Growth

We are operating in one of the fastest-growing business areas of this decade. According to Frost & Sullivan, the global AI software market size is expected to reach USD121.8 billion in 2025, growing at a CAGR of 31.9% from 2020. As a leading AI software company serving a broad range of industries and the largest in Asia in terms of revenue in 2020, we are well-positioned to generate high and sustainable revenue growth in the future. Our growth will be driven in three areas: (i) customer expansion, (ii) offering expansion and (iii) geographical expansion.

- ***Customer Expansion***: We intend to further grow our customer base and deepen customer relationships. We expect to attract new customers in the same or similar verticals we currently cover at low costs as our standard software platforms are universally applicable to the relevant industry verticals. In addition, with our SenseCore capable of efficient mass-production of complex AI models, we are able to enter into new verticals in a time-efficient and cost-efficient way. We intend to continue working with launch customers that are market leaders with deep industry knowledge and abundant scenario data to support model production. We also intend to reach more end users through more IoT devices empowered by our AI models.

- ***Offering Expansion***: We will continue to expand our product and service offerings. We routinely upgrade our software platform with feature enhancements and new

functionalities. We also expect to leverage our extensive pool of AI models and in-depth industry coverage to achieve cross-domain innovation, creating more competitive cross-industry AI applications that better serve the complex demand across different industry verticals. We will also promote AI-as-a-Service based on our AIDC infrastructure to more industries and customers, enabling them to produce AI models tailored to their business needs with little effort, expertise and investment. In addition, since the pricing of our software platforms is driven by (i) the number and complexity of the AI models provided, (ii) the number and types of IoT devices empowered, (iii) hardware and computing resources required to run the AI models and (iv) services for deployment and maintenance, we believe that the continuous upgrade and expansion of our products and services will help us to further grow our revenue.

- ***Geographical Expansion***: We plan to achieve a stronger global footprint through strengthening our sales and marketing capabilities and enhancing strategic partnerships with leading companies and cities in targeted geographies, especially Northeast Asia, Southeast Asia and the Middle East. See "Risk Factors — Our international business is subject to various risks and uncertainties. If we are unable to manage the risks presented by our expansion in international markets, our financial results and future prospects may be adversely impacted" for relevant potential risks. Our revenue from markets outside the mainland China was RMB319.7 million, RMB475.2 million, RMB762.1 million and RMB238.8 million in 2018, 2019, 2020 and the first half of 2021. We expect to increase our global presence in the near future along with the gradual containment of the COVID-19 pandemic globally.

Improving Operating Leverage

Given our strategic priority on AI software offerings, we achieved high gross profit growth as well as enjoyed high gross margin during the Track Record Period. In 2018, 2019, 2020 and the first half of 2021, our gross profit amounted to RMB1,046.8 million, RMB1,719.2 million, RMB2,432.1 million and RMB1,205.1 million, respectively, corresponding to gross profit margin of 56.5%, 56.8%, 70.6% and 73.0%, respectively.

Starting from early on, we have strategically chosen to invest substantially in R&D capabilities and are continuously building our proprietary universal AI infrastructure, SenseCore. Benefiting from SenseCore, we have achieved efficient mass-production of AI models. Our R&D staff developed an aggregate of 1,152, 9,673 and 8,377 commercial AI models in 2019, 2020 and the first half of 2021, respectively, representing an annual average of 0.44, 3.45 and 5.24 AI models per person in the same periods, respectively. In the future, leveraging the increasing productivity and capabilities of SenseCore, we aim to generate economies of scale and shorten the time-to-market of our AI model deployment and commercialization, and therefore achieving an improvement in operating leverage as our business grows. In particular:

- As we continuously enhance SenseCore's capabilities and capacity, we expect to benefit from improving efficiency in AI model production and reduce the marginal cost for the production of AI models. As a result, we expect to benefit from improved operating leverage with more cost-efficient AI model production.

- We expect our administrative expenses to grow alongside our business growth mainly due to expected increase in employee benefit expenses. We expect to continue to evaluate and

monitor the effectiveness and efficiency of our administrative expenses in order to improve our operating leverage. As such, we expect our administrative expenses to remain relatively stable as percentage of our revenue in the near future with a decrease in such percentage in the long run.

- We expect our selling expenses to grow alongside our business growth mainly due to expected increases in employee benefit expenses. As we shorten the time-to-market of our AI models which will help us acquire new customers faster and at lower cost, we expect to maintain our selling expenses at a relatively stable proportion of our revenue.

WVR STRUCTURE AND WVR BENEFICIARIES

WVR Structure

We are proposing to adopt a weighted voting rights structure effective immediately upon the completion of the **[REDACTED]**. Under this structure our share capital will comprise Class A Shares and Class B Shares. Each Class A Share will entitle the holder to exercise 10 votes, and each Class B Share will entitle the holder to exercise one vote, respectively, on any resolution tabled at our 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.

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

Our WVR Beneficiaries are Prof. Tang, Dr. Xu Li, Dr. Wang and Mr. Xu Bing.

(i) Prof. Tang will beneficially own 6,906,080,602 Class A Shares and will be indirectly interested in and control 1,891,820,000 Class B Shares, representing approximately **[REDACTED]**%[1] (or **[REDACTED]**%[2]) of the voting rights in the Company on resolutions in general meetings of our Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carry one vote). The Class A Shares beneficially owned, and Class B Shares indirectly controlled by Prof. Tang are held by Amind, a company wholly owned by Prof. Tang.

(ii) Dr. Xu Li will beneficially own 286,317,668 Class A Shares and 565,386,529 Class B Shares, representing approximately **[REDACTED]**%[1] (or **[REDACTED]**%[2]) of the voting rights in the Company on resolutions in general meetings of our Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carry one vote). The Class A Shares beneficially owned by Dr. Xu Li are held by XWorld, a company wholly owned by Dr. Xu Li, and the Class B Shares are held through SenseTalent.

(iii) Dr. Wang will beneficially own 232,171,633 Class A Shares and 302,140,243 Class B Shares, representing approximately **[REDACTED]**%[1] (or **[REDACTED]**%[2]) of the voting rights in the Company on resolutions in general meetings of our Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carry one vote). The Class A Shares beneficially owned by Dr. Wang are held by Infinity Vision, a company wholly owned by Dr. Wang, and the Class B Shares are held through SenseTalent.

(iv) Mr. Xu Bing will beneficially own 104,190,097 Class A Shares and 252,236,581 Class B Shares, representing approximately **[REDACTED]**%[1] (or **[REDACTED]**%[2]) of the voting rights in the Company on resolutions in general meetings of our Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carry one vote). The Class A Shares beneficially owned by Mr. Xu Bing are held by Vision Worldwide, a company wholly owned by Mr. Xu Bing, and the Class B Shares are held through SenseTalent.

Notes:

(1) Assuming (i) the **[REDACTED]** is not exercised; and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share immediately upon the completion of the **[REDACTED]**.

(2) Assuming (i) the **[REDACTED]** is fully exercised; and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share immediately upon the completion of the **[REDACTED]**.

See "Share Capital — Weighted Voting Rights Structure" for details.

Prospective **[REDACTED]** are advised to be aware of the potential risks of investing in companies with weighed 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 our Company only after due and careful consideration. For further information about the risks associated with the WVR Structure adopted by our Company, see "Risk Factors — Risks relating to our WVR Structure."

The WVR Beneficiaries

Prof. Tang, Dr. Xu Li, Dr. Wang and Mr. Xu Bing are the co-founders of our Company. Together, Prof. Tang, Dr. Xu Li, Dr. Wang and Mr. Xu Bing have attracted top scientists, engineers and business talents and led the Group to become a leading artificial intelligence software company with commercialization success and application in a variety of industries. In particular,

(a) Prof. Tang is our founder, executive director and has been the leader of our Group with his vision and innovation. Prof. Tang has been the beacon of our Company in attracting

talents, investors, customers and partners. He is personally responsible for forming the founding team and recruiting our senior management. He has focused on designing our Group's research and innovation strategies and driving research partnerships with leading universities and academic institutions. These cutting-edge academic and applied research has fueled our Company's technology innovations and business growth. Given the scientific and research centric nature of our Company's business, Prof Tang's vision and insights is indispensable to our Company.

(b) Dr. Xu Li is our co-founder, executive Chairman of our Board, executive Director and chief executive officer. He is primarily responsible for our Company's vision and strategy, business development and daily operations. He is also instrumental in instilling a corporate culture of cooperation, efficiency and inclusiveness. Dr. Xu Li has been pivotal in driving our Company's commercialization strategy with high sustainable business growth. Under Dr. Xu Li's leadership, our Company has developed the ability to produce AI models at scale and has built an extensive library of commercialized models, which in turn empower over 2,400 customers to build AI integrated products, workflows and operations. He has successfully led our Company to expand and enable its products and technologies to be applicable across different industries and across different geographies and transformed our Company into a leading AI software company. He also drives the development of our universal AI infrastructure, to support the efficient mass production of AI models which underpins our business success. He is responsible for our Group's business management, finance, talent development, and development of our Group's ecosystem through directing our Group's investment strategy.

(c) Dr. Wang is our co-founder, executive Director and chief scientist of our Group and has been instrumental in driving numerous technological breakthroughs in computer vision and deep learning. As our chief scientist, he oversees and supervises our Group's research team on the developments of our proprietary technologies, including SenseCore and the software platforms. He has spearheaded the development of new technologies adopted in our Company's business segments such as Smart Life, Smart Auto, etc., serving global automotive OEMs, phone manufacturers and mobile application developers. Dr. Wang also leads the R&D collaborations with our industrial and academic partners. He is critical to our Company's establishment of industry-leading, full-stack AI capabilities, cementing our commercialization success.

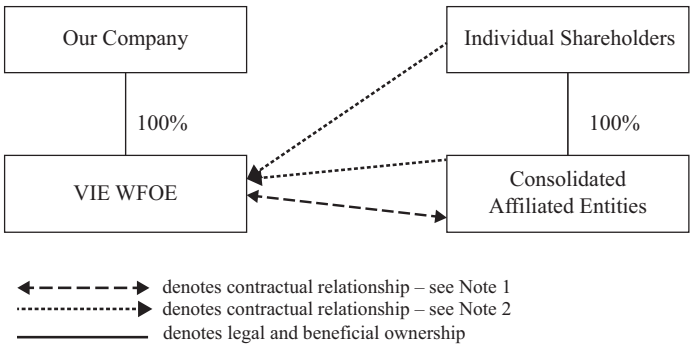
(d) Mr. Xu Bing is our co-founder, executive Director and Board secretary. He is primarily responsible for our Company's corporate development strategies and overseeing fundraising and strategic investments. During the initial stage of our Company, he has overseen a wide range of functions including finance, business operations, human resources, PR and marketing. In recent years he has led our Group's financing activities and successfully raised more than US$5.2 billion, from strategic and sophisticated investors worldwide, including SoftBank, Primavera, Silver Lake, IDG, China Structural Reform Fund, Shanghai International Group, Sailing and CDH. The success in fundraising provides sufficient capital for our Company's development of full-stack AI capabilities and our business expansion, making our Company's innovations widely recognized in the

capital market. In addition, together with Dr. Xu Li, Mr. Xu Bing directs our Group's investment strategy and selectively invests in companies that complement and expand our technology capabilities.

See "Directors and Senior Management" for details of their biographies.

CONTRACTUAL ARRANGEMENT

Foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations, therefore we do not directly own any equity interests in our Consolidated Affiliated Entities. We control our Consolidated Affiliated Entities through the Contractual Arrangement, pursuant to which we have effective control over, and receive all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entities. See "Contractual Arrangement" for details. The following simplified diagram illustrates the key aspects of the Contractual Arrangement:



Notes:

(1) The VIE WFOE provides business support, technical and consulting services in exchange for services from the Consolidated Affiliated Entities.

(2) The VIE WFOE has effective control over the Consolidated Affiliated Entities through (i) powers of attorney to exercise all shareholders' rights in the Consolidated Affiliated Entities, (ii) exclusive options to acquire all or part of the equity interests and assets in the Consolidated Affiliated Entities and (iii) equity pledges over the equity interests in the Consolidated Affiliated Entities.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the **[REDACTED]**, assuming (a) the **[REDACTED]** is not exercised and (b) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share, Prof. Tang, our founder and executive Director, will through Amind beneficially own 6,906,080,602 Class A Shares and be indirectly interested in and control 1,891,820,000 Class B Shares. Prof. Tang will be interested in approximately **[REDACTED]**% of our total

issued share capital and he will be entitled to exercise approximately **[REDACTED]**% of the voting rights in the Company in general meetings (except for any resolutions in relation to the Reserved Matters, in relation to which each Share carries one vote). Therefore, Prof. Tang and Amind will be our Controlling Shareholders after our **[REDACTED]**. See "Relationship with our Controlling Shareholders" for details.

OUR PRE-[REDACTED] INVESTORS

We received twelve rounds of Pre-**[REDACTED]** Investments since our establishment. We have a broad and diverse base of Pre-**[REDACTED]** Investors, including SoftBank, Primavera, Silver Lake, IDG, China Structural Reform Fund, Shanghai International Group, Sailing and CDH. See "History and Corporate Structure — Pre-**[REDACTED]** Investments" for details.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We are applying for **[REDACTED]** with a WVR Structure under Chapter 8A of the Listing Rules and satisfy the market capitalization requirement under Rule 8A.06(1) of the Listing Rules which requires that a new applicant seeking a **[REDACTED]** with a WVR Structure must have a market capitalization of at least HK$40 billion at the time of **[REDACTED]**. We are also applying for **[REDACTED]** under Rule 8.05(3) of the Listing Rules and satisfy the market capitalization/ revenue test with reference to (i) our revenue for the year ended December 31, 2020, being approximately RMB3.45 billion, which is significantly over HK$500 million required by Rule 8.05(3); and (ii) our expected market capitalization at the time of **[REDACTED]**, which, based on the low-end of the indicative **[REDACTED]** Range, significantly exceeds HK$4 billion required by Rule 8.05(3).

We have applied to the **[REDACTED]** for the granting of the **[REDACTED]** of, and permission to deal in, the Class B Shares in issue (including the Class B Shares on conversion of the relevant Ordinary Shares and Preferred Shares) and the Class B Shares to be issued pursuant to the (i) **[REDACTED]**, (ii) the exercise of the **[REDACTED]** and (iii) the Class B Shares that are issuable upon conversion of the Class A Shares.

No part of our Company's Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future. All the Class B Shares will be registered on the branch register of our Company in Hong Kong in order to enable them to be traded on the Stock Exchange.

[REDACTED]

This document is published in connection with the **[REDACTED]** as part of the **[REDACTED]**. The **[REDACTED]** (subject to reallocation and the **[REDACTED]**) comprises:

(i) the **[REDACTED]** of initially **[REDACTED] [REDACTED]** (subject to reallocation) in Hong Kong as described in "Structure of the **[REDACTED]** — The **[REDACTED]**"; and

(ii) the **[REDACTED]** of initially **[REDACTED] [REDACTED]** (subject to reallocation and the **[REDACTED]**) (a) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in accordance with Regulation S and (b) in the United States to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, as described in "Structure of the **[REDACTED]** — The **[REDACTED]**."

The **[REDACTED]** will represent approximately **[REDACTED]**% of the total Shares in issue immediately following the completion of the **[REDACTED]**, assuming that (a) the **[REDACTED]** is not exercised and (b) If the **[REDACTED]** is exercised in full, the **[REDACTED]** will represent approximately **[REDACTED]**% of the total Shares in issue immediately following the completion of the **[REDACTED]** and the exercise of the **[REDACTED]**, assuming each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share each and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share each.

[REDACTED] STATISTICS

All statistics in the following table are based on the assumptions that (i) the **[REDACTED]** has been completed and **[REDACTED]** Class B Shares are issued pursuant to the **[REDACTED]**, (ii) **[REDACTED]** Shares are issued and outstanding following the completion of the **[REDACTED]**, and (iii) the **[REDACTED]** is not exercised.

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]
Market capitalization of our Shares (1)	**[REDACTED]**	**[REDACTED]**
Unaudited pro forma adjusted consolidated net tangible assets per Share(2)	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The calculation of market capitalization is based on **[REDACTED]** Class A Shares and **[REDACTED]** Class B Shares expected to be in issue immediately upon completion of the **[REDACTED]** (without taking into account Shares that may be issued upon the exercise of the **[REDACTED]**).

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share as of June 30, 2021 is calculated after making the adjustments referred to in Appendix II to this document and on the basis that **[REDACTED]** Shares are in issue, assuming the **[REDACTED]** and the conversion of the Preferred Shares had been completed on June 30, 2021 but takes no account **[REDACTED]** Shares issued under the Pre-**[REDACTED]** ESOP that are subject to vesting conditions and any Shares which may be issued upon the exercise of the **[REDACTED]** or upon the exercise of the share options granted under the Pre-**[REDACTED]** ESOP or any Shares that may be issued or repurchased by the Company under the general mandates and repurchase mandates.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, **[REDACTED]** commissions and other fees incurred in connection with the **[REDACTED]**. We expect to incur **[REDACTED]** expenses of approximately HK$**[REDACTED]**, representing approximately **[REDACTED]** of the gross **[REDACTED]** from the **[REDACTED]** (based on the mid-point of the indicative **[REDACTED]** range and assuming the **[REDACTED]** is not exercised). The **[REDACTED]** expenses we incurred in the Track Record Period and expect to incur would consist of approximately HK$**[REDACTED]** **[REDACTED]** fees and approximately HK$**[REDACTED]** non-**[REDACTED]** fees (including fees and expenses of legal advisors and the reporting accountant of approximately HK$**[REDACTED]** and other fees and expenses of approximately HK$**[REDACTED]**). Among the total **[REDACTED]** expenses which we expect to incur, approximately HK$**[REDACTED]** will be directly attributable to the issue of our Shares and capitalized, and the remaining HK$**[REDACTED]** will be expensed upon **[REDACTED]**. Our Directors do not expect such expenses to materially impact our results of operations in 2021.

FUTURE PLANS AND USE OF [REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the stated range of the **[REDACTED]** of between HK$**[REDACTED]** and HK$**[REDACTED]** per **[REDACTED]**), we estimate that we will receive net **[REDACTED]** of approximately **[REDACTED]** from the **[REDACTED]** after deducting the **[REDACTED]** commissions and other estimated expenses in connection with the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised. In line with our strategies, we intend to use our **[REDACTED]** from the **[REDACTED]** for the purposes and in the amounts set forth below:

Research and Development

- Approximately 60.0% or **[REDACTED]**, for enhancing our research and development capabilities, including:

  Investment in SenseCore

  - Approximately 10.0% or **[REDACTED]** will be allocated to expand the computing capabilities of our AIDCs.
  - Approximately 10.0% or **[REDACTED]** will be used to strengthen our AI chip design capabilities and develop our own AI chip-based solutions.
  - Approximately 15.0% or **[REDACTED]** will be allocated to enhance our AI model-related capabilities.

  Product Development and Other AI Technologies Research

  - Approximately 25.0% or **[REDACTED]** will be allocated to further develop our products and enhance our other AI research and development capabilities to maintain our industry-leading position.

Business Expansion

- Approximately 15.0% or **[REDACTED]** will be allocated to investment in emerging business opportunities, and to increase adoption and penetration of our product and service offerings across industry verticals and enterprise-level scenarios, both domestically and internationally.

Potential Strategic Investment and Acquisition Opportunities

- Approximately 15.0% or **[REDACTED]** will be allocated to pursue strategic investment and acquisition opportunities to implement our long-term growth strategies for products and services development and industry penetration, as well as cultivate our vibrant AI ecosystem to further expand our influence in the industry.

Working Capital and General Corporate Purposes

- Approximately 10.0% or **[REDACTED]** will be used for working capital and general corporate purposes.

For more details on our plans for using the **[REDACTED]** of the **[REDACTED]**, see "Future Plans and Use of **[REDACTED]**."

DIVIDEND POLICY

We currently do not have any predetermined dividend payout ratio. No dividends had been declared or paid by our Company during the Track Record Period.

Subject to the Companies Act and the Articles of Association, the Directors may from time to time declare dividend and authorize payment of the same out of the lawfully available funds. The Company may also by ordinary resolutions declare dividends, but no dividends shall exceed the amount recommended by the Directors. The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. See "Summary of the Constitution of Our Company — Dividends and Distributions" for details.

As confirmed by our PRC Legal Advisor, according to relevant PRC laws, any future net profit that our PRC subsidiaries make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic harms the Chinese and global economy in general. Our results of operations have been and could continue to be affected directly or indirectly by uncertainties brought by the pandemic. Due to the COVID-19 pandemic, our business operations faced challenges. We also experienced certain difficulties in obtaining sufficient supplies in a timely manner, as well as in carrying out the physical delivery and deployment of our AI software-embedded hardware and services. We took a series of measures in response to the pandemic to protect our employees, including the temporary closure of our offices, remote working arrangements, and travel restrictions or suspension. These measures temporarily reduced the capacity and efficiency of our operations and incurred additional costs. We recognized government grants attributable to the outbreak of COVID-19 in other income, being RMB12.5 million and RMB2.9 million in 2020 and the six months ended June 30, 2021, respectively.

Despite the negative impact of the COVID-19 pandemic, our revenue growth continued, though at a lower rate in 2020 than in 2019, primarily due to the policy and customer behavior changes that benefited our industry. The impact was particularly pronounced in China in 2020. As the pandemic continued to hit overseas markets, our international growth suffered, while China saw a growth recovery in the first half of 2021. In addition, our cross-industry and cross-region coverage allows us to be more resilient to uncertainties, and deliver stable business performance throughout cycles. The broad coverage paved a solid foundation for our business continuity and stable growth during the COVID-19 pandemic.

The COVID-19 pandemic is expected, in the long run, to accelerate the digital transformation of enterprises and city management, indicating more opportunities for the AI industry, especially under China's new national policy of "New Infrastructure" which aims to promote the development of the 5G network, large data centers and AI, among other things. In addition, as China and many other countries adopted various social distancing initiatives in response to the pandemic, many enterprises and city administrators turned to automated solutions in business and city management to reduce the level of human physical intervention required. Such trend created new demands for our AI software platforms. We also promptly reacted to the surging demand from public space management and healthcare by launching upgraded software products for contactless temperature measurement and medical image analysis. However, there remain significant uncertainties associated with the COVID-19 pandemic, see "Risk Factors — Risks Relating to Our Business — Our and our business partners' business operations have been adversely affected by the COVID-19 pandemic, and may in the future continue to be affected by the COVID-19 pandemic" for details. Since late July 2021, the delta variant of COVID-19 has recurred in several provinces across China. As of the Latest Practicable Date, substantially all of the Chinese cities had eased or lifted domestic travel restrictions and resumed normal social activities, work and production. The recurrence did not impose any material impact on our business operations and financial performance. There is no guarantee that the prolonged pandemic will not affect the demands for our products and services in the future. For example, the prolonged COVID-19 pandemic could result in city administrators focusing on containing and combating the pandemic which diverts their budget and affects their annual budget planning accordingly. Such potential decrease in demand for our products and services may adversely affect our business operations, financial performance and liquidity position.

RECENT DEVELOPMENT

Regulatory Developments

We attach great importance to cybersecurity, data security, privacy protection and potential monopoly issues related to our business and certain acquisitions and equity investment activities. We have implemented the measures below to ensure our compliance with such applicable PRC laws and regulations:

- **Cybersecurity, Data Privacy and Personal Information Protection**

Recently, the PRC governmental authorities have promulgated, among others, the Personal Information Protection Laws and Data Security Laws to ensure cybersecurity, data and personal information protection, which demonstrates that relevant laws and regulations governing such areas are developing along with the enforced and constantly tightening of relevant regulatory supervision. Specifically, the CAC had proposed the Measures for Cyber Security Review (Revised Draft for Comments) (《網絡安全審查辦法（修訂草案徵求意見稿）》) (the "Revised Draft") and the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例（徵求意見稿）》) (the "Draft Administration Regulations") for public comments, which provided guidance on the potential cybersecurity review scope. For details of relevant laws and regulations, please see "Regulatory Overview — Regulations on Cyber Security and Data Protection." During the Track Record Period, we have implemented comprehensive internal policies and measures on protection of cybersecurity, data privacy and personal information. See "Business — Data Privacy and Personal Information Protection."

During the Track Record Period and up to the Latest Practicable Date, there had been no material incident of data or personal information leakage, infringement of data protection and privacy laws and regulations or investigation or other legal proceeding, pending or threatened against our Group initiated by competent government authorities or third parties, that will materially and adversely affect the business of our Group. As of the Latest Practicable Date, we had not been involved in any investigations on cybersecurity review by the relevant regulatory authorities or had received any inquiry, notice, warning or sanctions in such respect. We and our PRC Legal Advisor are of the view that, assuming the Draft Administration Regulations and the Revised Draft become effective in their current forms, they will not have a material and adverse effect on our business operations, the **[REDACTED]** or the **[REDACTED]**, on the basis that (i) as disclosed in "Business — Data Privacy and Personal Information Protection", we have implemented comprehensive measures to ensure continuous regulatory compliance with relevant laws and regulations; (ii) as of the date of the Document, we had not been subject to material fines, mandatory rectifications or other sanctions imposed by any government authorities in relation to data and cybersecurity; (iii) as of the date of the Document, there had been no material incident of data or personal information leakage, infringement of data protection and privacy laws and regulations or investigation or other legal proceeding, pending or threatened against our Group initiated by competent government authorities or third parties, that will materially and adversely affect our business operations; and (iv) we will continue to pay close attention to the legislative and regulatory developments in data security and

comply with the latest regulatory requirements. Based on the facts and analysis mentioned above and the due diligence conducted by the Joint Sponsors detailed below, nothing has come to the attention of the Joint Sponsors that would cause them to cast doubt on the reasonableness of the Company's and its PRC Legal Advisor's views that the Draft Administration Regulations and the Revised Draft, if they come into effect in their respective current form, would not have a material and adverse impact on the Company's proposed **[REDACTED]** and business operations. Such due diligence works included but were not limited to (i) discussing with the Joint Sponsors' PRC legal advisor who reviewed the relevant supporting documents and who concurs with the view and analysis of the Company's PRC Legal Advisor as disclosed above; (ii) noting the basis of the Company's PRC Legal Advisor's view above including that the Company has implemented comprehensive measures as mentioned above; (iii) discussing with the Company's management in relation to the aforementioned recent regulatory developments; and (iv) discussing with the Company's PRC Legal Advisor and the Joint Sponsors' PRC legal advisor on, among other things, the basis of their views and the potential impact and latest status of the aforementioned recent regulatory developments.

- **Anti-monopoly**

During the Track Record Period, we had invested compliance resources and made substantial efforts to ensure compliance of our business operations and our acquisition and investment activities with applicable PRC laws and regulatory requirements in relation to anti-monopoly. We have engaged an external compliance counsel to advise on the applicable PRC regulatory requirements and relevant issues and liaised with the relevant regulatory authorities in the PRC in case there is an active anti-monopoly filing.

In relation to our business operations, we are not an Internet platform, and are not subject to the monopolistic risk of platform economy. On the other hand, we did not resort to monopolistic behavior to conduct and expand our business in the PRC during the Track Record Period. With regard to our acquisition and investment activities, we have made some acquisitions of investments in financial assets and conducted investment activities during the Track Record Period, and made the required declaration, if any, to relevant government authorities based on the advice of our external compliance counsel, and will continue to do so, if applicable.

As of the Latest Practicable Date, we had not been subject to any anti-monopoly investigation, penalty of litigation initiated by government authorities or third parties. Furthermore, we will continue to attach attention to the updates of applicable PRC laws and regulations in relation to anti-monopoly.

In light of the above, our PRC Legal Advisor is of the opinion that, during the Track Record Period and as of the Latest Practicable Date, the Group had not been subject to relevant material investigation or penalty imposed by applicable government authorities or third parties arising from violation of applicable PRC laws. We will continue to attach great emphasis on legal and regulatory compliance with sound approach and measures, and we will continuously monitor the evolving PRC laws and regulations in relation to cybersecurity and anti-monopoly, and apply relevant measures as applicable.

Based on the above, our PRC Legal Advisor advises that the applicable PRC laws and regulations in relation thereto are still evolving, and the potential heightening of respective regulatory requirements by applicable governmental authorities require the Group to comply with the relevant applicable laws and regulations; while such latest changes in the regulatory environment in the PRC in relation to cybersecurity and anti-monopoly does not impose imminent material adverse impact on the business of the Group and this **[REDACTED]**, and subject to the heightened regulatory scrutiny and uncertainties of interpretation, application and enforcement of the evolving relevant laws and regulations, the Group may need to devote additional resources and efforts, including adjusting or optimizing applicable business process and investment activities in response to such evolvement.

Our Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since June 30, 2021, being the end date of the periods reported in the Accountant's Report set out in Appendix I, and there is no event since June 30, 2021 that would materially affect the information shown in the Accountant's Report set out in Appendix I.

Recent Business Development

We have continued to develop and upgrade our products and services and commercialize them to the market after the Track Record Period:

- ***AIaaS Cloud Offering***: We plan to open up SenseCore's capabilities further to both academia and industry to drive future AI productivity upon launch of our Shanghai Lingang AIDC in early 2022.

- ***AI ISP Chips***: We launched development of our AI ISP chips in 2021 with target customers primarily being mobile phone manufacturers and other IoT device companies.

- ***L2+ ADAS Products***: We are developing L2+ ADAS products for traditional and new energy automobile companies, and we expect the car models pre-installed with our L2+ ADAS products to be mass produced in 2022.

In this Document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this Document.

"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Amind"	Amind Inc., an exempted company incorporated under the laws of the Cayman Islands with limited liability, which is wholly-owned by Prof. Tang
"Articles" or "Articles of Association"	the twenty-first amended and restated articles of association of our Company, conditionally adopted on [*] with effect from the **[REDACTED]**, and as amended from time to time, a summary of which is set out in Appendix III to this Document
"Beijing SenseTime"	Beijing SenseTime Technology Development Co., Ltd. (北京市商湯科技開發有限公司), a company incorporated under the laws of the PRC with limited liability on November 14, 2014, our indirect wholly-owned subsidiary
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Days"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAC"	the Cyberspace Administration of China (中國國家互聯網信息辦公室)
"Cayman Companies Act"	the Companies Act (2021 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Chengdu SenseTime"	Chengdu SenseTime Technology Co., Ltd. (成都商湯科技有限公司), a company incorporated under the laws of the PRC with limited liability on June 13, 2018, our indirect wholly-owned subsidiary

"China", "Mainland China" or "PRC"	the People's Republic of China for the purpose of this document and for geographical reference only, except where the context requires, references in this document to "China", "Mainland China" and the "PRC" do not apply to Hong Kong SAR, Macau SAR and Taiwan Region
"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
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company," "our Company," "the Company," "we" or "us"	SenseTime Group Inc., an exempted company incorporated under the laws of the Cayman Islands with limited liability on October 15, 2014
"Consolidated Affiliated Entities"	collectively, Shanghai Qianlun and Shanghai SenseTime Technology Development, the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangement
"Contractual Arrangement"	the series of contractual arrangement entered into by, among others, the VIE WFOE and the Consolidated Affiliated Entities respectively, see "Contractual Arrangement"
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Prof. Tang and Amind, see "Relationship with Our Controlling Shareholders"
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)

"Director(s)"	the director(s) of our Company
"Dr. Wang"	Dr. Wang Xiaogang, our co-founder, executive Director, chief scientist and a WVR Beneficiary
"Dr. Xu Li"	Dr. Xu Li, our co-founder, executive Chairman of our Board, executive Director, chief executive officer and a WVR Beneficiary
"Extreme Condition(s)"	extreme condition(s) including but not limited to serious disruption of public transport services, extensive flooding, major landslides and large-scale power outage caused by a super typhoon according to the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Labour Department of the government of Hong Kong in June 2019, as announced by the government of Hong Kong
"Frost & Sullivan" or "Industry Consultant"	Frost & Sullivan International Limited, an Independent Third Party and a market research firm engaged by the Company to prepare an industry report, the details of which are set out in the section headed "Industry Overview" in this Document
"Frost & Sullivan Report"	an industry report dated [●] commissioned by us and issued by Frost & Sullivan containing an analysis of the computer vision software market in the PRC and other relevant economic data, as referred to in the section headed "Industry Overview" in this Document

[REDACTED]

"Group", "our Group" or "the Group"	the Company and our subsidiaries and Consolidated Affiliated Entities from time to time
"HK$" or "HK dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees Limited"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

"Hong Kong" or "HK" or "Hong Kong SAR"	the Hong Kong Special Administrative Region of the PRC
	[REDACTED]
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
	[REDACTED]
"IFRS"	the International Financial Reporting Standards
"Independent Third Party(ies)"	individual(s) or company(ies) who or which, to the best of our 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 our 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
	[REDACTED]

[REDACTED]

"Joint Sponsors"	China International Capital Corporation Hong Kong Securities Limited, Haitong International Capital Limited and HSBC Corporate Finance (Hong Kong) Limited
"JPY"	Japanese Yen, the lawful currency for the time being of Japan
"Latest Practicable Date"	August 20, 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this Document prior to its publication

[REDACTED]

"Listing Committee"	the Listing Committee of the Stock Exchange

[REDACTED]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"M&A Rules"	the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the twenty-first amended and restated memorandum of association of our Company, conditionally adopted on [*] with effect from the **[REDACTED]**, and as amended from time to time, a summary of which is set out in Appendix III to this Document
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"MPS"	Ministry of Public Security of the PRC (中華人民共和國公安部)
"Mr. Xu Bing"	Mr. Xu Bing, our co-founder, executive Director, Board secretary and a WVR Beneficiary
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Negative List"	the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Version) (《外商投資准入特別管理措施(負面清單)(2020年版)》)
"NMPA"	National Medical Products Administration (國家藥品監督管理局) of the PRC, formerly known as China's Food and Drug

	Administration ("CFDA") (國家食品藥品監督管理總局) or State Food and Drug Administration ("SFDA") (國家食品藥品監督管理局) or China's Drug Administration ("CDA") (國家藥品監督管理局); references to NMPA include CFDA, SFDA and CDA
	[REDACTED]
"Ordinary Share(s)"	the ordinary share(s) of par value US$0.000000025 per share in the authorized share capital of our Company, of which 11,717,258,603 shares are in issue as at the Latest Practicable Date
	[REDACTED]
"PBOC"	People's Bank of China (中國人民銀行)
"PRC government"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Legal Advisor"	King & Wood Mallesons, acting as legal counsel as to PRC laws to our Company
"Preferred Share(s)"	the Series A-1 Preferred Share(s), Series A-2 Preferred Share(s), Series B-1 Preferred Share(s), Series B-2 Preferred Share(s), Series B-3 Preferred Share(s), Series C-1 Preferred Share(s), Series C-2 Preferred Share(s), Series C+ Preferred

	Share(s), Series C++ Preferred Share(s), Series C-prime Preferred Share(s), Series D Preferred Share(s) and Series D+ Preferred Share(s)
"Pre-**[REDACTED]** ESOP"	the pre-**[REDACTED]** employee incentive scheme adopted by the Company dated November 1, 2016 as amended from time to time, the principal terms of which are set out in "Statutory and General Information — D. Share Incentive Schemes — 2. Pre-**[REDACTED]** ESOP" in Appendix IV to this Document
"Pre-**[REDACTED]** Investments"	the investments made by the Pre-**[REDACTED]** Investors, the principal terms of which are summarized in "History and Corporate Structure — Pre-**[REDACTED]** Investments" in this Document
"Pre-**[REDACTED]** Investor(s)"	holders of Ordinary Shares and holders of Preferred Shares as at the Latest Practicable Date other than Amind, XWorld, Infinity Vision, Vision Worldwide and SenseTalent
"Pre-**[REDACTED]** RSU Plan"	the pre-**[REDACTED]** RSU plan adopted by the Company dated November 1, 2016 as amended from time to time, the principal terms of which are set out in "Statutory and General Information — D. Share Incentive Schemes — 1. Pre-**[REDACTED]** RSU Plan" in Appendix IV to this Document
"Pre-**[REDACTED]** Shareholders' Agreement"	the nineteenth amended and restated shareholders' agreement entered into between, amongst others, the Company, certain Group companies, Prof. Tang, Amind, XWorld, Infinity Vision, Vision Worldwide, SenseTalent and the Pre-**[REDACTED]** Investors dated June 23, 2021
"Prof. Tang"	Professor Tang Xiao'ou, our founder, executive Director and a WVR Beneficiary
	[REDACTED]
"QIB" or "Qualified Institutional Buyer"	a qualified institutional buyer as defined in Rule 144A
"Regulation S"	Regulation S under the US Securities Act
"Reserved Matters"	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of our 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 our Company's auditor; and (v) the voluntary liquidation or winding-up of our Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the US Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	State Administration for Market Regulation of the PRC (國家市場監督管理總局) (formerly known as the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) (the "SAIC"))
"SenseBlue"	SenseBlue Management L.P., an exempted limited partnership established under the laws of the Cayman Islands, whose general partner is SenseFancy
"SenseFancy"	SenseFancy Investment Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability, which is indirectly wholly-owned by Amind
"SenseForest"	SenseForest Management L.P., an exempted limited partnership established under the laws of the Cayman Islands, whose general partner is SenseFancy
"SenseLight"	SenseLight Management L.P., an exempted limited partnership established under the laws of the Cayman Islands, whose general partner is SenseFancy
"SensePoint"	SensePoint Management L.P., an exempted limited partnership established under the laws of the Cayman Islands, whose general partner is SenseFancy
"SenseSmart"	SenseSmart Management L.P., an exempted limited partnership established under the laws of the Cayman Islands, whose general partner is SenseFancy

"SenseSpace"	SenseSpace Management L.P., an exempted limited partnership established under the laws of the Cayman Islands, whose general partner is SenseFancy
"SenseTalent"	SenseTalent Management Limited, a business company incorporated under the laws of BVI with limited liability holding our Shares pursuant to the Pre-**[REDACTED]** ESOP and the Pre-**[REDACTED]** RSU Plan
"SenseTime HK"	SenseTime Group Limited 商湯集團有限公司, a company incorporated under the laws of Hong Kong with limited liability on October 30, 2014, our direct wholly-owned subsidiary
"SenseTime Japan"	Kabushiki Kaisha SenseTime Japan, a company incorporated under the laws of Japan with limited liability on January 13, 2016, our indirect wholly-owned subsidiary
"SenseTime Korea"	SenseTime Korea Technology Ltd., a company incorporated under the laws of the Republic of Korea with limited liability on April 29, 2021, our indirect wholly-owned subsidiary
"SenseTime Malaysia"	SenseTime Technology Malaysia Sdn. Bhd., a company incorporated under the laws of Malaysia with limited liability on December 17, 2019, our indirect wholly-owned subsidiary
"SenseTime Singapore"	SenseTime International Pte. Ltd., a company incorporated under the laws of Singapore with limited liability on January 17, 2018, our indirect wholly-owned subsidiary
"SenseVision"	SenseVision Management L.P., an exempted limited partnership established under the laws of the Cayman Islands, whose general partner is SenseFancy
"Series A-1 Preferred Share(s)"	the series A-1 preferred share(s) of par value US$0.000000025 per share in the authorized share capital of our Company, of which 475,000,000 shares are in issue as at the Latest Practicable Date
"Series A-2 Preferred Share(s)"	the series A-2 preferred share(s) of par value US$0.000000025 per share in the authorized share capital of our Company, of which 55,360,000 shares are in issue as at the Latest Practicable Date

"Series B-1 Preferred Share(s)"	the series B-1 preferred share(s) of par value US$0.000000025 per share in the authorized share capital of our Company, of which 300,600,000 shares are in issue as at the Latest Practicable Date
"Series B-2 Preferred Share(s)"	the series B-2 preferred share(s) of par value US$0.000000025 per share in the authorized share capital of our Company, of which 2,357,970,000 shares are in issue as at the Latest Practicable Date
"Series B-3 Preferred Share(s)"	the series B-3 preferred share(s) of par value US$0.000000025 per share in the authorized share capital of our Company, of which 243,320,000 shares are in issue as at the Latest Practicable Date
"Series C+ Preferred Share(s)"	the series C+ preferred share(s) of par value US$0.000000025 per share in the authorized share capital of our Company, of which 2,761,100,000 shares are in issue as at the Latest Practicable Date
"Series C++ Preferred Share(s)"	the series C++ preferred share(s) of par value US$0.000000025 per share in the authorized share capital of our Company, of which 2,307,091,397 shares are in issue as at the Latest Practicable Date
"Series C-1 Preferred Share(s)"	the series C-1 preferred share(s) of par value US$0.000000025 per share in the authorized share capital of our Company, of which 602,550,000 shares are in issue as at the Latest Practicable Date
"Series C-2 Preferred Share(s)"	the series C-2 preferred share(s) of par value US$0.000000025 per share in the authorized share capital of our Company, of which 2,895,440,000 shares are in issue as at the Latest Practicable Date
"Series C-prime Preferred Share(s)"	the series C-prime preferred share(s) of par value US$0.000000025 per share in the authorized share capital of our Company, of which 1,825,210,000 shares are in issue as at the Latest Practicable Date
"Series D Preferred Share(s)"	the series D preferred share(s) of par value US$0.000000025 per share in the authorized share capital of our Company, of which 4,524,880,000 shares are in issue as at the Latest Practicable Date

"Series D+ Preferred Share(s)"	the series D+ preferred share(s) of par value US$0.000000025 per share in the authorized share capital of our Company, of which 1,716,620,000 shares are in issue as at the Latest Practicable Date
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Qianlun"	Shanghai Qianlun Technology Co., Ltd. (上海阡倫科技有限公司), a company incorporated under the laws of the PRC with limited liability on September 17, 2020, our Consolidated Affiliated Entity
"Shanghai SenseTime"	Shanghai SenseTime Intelligent Technology Co., Ltd. (上海商湯智能科技有限公司), a company incorporated under the laws of the PRC with limited liability on December 15, 2017, our indirect wholly-owned subsidiary
"Shanghai SenseTime Technology Development"	Shanghai SenseTime Technology Development Co., Ltd. (上海商湯科技開發有限公司), a company incorporated under the laws of the PRC with limited liability on January 16, 2020, our Consolidated Affiliated Entity
"Shanghai Yuqin"	Shanghai Yuqin Information Technology Co., Ltd. (上海煜芩信息科技有限公司), a company incorporated under the laws of the PRC with limited liability on March 20, 2019, our indirect wholly-owned subsidiary
"Shareholder(s)"	holder(s) of the Shares
"Share(s)"	the Class A Shares and the Class B Shares in the share capital of our Company, as the context so requires
"Shenzhen SenseTime"	Shenzhen SenseTime Technology Co., Ltd. (深圳市商湯科技有限公司), a company incorporated under the laws of the PRC with limited liability on May 15, 2015, our indirect wholly-owned subsidiary

[REDACTED]

"State Council"	the PRC State Council (中華人民共和國國務院)
	[REDACTED]
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC
"Track Record Period"	the period comprising the three financial years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2021
	[REDACTED]
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US Securities Act"	United States Securities Act of 1933, as amended
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency for the time being of the United States
"VIE WFOE"	Shanghai Yuqin
"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
	[REDACTED]

[REDACTED]

"WVR" or "weighted voting right"	has the meaning ascribed to it in the Listing Rules
"WVR Beneficiaries"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Prof. Tang, Dr. Xu Li, Dr. Wang and Mr. Xu Bing, being the holders of the Class A Shares, entitling each to weighted voting rights, see "Share Capital"
"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
"%"	per cent.

In this Document, the terms "associate", "close associate", "connected person", "core connected person", "connected transaction", "controlling shareholder" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this Document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this Document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this document. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"3D reconstruction"	the process of capturing, and reconstructing with computers, the 3D shape and appearance of real objects
"advanced driver assistance systems" or "ADAS"	electronic systems developed to automate, adapt, and enhance vehicle systems for safety and better driving
"AI"	artificial intelligence, an area of computer science that focuses on simulating human intelligence by machines
"AI data center" or "AIDC"	a data center with AI supercomputing infrastructure and a large number of GPUs, to offer pre-trained AI models and produce new AI models
"AI model"	mathematical algorithms which can take unstructured data as input and transform them into informative outputs through its "intelligence," namely, the capability of perceiving the world, transcribing and organizing information, enhancing or generating contents, or making decisions
"AI-as-a-Service" or "AIaaS"	cloud computing AI services that enable customers to produce AI models specific to their business needs with minimal expertise, efforts and investment of their own
"AI-enabled content enhancement"	content enhancement realized by AI models, through improving the quality of images and videos, and enriching content details
"AI-enabled content generation"	content generation realized by AI models, including 3D reconstruction of physical spaces, avatars and software agents, through superimposing visual content on videos with mixed reality and augmented reality
"AlexNet"	a convolutional neural network architecture, designed by Alex Krizhevsky in collaboration with Ilya Sutskever and Geoffrey Hinton in 2012
"Algorithm"	a procedure or formula for solving a problem, based on conducting a sequence of specific actions, especially by a computer
"API"	application programming interface, a computer programming approach for facilitating exchange of information and executing instructions between different computer systems

"augmented reality" or "AR"	AI technology that overlays digital content and information onto the physical world
"automatic machine learning" or "AutoML"	the process of automating the time-consuming, iterative tasks of applying machine learning to real-world problems, enabling developers with limited machine learning expertise to train high-quality models specific to their business needs
"Automotive Safety Integrity Level" or "ASIL"	a risk classification scheme defined by the ISO 26262 - Functional Safety for Road Vehicles standard
"Automotive Software Performance Improvement and Capability dEtermination" or "ASPICE"	a specialized variant of the international Standard also known as ISO/IEC 15504 (SPICE). It provides the framework for defining, implementing, and evaluating the process required for system development focused on software and system parts in the automotive industry
"avatar"	a graphical representation of a user or the user's character or persona
"CAGR"	compound annual growth rate
"carbon neutrality"	net zero carbon emissions, achieved through a transparent process of measuring emissions, reducing those emissions and offsetting residual emissions
"Class III Grade A hospital"	a hospital of the highest level in the National Health Commission's hospital classification system, with large capacity that provide high-quality professional medical services and undertake higher education and scientific research initiatives
"cloud"	a network of remote servers hosted on the Internet and used to store, manage, process data, and offer algorithms in place of local servers or personal computers
"CMOS image sensor"	an image sensor using the CMOS (complementary metal oxide semiconductor) technology
"code repository"	a data structure that stores metadata for a set of files or directory structure, including coding files
"Common Objects in Context" or "COCO"	a large-scale database that aims to enable future research for object detection, instance segmentation, image captioning, and key points detection

"computer vision"	a field of artificial intelligence that enables computers and systems to derive meaningful information from digital images, videos and other visual inputs, and take actions or make recommendations based on that information
"corner case"	an unexpected or unknown situation that occurs only outside of normal operating parameters, and is very hard to be simulated or tested
"CVPR"	Conference on Computer Vision and Pattern Recognition, an annual research conference sponsored by the IEEE
"deep learning"	a machine learning technique that constructs artificial neural networks with multiple layers to extract features from the raw input
"decision intelligence"	organizational decision-making and processes for applying machine learning at scale
"detection rate"	the proportion of correct predictions in predictions of positive class
"digital human"	a human-like software agent that interacts with users naturally and vividly through dialogues, expressions and gestures
"digital twin"	a virtual representation that serves as the real-time digital counterpart of a physical object or process
"driver monitoring system" or "DMS"	a vehicle safety system to assess the driver's identity, drowsiness, distraction, irregularities, and absence and warn the driver if needed
"dynamic range" or "DR"	the ratio between the brightest and darkest parts of an image, from pure black to brightest white
"dynamic vision sensor" or "DVS"	an imaging sensor that responds to local changes in brightness
"ECCV"	European Conference on Computer Vision, a biennial research conference
"edge"	hardware or services that brings computation and data storage closer to where the data is produced
"exaFLOPS"	one quintillion (10^{18}) floating-point operations per second

"Face Recognition Vendor Test" or "FRVT"	Face Recognition Vendor Test (FRVT) is a series of large scale independent evaluations for face recognition systems realized by the U.S. National Institute of Standards and Technology
"forward collision warning" or "FCW"	a warning that alerts the driver of an imminent collision in its forward path
"GitHub"	a code hosting platform for version control and collaboration
"GPU"	graphic processing unit
"H5"	refers to the HTML5 language and digital products developed with HTML5 language
"high beam assist" or "HBA"	recognizes oncoming vehicles at night, switching headlights between main and dipped beam automatically
"ICCV"	International Conference on Computer Vision, a biennial research conference sponsored by the IEEE
"IEC"	International Electrotechnical Commission, an organization that prepares and publishes international standards for all electrical, electronic and related technologies
"IEEE International Symposium on Mixed and Augmented Reality" or "ISMAR"	a premier conference for Augmented Reality and Mixed Reality
"IJCV"	International Journal of Computer Vision, a leading journal on computer vision
"image signal processor" or "ISP"	a method to convert an image into digital form by performing operations like noise reduction, auto exposure, autofocus, auto white balance and image sharpening designed for digital processing and image quality enhancement
"ImageNet ILSVRC"	ImageNet Large Scale Visual Recognition Challenge, which evaluates algorithms for object detection and image classification at large scale
"Institute of Electrical and Electronics Engineers" or "IEEE"	the world's largest association of technical professionals established for the advancement of technology

"in-vehicle infotainment system" or "IVI system"	a combination of vehicle systems which are used to deliver entertainment and information to the driver and the passengers through audio/ video interfaces, control elements like touch screen displays, button panel, voice commands, and more
"IO"	input and output
"IoT"	Internet of things, the extension of internet connectivity into physical devices and everyday objects
"ISO"	International Organization for Standardization, an international standard-setting body composed of representatives from various national standards organizations
"KITTI"	one of the world's largest datasets and benchmarks for computer vision research in the context of autonomous driving
"L2"	level 2 of autonomous driving, or partial automation, which assists drivers in controlling speed and steering, such as helping with stop-and-go traffic by maintaining the distance between the driver's vehicle and the vehicle in front, and providing steering assist by centering the vehicle within the lane, while still requiring drivers to have hands on the wheel and be ready to take control at any given moment
"L2+"	level 2 plus of autonomous driving, which enhances L2 driver assistance safety features, providing greater utility to drivers in all driving environments and more functions compared to L2 such as making highway entrances and exits, lane changes and merges, while the driver is still responsible for the car
"L3"	level 3 of autonomous driving, or conditional automation, which allows vehicles to drive themselves, but only under ideal conditions and with limitations, such as limited-access divided highways at a certain speed and parking lots, while drivers are still required behind the wheel
"L4"	level 4 of autonomous driving, or high automation, which allows vehicles to drive themselves without human interactions but will be restricted to known use cases, or in most environments and road conditions
"LiDAR"	light detection and ranging, a method for measuring distances by illuminating the target with laser light and measuring the reflection with a sensor
"long-tail scenarios"	scenarios that have low frequency of occurrence in real life, while in aggregate accounting for the majority of all scenarios, and the detection and proper handling of which provides huge value to the customers

"Metaverse"	refers to the convergence of physical, augmented, and virtual reality in a shared online space
"mixed reality" or "MR"	the merging of real and virtual worlds to produce new environments and visualizations, where physical and digital objects co-exist and interact in real time
"MMLab"	the CUHK Multimedia Lab, established by Prof. Tang, being one of the pioneering institutes on deep learning
"model compression"	to achieve a model that is simplified from the original without significantly diminished accuracy; A simplified model is one that is reduced in size and/or latency from the original
"natural language processing" or "NLP"	a branch of artificial intelligence that helps computers understand, interpret and manipulate human language
"OMS"	occupant monitoring system
"open-source"	a source code that is made freely available for possible modification and redistribution
"operators"	highly optimized computing routines in the context of AI computing
"over-the-air" or "OTA"	a method of wirelessly distributing an application and/or its updates to end users' devices
"perception intelligence"	supports various recognition tasks, such as image categorization, object detection, pose detection and image segmentation, from visual data as well as 3D point clouds, speech signals and natural language text
"reinforcement learning"	an area of machine learning concerned with how intelligent agents ought to take actions in an environment in order to maximize the notion of cumulative reward
"SenseAuto"	our intelligent automobile platform
"SenseAuto Cabin"	comprises the driver monitoring system (DMS), the occupant monitoring system (OMS) and the in-vehicle infotainment (IVI) system
"SenseAuto Connect"	a platform that enables one-stop management for both vehicles and their surroundings such as roadside units, pedestrians, and other vehicles using cloud and edge computing

"SenseAuto Empower"	our AI-as-a-Service products to automobile manufacturers
"SenseAuto Pilot"	covers our products and initiatives for advanced driver assistance systems
"SenseCare"	our AI software platform for smart healthcare
"SenseCare-Lung Pro"	one application of SenseCare that automatically detects pulmonary nodules and pneumonia (including COVID-19) lesions, and provides comprehensive qualitative and quantitative analysis and structured reports for radiologists
"SenseCore"	our proprietary universal AI infrastructure, that underpins the mass production of our AI models and their application to various scenarios, comprising AI infrastructure and resources at the algorithm level and computing power level
"SenseFoundry"	our AI software platform designed primarily for Smart City
"SenseFoundry-Enterprise"	our AI software platform designed primarily for Smart Business
"SenseMARS"	our platform embedded with thousands of AI models supporting perception intelligence and Mixed and Augmented Reality System (MARS)
"SenseParrots"	our proprietary deep learning training framework
"sensor"	a device, module, machine, or subsystem whose purpose is to detect events or changes in its environment and send the information to other electronics, frequently a computer processor
"Simultaneous Localization and Mapping" or "SLAM"	the computational problem of constructing or updating a map of an unknown environment while simultaneously keeping track of an agent's location within it
"software agent"	enables intelligent human machine interactions with AI multi-model interaction technologies covering speech, natural language processing, hand gesture, pose, and gaze
"SDK"	software development kit, a set of software development tools in one installable package that can be used to create and develop applications
"spatial mapping"	the process of an AR device creating a 3D map of the environment

"STPU"	SenseTime tensor processing unit, our first specialized AI chip
"super night photography"	enhanced photography application capable of capturing high-quality videos under poor light conditions
"Vehicle to everything" or "V2X"	communication between a vehicle and any object, such as road, traffic lights and roadside signals that may affect, or may be affected by, the vehicle
"virtual reality" or "VR"	the computer-generated simulation of a three-dimensional image or environment that can be interacted with in a seemingly real or physical way by a person using special electronic equipment, such as a helmet with a screen inside or gloves fitted with sensors

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans; and
- various business opportunities that we may pursue.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this document.

FORWARD-LOOKING STATEMENTS

We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

An investment in our Class B Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our Class B Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our **[REDACTED]** *could decline, and you may lose all or part of your investment.*

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.

RISKS RELATING TO OUR INDUSTRY

If we fail to continuously develop and innovate our products and services to meet customers' evolving needs of functionality, performance, reliability, design and security, we may not be able to retain existing customers, attract new customers or increase sales.

Our business growth relies on our ability to identify and anticipate the needs of our customers and develop products and services that meet their demands. See "Business — Our Software Platforms." Our ability to retain existing customers, attract new customers, and increase sales to both new and existing customers will depend on a number of factors. In addition to the effectiveness of our sales and marketing efforts, it also depends, to a large extent, on our ability to provide products and services that meet our customers' requirements, including more advanced products and services that address the needs of our customers at competitive prices, the strength of our technology, and our ability to continue improving and enhancing the functionality, performance, reliability, design, security and adaptability of our products and services.

The industries in which we operate are characterized by constant changes, including rapid technological evolution, frequent introductions of new products and services, continual shifts in customer demands and constant emergence of new industry standards and practices. Our success will depend, in part, on our ability to respond to these changes in a cost-effective and timely manner. We need to develop expertise across different industry sectors, adapt our products for different industry verticals and constantly anticipate the emergence of new technologies and assess their market acceptance. We also need to invest significant resources, including financial resources, in research and development to lead technological advances in order to keep our products and services innovative and competitive in the market.

To the extent we are not able to provide products that meet our customers' requirement, or we are not able to improve and enhance the functionality, performance, reliability, design, security, adaptability and scalability of our products and services in a manner that responds to our customers' evolving needs, our existing customers may not spend more on our products and services, and we may not be able to attract new customers, under which circumstances our business, financial condition, results of operations, and prospects may be materially and adversely affected.

If we are unable to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.

The industries in which we operate are highly competitive. We primarily compete with other companies that focus on developing and commercializing AI technologies. With respect to each industry vertical that we have entered into, we also compete against existing players with no specific AI capabilities in such vertical as they may develop and improve their own AI algorithms for their comprehensive product suites. Our competitors may have longer corporate operating history, or have or in the future gain more financial resources and sophisticated technological capabilities and broader customer base and relationships than us. In addition, as we expand into areas such as cloud services, the basis for competition will be different and we are likely to face additional competitors, including in-house AI technology development of our customers and prospective customers. As a result, our competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, regulatory requirements or user demand than us.

We may also face competition from new entrants who may offer lower prices or new technologies and products, and thus increase the level of competition in the future. Increased competition could result in lower sales, price reductions, reduced margins or loss of market share. Further, we may be required to make substantial additional investments in research, development, marketing and sales, recruiting and retaining top AI scientists and innovative talents, and acquiring technologies complementary to, or necessary for, our current and future products in order to respond to such competitive threats, and we cannot assure you that such measures will be effective. If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO OUR BUSINESS

We have incurred significant operating losses and net losses during the Track Record Period, and may not be able to achieve or subsequently maintain profitability in the future, and we had negative equity or net deficit during the Track Record Period.

Since our inception, we have incurred operating losses and net losses. In 2018, 2019, 2020 and the six months ended June 30, 2021, we had operating losses for the year/period of RMB338.8 million, RMB1,606.5 million, RMB1,811.7 million and RMB2,150.7 million, respectively. We had net losses for the year/period of RMB3,432.7 million, RMB4,967.7 million, RMB12,158.3 million and RMB3,712.9 million, respectively, and we had adjusted net loss (non-IFRS measure) for the year/period of RMB150.0 million, RMB1,155.2 million, RMB707.7 million and RMB578.3 million, respectively. During the Track Record Period, we incurred net losses primarily due to (i) fair value losses of preferred shares and other financial liabilities; (ii) increased research and development expenses, as we continued to expand our research and development team; and (iii) share-based compensation expenses to our employees. We expect to record significantly increased net losses in 2021 and may continue to incur net losses in the short term, as we are in the stage of expanding our business and operations in the rapidly growing AI software market, and are

continuously investing in research and development, especially our universal AI infrastructure. We may not be able to achieve or subsequently maintain profitability in the future. We believe that our future revenue growth will depend on, among other factors, our ability to develop new technologies, enhance customer experience, establish effective commercialization strategies, compete effectively and successfully and develop new products and services. Accordingly, you should not rely on the revenues of any prior period as an indication of our future performance. We also expect our costs and expenses to increase in future periods as we continue to expand our business and operations, and invest in research and development, our universal AI infrastructure and geographic expansion. In addition, we expect to incur substantial costs and expenses as a result of being a public company. If we are unable to generate adequate revenues and manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or subsequently maintain profitability.

Moreover, we had negative equity or net deficit of RMB5,364.4 million, RMB10,654.3 million, RMB20,932.6 million and RMB22,961.0 million as of December 31, 2018, 2019 and 2020 and June 30, 2021, respectively, primarily due to our preferred share liabilities. We expect to achieve a net assets position upon **[REDACTED]**, as the convertible redeemable preferred shares will be re-designated from financial liabilities to equity as a result of the automatic conversion into ordinary shares. Our net deficit position exposes us to liquidity risk. Our future liquidity, payment of trade and other payables, capital expenditure plans and repayment of outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing. We may have a net deficit position in the future, which may limit our working capital for the purpose of operations or capital for our expansion plans and materially and adversely affect our business, financial condition and results of operations.

Any flaws or misuse of AI technologies, whether actual or perceived, intended or inadvertent, committed by us or by other third parties, could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

AI technologies are at early stages of development and continue to evolve. Similar to many innovations, AI technologies present risks and challenges, such as potential misuse by third parties for inappropriate purposes or biased applications which breach public confidence or violate applicable laws and regulations in China and other jurisdictions or litigation or other proceedings initiated by certain individuals claiming for infringement of legitimate rights such as privacy or personality rights. Such misuse could affect customer perception, public opinions, views of policymakers and regulators and result in decreased adoption of AI technologies. For example, the European Parliament recently called for a ban on police use of facial recognition technology in public places. Though we do not have a substantial presence in the European Union, and it is uncertain whether the proposed ban will take effect eventually, adverse perception of AI technologies could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

We have adopted a series of measures to prevent the misuse of our technologies, including implementation of relevant policies and management system in relation to data privacy and personal information protection. For further information, see "Business — Responsible and Sustainable AI" and "Data Privacy and Personal Information Protection." During the Track Record Period and up to the Latest Practicable Date, there had been no material litigation or other proceedings arising from or in relation to any infringement of relevant legitimate rights against us. However, we cannot assure

you that the measures we take to prevent the misuse of our technologies and data protection will always be effective, or that our technologies will not be misused or applied in a way that is inconsistent with our intention or public expectation. Any inappropriate or abusive usage of AI technologies, whether actual or perceived, intended or inadvertent and by us or by third parties, may dissuade prospective customers from adopting AI products and services, impair the general acceptance of AI products and services by the society, attract negative publicity and adversely impact our reputation and violate applicable laws and regulations in China and other jurisdictions and subject us to legal or administrative proceedings, pressures from certain shareholders and/or other organizations and heightened scrutiny by the regulators. Each of the foregoing events may in turn materially and adversely affect our business, financial condition and results of operations.

As advised by our PRC Legal Advisor, according to the applicable PRC laws and regulations, in the event that the relevant individual claims personality rights and data privacy infringement against us arising from or in relation to the products we produced, the applicable PRC laws and regulations do not restrict such individual's rights to claim remedies on personality rights, and such relevant individual shall have the right to sue us for such infringement. Furthermore, should we fail to obtain the due authorization and consent from such individual evidencing his/her consent for us to process the relevant personal information, we may be subject to certain liabilities for the infringement of personality rights and data privacy, which could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

In addition, flaws or deficiencies in AI technologies could undermine the accuracy and thoroughness of the decisions and analyzes made by the relevant products and services. For example, computer vision technologies may not be able to detect all intentional concealment or fraudulent activities. There can be no assurance that we will be able to detect and remedy such flaws or deficiencies in a timely manner, or at all. Any flaws or deficiencies in AI technologies and products and services, whether actual or perceived, could materially and adversely affect our business, reputation, results of operations and prospects.

We are subject to complex and evolving laws, regulations and governmental policies regarding privacy and data protection. Actual or alleged failure to comply with privacy and data protection laws, regulations and governmental policies could damage our reputation, deter current and potential customers from using our products and services and could subject us to significant legal, financial and operational consequences.

In recent years, privacy and data protection has become an increasing regulatory focus of government authorities across the world. The PRC government has enacted a series of laws, regulations and governmental policies for the protection of personal data in the past few years. When conducting our business, we may need to process certain data of our customers and their end users. We are also subject to laws, regulations and governmental policies regarding data privacy and protection in multiple areas and jurisdictions where we have a business existence. Such regulatory requirements on data privacy are constantly evolving and can be subject to varying interpretations, or significant changes, resulting in uncertainties about the scope of our responsibilities in that regard. For example, on June 10, 2021, the Standing Committee of the National People's Congress (the "SCNPC") promulgated the PRC Data Security Law, which took effect in September 2021. The Data Security Law provides for a security review procedure for the data activities that may affect national security. On August 20, 2021, the SCNPC issued the Personal Information Protection Law, taking effect from November 1, 2021, which reiterates the circumstances under which a personal

information processor could process personal information and the requirements for such circumstances. The Personal Information Protection Law clarifies the scope of application, the definition of personal information and sensitive personal information, the legal basis of personal information processing and the basic requirements of notice and consent. On July 10, 2021, the Cyberspace Administration of China published the Measures for Cybersecurity Review (Revised Draft for Comments), which further restates and expands the applicable scope of the cybersecurity review. Pursuant to the draft measures, critical information infrastructure operators that intend to purchase internet products and services and data processors (collectively, the "operators") engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review. The draft measures further stipulate that if an operator possesses personal information of over one million users and intends for "foreign" listing (國外上市), it must be subject to the cybersecurity review. However, the draft measures provide no further explanation or interpretation for "foreign" listing (國外上市). As advised by our PRC Legal Advisor, such requirement for an operator possessing personal information of over one million users to apply for cybersecurity review under the draft measures is not applicable to us in the current form, primarily because (i) as of the date of the Document, the Group has not received any notice or determination from applicable PRC governmental authorities identifying it as a critical information infrastructure operator, (ii) the exact scope of "data processor" under the draft measures remains unclear, (iii) the Group is applying for listing in Hong Kong, while Hong Kong does not fall within the scope of "foreign country" (國外). On November 14, 2021, the Cyberspace Administration of China published the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例（徵求意見稿）》), which reiterates the circumstances under which data processors shall apply for cybersecurity review, including, among others, (i) the data processors who process personal information of at least one million users apply for "foreign" listing (國外上市); and (ii) the data processors' listing in Hong Kong affects or may possibly affect national security. However, it provides no further explanation or interpretation as to how to determine what constitutes "affecting national security", and there remain uncertainties whether we would be subject to the cybersecurity review for the **[REDACTED]** pursuant to such draft measures. As of the Latest Practicable Date, these above two draft measures have not been formally adopted. As of the date of the Document, we have not received any investigation, notice, warning, or sanctions from applicable government authorities in relation to national security. The Group also confirms that, as of the date of the Document, we have not been involved in any investigations on cybersecurity review made by the CAC on the national security basis or any other basis, and has not received any inquiry, notice, warning, or sanctions in such respect. In addition, the operative provisions and anticipated adoption or effective date may be subject to change with substantial uncertainty. We cannot predict the impact of these draft measures, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. Therefore, it remains uncertain whether the proposed measures will be applicable to our business, the **[REDACTED]**, or whether the future regulatory changes would impose additional restrictions on companies like us. In light of the above uncertainties, as of the date of the Document, we had not applied for such cybersecurity review. If the enacted version of these draft measures mandate clearance of cybersecurity review and other specific actions to be completed by companies like us for the **[REDACTED]** or our future capital raising activities, we may face uncertainties as to whether such clearance can be timely obtained, or at all. Failure to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, may prevent us from using certain network products and services and subject us to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, and revoking relevant

business permits or business licenses, among other sanctions. See "Regulatory Overview — Regulations on Cyber Security and Data Protection." As a result, we may be required to upgrade our products and services to comply with such laws and regulations, which may have a material adverse effect on our business operations.

We have adopted various measures, including Board and management supervision and internal management system, to ensure compliance with privacy and data protection regulations. As confirmed by our PRC Legal Advisor, during the Track Record Period and up to the date of the Document, we had not been subject to any material claims, investigations or legal proceedings settled, pending or threatened for any material noncompliance with or violations of applicable PRC laws and regulations with respect to privacy and personal data protection. See "Business — Data Privacy and Personal Information Protection." However, the laws and regulations regarding privacy and data protection in China, as well as other countries, are generally complex and evolving, with uncertainty as to the interpretation and application thereof. As such, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. Additionally, the integrity of our privacy and data protection measures is also subject to system failure, interruption, inadequacy, security breaches or cyber-attacks. If we are unable to comply with the then applicable laws and regulations, or to address any data privacy and protection concerns, such actual or alleged failure could damage our reputation, deter existing and potential customers from using our products and services and could subject us to significant legal, financial and operational consequences.

We have a limited operating history, which makes it difficult to evaluate our business and prospects, and our historical growth may not be indicative of our future performance.

We commenced operations in 2014 and have experienced rapid growth. However, our historical growth may not be indicative of our future performance and we cannot assure you that this level of significant growth will be sustainable or achievable in the future. Our growth prospects should be considered in light of the risks and uncertainties that fast-growing companies with a limited operating history may encounter, including, among others, risks and uncertainties regarding our ability to:

- maintain and upgrade our universal AI infrastructure;
- upgrade our AI software platforms and develop new technologies;
- further commercialize our AI products and services;
- retain existing customers and attract new customers to purchase our products and services;
- expand into new industry verticals and launch new products and services;
- further expand into international markets;

- increase brand awareness through marketing and promotional activities;
- successfully compete with other companies that are currently in, or may in the future enter, the industries and verticals we have entered;
- attract, retain and motivate talented employees, including research and development talents as well as staff with in-depth industry know-how;
- adapt to evolving regulatory environment; and
- defend ourselves against litigation, regulatory, intellectual property, privacy, data protection or other claims.

All of these endeavors involve risks and will require significant research and development expenses, operating expenses and capital expenditures and allocation of valuable management and employee resources. We cannot assure you that we will be able to effectively manage the expansion or growth of our operations and workforce or implement our business strategies effectively. If the markets for our products and services does not develop as we expect or if we fail to address the needs of this dynamic market, our business, results of operations and financial condition may be materially and adversely affected.

If either the growth of AI technology commercialization or the usage of AI and other products and services in industry verticals we focus on does not meet expectation, or if the price or profit margin of our products and services decrease in the future, our business, growth and prospects may be significantly affected.

As we aim to provide standardized AI products and services to more customers in different industries and verticals, we may face challenges brought by demands for highly customizable application software. Whether potential customers accept our products and services depends, to a large extent, on their level of awareness of our product and service offerings and the widespread use of similar products and services. We cannot assure you that the trend of adopting and utilizing such products and services by potential customers will continue in the future. In addition, with the continuous development of AI technology and commercialization of the relevant AI products and services, any potential future decrease in growth of the AI software market or the price and profit margin of our AI products and services could result in material and adverse change to our business, growth and prospects.

Market expansion for AI products and services in China depends on a number of factors, including the growth in the application of AI in enterprise services and city management, the prevalence of smart IoT devices, as well as the performance and perceived value associated with such products and services. If AI products and services do not achieve widespread acceptance, or there is a reduction in demand for such products or services caused by weakening economic conditions, decreases in corporate spending, technical challenges, data security or privacy concerns, governmental regulation, competing technologies and products or services or otherwise, our business, growth prospects and results of operations will be materially and adversely affected.

We had net cash flows used in operating activities during the Track Record Period. If we cannot improve our operating cash flows and if we fail to obtain sufficient capital on acceptable terms and on a continuous basis to fund our operations, our business, financial condition and prospects may be materially and adversely affected.

We experienced significant cash outflow from operating activities during the Track Record Period. We had net cash flows used in operating activities of RMB749.7 million, RMB2,869.4 million, RMB1,228.8 million and RMB830.9 million in 2018, 2019, 2020 and the six months ended June 30, 2021, respectively, primarily due to our significant investments in our research and development efforts to enhance our products and services, and changes in working capital caused by increasing trade and other receivables as our business grows. We plan to continue to invest heavily in our research and development efforts, as well as our sales and marketing efforts, and incur significant capital expenditures. However, it typically takes a long period of time to realize returns on such investments, if at all. As such, we expect to continue to have net cash outflow from operating activities in the near future.

Our negative operating cash flows could adversely affect our operations by reducing the amount of cash available to meet the cash needs for operating our businesses and fund our investments in our business innovation and expansion. We have historically funded our cash requirements principally with capital contribution from shareholders and financing through the issuance of preferred shares in private placement transactions. If our future operating cash flows fails to improve to a level to sufficiently cover our overall cash needs, we will have to rely on external debt or equity financing, and we cannot assure you that we will be able to obtain external financing in amounts or on terms acceptable to us, if at all.

Our ability to obtain additional capital in the future, however, is subject to a number of uncertainties, including those relating to our future business development, financial condition and results of operations, general market conditions for financing activities by companies in our industry and macro-economic and other conditions in China and globally. If we cannot obtain sufficient capital to meet our capital needs, we may not be able to execute our growth strategies, and our business, financial condition and prospects may be materially and adversely affected.

If our expansion into new verticals or attempt to develop new products and services is unsuccessful, our business, prospects and growth momentum may be materially and adversely affected.

Leveraging our AI technologies as well as software and hardware integration capabilities, we are able to provide innovative AI-empowered products and services designed to address diversified needs of our customers across different verticals. We have a track record of successfully expanding into and becoming a leader in new verticals and developing new products and services. We cannot assure you, however, that we will be able to maintain this momentum in the future. Expanding offering categories into areas such as AI sensors and ISP chips, Metaverse offerings, autonomous driving products and cloud services involves new risks and challenges. Our lack of familiarity with new verticals may make it more difficult for us to keep pace with the evolving customer demands

and preferences. In addition, there may be one or more existing market leaders in any vertical that we decide to expand into. Such companies may be able to compete more effectively than us by leveraging their experience in doing business in that market as well as their deeper industry insight and greater brand recognition among customers. We may be required to develop new supply-chain relationships and capabilities. We will need to comply with new laws and regulations applicable to these businesses. Expansion into any new vertical and development of new products and services may place significant strain on our management and resources and incur substantial R&D and other costs and expenses before generating any revenues, and failure to expand successfully could have a material adverse effect on our business and prospects.

We are subject to the risks associated with international trade policies, geopolitics and trade protection measures, and our business, financial condition and results of operations could be adversely affected. One of our subsidiaries, Beijing SenseTime, was added to the U.S. Entity List by the BIS in October 2019, which restricts its ability to purchase or otherwise access certain goods, software and technology.

Our operations may be negatively affected by any deterioration in the political and economic relations among countries and sanctions and export controls administered by the government authorities in the countries in which we operate, and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased duties, taxes and other costs and political instability. Margins on sales of our products and services in certain countries and on sales of products that include components obtained from certain foreign suppliers could be materially and adversely affected by international trade regulations, including duties, tariffs and antidumping penalties. For example, the U.S. government imposed economic and trade sanctions directly or indirectly affecting China-based technology companies. Such laws and regulations are likely subject to frequent changes, and their interpretation and enforcement involves substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are out of our control. Therefore such restrictions, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, may be difficult or costly to comply with and may materially and adversely affect our and our technology partners' abilities to acquire technologies, systems, devices or components that may be critical to our technology infrastructure, service offerings and business operations.

On October 9, 2019, one of our subsidiaries, Beijing SenseTime, was added to the entity list (the "**Entity List**") administered by the U.S. Department of Commerce, Bureau of Industry and Security ("**BIS**"). The addition of this subsidiary to the Entity List (the "**Entity List Addition**") restricts Beijing SenseTime's ability to purchase or otherwise access goods, software and technology (collectively, "**items**") that are subject to the Export Administration Regulations (the "**EAR**") without a license from the BIS. Items subject to the EAR include, among other things, U.S.-origin items, as well as certain items of non-U.S.-origin that contain more than a *de minimis* portion of U.S.-origin controlled content, and non-U.S.-origin items that are the direct product of certain U.S.-origin controlled software or technology. For further information, see "Regulatory Overview — U.S. Export Control Laws and Regulations."

In order to address the EAR-related risks after the Entity List Addition, we have put in place a series of export control compliance measures for the entire Group, in abundance of caution. We have developed and implemented an export control compliance program, focused on screening of suppliers and customers, monitoring and review of items that are subject to the EAR and employee training. For further information, see "Business — U.S. Export Control Laws and Regulations." However, there can be no assurance that our export control compliance measures or program could be strictly followed and implemented, or that the implementation of such export control compliance measures or program would be sufficient for us to address concerns under the EAR.

Our relationships with suppliers may evolve in the future, and there can be no assurance that we will maintain our access to all items that are necessary to our business. Furthermore, as technologies continue to advance, third parties may offer new technologies or products that could enhance our technology infrastructure or AI products and services. To the extent that such new technologies or products are subject to the EAR, Beijing SenseTime would not be able to access them if it remains on the Entity List by then. There can be no assurance that we would be able to identify alternative supply chain arrangements to access similar technologies or products of the same quality at similar cost, and we may encounter increased supplier scrutiny due to the Entity List Addition. As such, if our subsidiary remains on the Entity List on a prolonged basis, we may not be able to compete effectively in certain business lines, and our business, results of operations and financial condition could be materially and adversely affected.

If, in addition to Beijing SenseTime, other subsidiaries of our Group, or if the entire Group were to become targeted under sanctions and/or export control restrictions, this may also result in significant interruptions of our business, regulatory investigations and reputational harm to us.

We had a concentration of customers during the Track Record Period.

For the years ended December 31, 2018, 2019, 2020 and the six months ended June 30, 2021, the percentage of our revenue attributable to our largest customer amounted to 8.7%, 7.7%, 11.9% and 22.9%, respectively, while the percentage of our revenue attributable our five largest customers for the years ended December 31, 2018, 2019, 2020 and the six months ended June 30, 2021 amounted to 28.4%, 26.3%, 31.4% and 59.3%, respectively.

We cannot assure you that there will not be any dispute between our major customers and us, or that we will be able to maintain business relationships with our existing customers. As a substantial amount of revenues were generated from a relatively small number of major customers during the Track Record Period, in the event that the existing major customers cease to engage our service, and we are unable to find new customers with similar attributable revenue within a reasonable period of time or at all, our business and profitability may be adversely affected. In addition, if any of such customers default or delay on their payment or settlement of our trade and other receivables, our liquidity, financial condition and results of operations may be adversely affected.

We are subject to credit risk related to delay in payment and defaults of customers, and we have incurred significant impairment losses in the past. Any significant delay in payment or default on our receivables could materially and adversely affect our liquidity, financial condition and results of operations.

We are exposed to credit risk related to delay in payment and defaults of our various customers. As of December 31, 2018, 2019, 2020 and June 30, 2021, our trade receivables amounted to RMB1,331.6 million, RMB2,614.9 million, RMB3,748.4 million and RMB3,926.2 million, respectively, and our balance of provision for impairment of trade receivables amounted to RMB102.0 million, RMB211.6 million, RMB609.8 million and RMB784.8 million, respectively, while our other receivables amounted to RMB114.5 million, RMB2,248.4 million, RMB1,318.7 million and RMB880.2 million, respectively, and our balance of provision for impairment of other receivables amounted to RMB3.6 million, RMB164.3 million, RMB244.9 million and RMB259.3 million, respectively. We may not be able to collect all such trade and other receivables due to a variety of factors that are outside of our control, including long payment cycle of public sector customers, adverse operating conditions or financial situation of customers, and customers' inability to pay caused by their end users' delay in payment. Specifically, a significant portion of our revenue is derived from the public sector, which typically features a long payment cycle as required by their internal financial management and payment approval processes. The COVID-19 pandemic also negatively affected the budget and liquidity of our customers, resulting in the further increase in trade receivables. While revenue from Smart City significantly increased in 2019 both in absolute amount and as percentage of the total revenue, the collection of which was more heavily impacted by the COVID-19 pandemic in 2020, when city administrators focused on containing and combating the COVID-19 pandemic and diverted their budget accordingly. Our net trade receivables from Smart City, defined as the net trade receivables from customers whose primary source of revenue throughout the Track Record Period was from Smart City, were RMB491.2 million, RMB1,303.6 million, RMB2,113.9 million and RMB2,164.7 million, as of December 31, 2018, 2019, 2020, and June 30, 2021, respectively. Our net trade receivables from non-Smart City revenue streams, defined as the remaining net trade receivables, were RMB738.4 million, RMB1,099.7 million, RMB1,024.7 million and RMB976.7 million as of the same dates, respectively. If any of our customers experience financial difficulties in settling the trade and other receivables, or if the relationship between us and any of our customers is terminated or deteriorates, our corresponding trade and other receivables might be adversely affected in terms of recoverability.

As the increase of the amount of provisions made on our trade and other receivables are recorded as expenses on our results of operations, if we are not able to manage the credit risk associated with our trade and other receivables effectively, our results of operations may be materially and adversely affected. Furthermore, substantial defaults or delays by our customers could materially and adversely affect our cash flow and we may have to terminate our relationships with such customers.

We entered into strategic partnerships with certain business partners for joint research and development projects and other initiatives. The termination of any collaboration with our business partners may adversely affect our operations, revenue and profitability.

We entered into strategic partnerships with certain business partners for joint research and development projects and other initiatives. There can be no assurance that our business partners will continue to collaborate with us on commercially reasonable terms or at all. We also cannot assure you that we will be able to establish new business partner relationships, or extend existing relationships with our business partners when our agreements with them expire. Furthermore, certain of our agreements with our business partners may be terminated at will prior to their specified termination dates, our business partners may alter the contract terms previously agreed between us, and our business partners are under no obligation to continue our collaboration. If we are unable to maintain our relationships with our key business partners, or any of our collaboration with our key business partners are terminated, our operations, revenue and profitability could be materially and adversely affected.

We have been and intend to continue investing significantly in research and development, which may negatively impact our profitability and operating cash flow in the short-term and may not generate the results we expect to achieve.

We have been investing heavily in our research and development efforts. Our research and development expenses increased from RMB848.7 million in 2018 to RMB1,916.0 million in 2019 and further increased to RMB2,453.9 million in 2020, representing 45.9%, 63.3% and 71.3% of our revenues in 2018, 2019 and 2020, respectively. Our research and development expenses increased from RMB1,219.5 million in the six months ended June 30, 2020 to RMB1,771.7 million in the same period of 2021, representing 141.6% and 107.3%, respectively, of our revenue during such periods. The industries in which we operate are subject to rapid technological changes and are evolving quickly in terms of technological innovation. We need to invest significant resources, including financial resources, in research and development to make technological advances in order to expand our offerings and make our products and services innovative and competitive in the market. As a result, we expect that our research and development expenses will continue to increase significantly.

However, our expenditures on research and development may not generate corresponding benefits. Development activities are inherently uncertain, and we may not be able to obtain and retain sufficient resources including qualified research and development personnel. Even if we succeed in our research and development efforts and generate the results we expect, we may still encounter practical difficulties in commercializing our development results. Given the fast pace with which the AI-related technology has been and will continue to be developed, we may not be able to timely upgrade our technologies in an efficient and cost-effective manner, or at all. New technologies in the AI industry could render our technologies, our technological infrastructure or products and services that we are developing or expect to develop in the future obsolete or unattractive, thereby limiting our ability to recover related product development costs, which could result in a decline in our revenues, profitability and market share.

We expect to incur significant capital expenditures for our business operations and expansion plans, which may adversely affect our short-term cash flow, liquidity and profitability.

We expect to incur significant capital expenditures for investing in our AI infrastructure to enhance our AI model mass production capabilities, especially for our potential expansion into more industry verticals. We are in the process of building our Shanghai Lingang AIDC which is an integral part of our overall AI infrastructure and requires significant capital expenditure. Inherent risk exists for such significant capital expenditures as our investment may not succeed or generate the benefits that we expect, which could materially affect our profitability. Even if we achieve our goals for such investment, our short-term cash flow and liquidity may be adversely affected. While we intend to explore alternative arrangements to reduce the capital intensity of any future expansion, there is no assurance this will be successful.

We launched our AI infrastructure to enrich our offerings and to more efficiently serve our customers. However, our efforts to continue to improve and optimize our AI infrastructure may not succeed. The markets for certain of our offerings remain relatively new, and it is uncertain whether our efforts, and related investments, will ever result in significant revenue for us. Further, the introduction of significant technology changes and upgrades and introduction of new products and services may not be successful, and early-stage interest and adoption of such new products and services may not result in long-term success or significant revenue for us.

The discontinuation of any of the government subsidies currently available to us could adversely affect our business, financial condition, results of operations and prospects.

As with many other Chinese companies, we also benefit from government subsidies. We recognized government grants of RMB206.7 million, RMB248.9 million, RMB352.8 million and RMB117.4 million in other income in 2018, 2019, 2020, and the six months ended June 30, 2021, respectively. However, the timing, amount and conditions of government subsidies are within the sole discretion of the governmental authorities. In addition, there can be no assurance that we could fully satisfy these conditions, and it is possible that such governmental authorities may stop providing subsidies to us, or require us to repay part or all of the government subsidies we previously received. Any reduction, elimination, repayment or other negative trend in government subsidies resulting from our failure to meet such conditions could adversely affect our business, financial condition, results of operations and prospects.

Our and our business partners' business operations have been adversely affected by the COVID-19 pandemic, and may in the future continue to be affected by the COVID-19 pandemic.

On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the novel coronavirus disease 2019, or COVID-19, outbreak a public health emergency of international concern, and on March 11, 2020 the World Health Organization declared the global COVID-19 outbreak a pandemic. The COVID-19 virus continues to spread rapidly worldwide, including where our customers, suppliers and other business partners are located

and where we have business operations. During the COVID-19 pandemic, government authorities around the world have ordered businesses to close and people to remain at home while imposing significant restrictions on traveling and social gatherings. Our customers and suppliers are also affected by COVID-19 related restrictions and closures. These measures have impacted, and may further impact, our workforce and operations, the operations of our customers and suppliers and other business partners. There continues to be significant uncertainties associated with the COVID-19 pandemic, including with respect to the ultimate spread of the virus, the severity of the disease, the duration of the outbreak, the possibility of successive waves of outbreaks, further actions that may be taken by governmental authorities around the world to contain the virus or to treat its impact, and the scope and length of the resulting economic downturn.

Furthermore, we may in the future experience additional disruptions that could materially and adversely impact our business operations, financial condition and results of operations, including but not limited to:

- decrease in number of customers;
- decrease in demand for our products and services;
- delays in the timing of purchasing decisions and sales and implementation cycles of our products and services by our existing or prospective customers;
- inefficiencies, delays and additional costs in our product development, sales, marketing and customer service efforts;
- service interruptions or impaired software performance due to failures of or delays in our software or resources in light of increasing usage of our cloud services;
- delays or failure to collect receivables from our customers impacted by the COVID-19 pandemic;
- negative impact on the operation of other third parties, including but not limited to suppliers, commercial banks, regulatory authorities and financial intermediaries, which may indirectly have a negative impact on our business and the capital market environment;
- the possibility that one or more clusters of COVID-19 cases could occur at one of our locations, affecting our employees or employees of our customers or other third parties on which we depend; and
- challenges to our systems supporting our remote workforce, due to the higher demand of such systems and the related software and hardware to support such remote working conditions.

Failure to contain the spread of COVID-19 will adversely affect the general economic conditions. In addition, while the potential impact and duration of the COVID-19 pandemic on the global economy and our business in particular may be difficult to assess or predict, the pandemic has resulted in, and may continue to result in, significant disruption of global financial markets, which may reduce our ability to access capital or our customers' ability to pay us for past or future purchases, which could negatively affect our liquidity. There is no guarantee that the prolonged pandemic will not affect the demands for our products and services in the future. For example, the prolonged COVID-19 pandemic could result in city administrators focusing on containing and combating the pandemic which diverts their budget and affects their annual budget planning accordingly. Such potential decrease in demand for our products and services may adversely affect our business operations, financial performance and liquidity position. In addition, a recession or financial market correction resulting from the spread of COVID-19 could decrease overall technology spending, adversely affecting demand for our products and services, our business and the value of our Shares.

The global pandemic of COVID-19 continues to evolve rapidly, and we will continue to monitor the COVID-19 situation closely. The ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. The extent of the impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute our business strategies and initiatives, will depend on future developments, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the disease or treat its impact, related restrictions on travel, and the duration, timing and severity of the impact on customer spending, including any recession resulting from the pandemic, all of which are uncertain and cannot be predicted. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also heighten other risks described in this "Risk Factors" section.

Our sales efforts involve considerable time and expense. If we are not successful in executing our strategy to expand our customer base or to increase sales to existing customers, our results of operations may suffer.

Our results of operations may fluctuate, in part, because of the intensive nature of our sales efforts and the length and unpredictability of our sales cycle. As part of our sales efforts, we invest considerable time and expense evaluating the specific needs of our potential customers and educating these potential customers about the technical capabilities and value of our products and services. We sometimes provide our platforms to potential customers at no or low cost initially for evaluation purposes through short-term pilot deployments, and there is no guarantee that we will be able to retain these potential customers. The length of our sales cycle, from initial demonstration to sale of our products and services, varies substantially from customer to customer and could be long in some cases. In addition, our results of operations can also be affected by the tendency of some of our customers to wait until the end of a fiscal period in the hope of obtaining more favorable terms, which can also impede our ability to negotiate, execute and deliver upon these contracts in a timely manner, and affect our ability to provide accurate forecast of our financial results.

Our results of operations depend to a large extent on sales to government and enterprise customers, which make product purchasing decisions based in part or entirely on factors, or perceived factors, not directly related to the features of our products and services, including, among others, that customer's projections of business growth, uncertainty about economic conditions

(including as a result of the COVID-19 pandemic), capital budgets, anticipated cost savings from the implementation of our platforms, potential preference for such customer's internally-developed software, perceptions about our business and platforms, more favorable terms offered by potential competitors, and previous technology investments. In addition, certain decision makers and other stakeholders within our potential customers tend to have vested interests in the continued use of internally developed or existing software, which may make it more difficult for us to sell our products and services to them. As a result of these and other factors, our sales efforts typically require an extensive effort throughout a customer's organization, a significant investment of human resources, expense and time, including by our senior management, and there can be no assurances that we will be successful in making a sale to a potential customer. If our sales efforts to a potential customer do not result in sufficient revenue to justify our investments, our business, financial condition, and results of operations could be adversely affected.

Our international business is subject to various risks and uncertainties. If we are unable to manage the risks presented by our expansion in international markets, our financial results and future prospects may be adversely impacted.

Our international business accounted for a substantial portion of our revenues. We expect to expand further into international markets, and may subject ourselves to the following risks:

- challenges in providing products, services and support, in recruiting personnel in international markets, and in managing sales channels and distribution networks effectively;

- revenue fluctuation from period to period in the future due to unfavorable market conditions, intensified competition, unattractive products and services, downward pressure on our selling price and any other inherent risks associated with our international business operations;

- challenges in commercializing our products in new markets where we have limited experience with the local market dynamics and no existing or developed sales, distribution and marketing infrastructure;

- difficulties in dealing with regulatory regimes, regulatory bodies and government policies with which we may be unfamiliar, in order to obtain permits, licenses and approvals necessary to manufacture or import, market and sell products in or to various jurisdictions;

- potentially reduced protection for our intellectual property rights and potential breach of third-party intellectual rights;

- differences in accounting treatment in different jurisdictions, potential adverse tax implications and foreign exchange losses;

- inability to effectively enforce contractual or legal rights; and

- changes in laws, regulations and policies as well as political, economic and market instability or civil unrest in the relevant jurisdictions.

If we are unable to effectively avoid or mitigate these risks, our ability to expand in international markets will be impaired, or our international business may not be able to achieve or sustain profitability, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Unauthorized use of our intellectual properties by third parties may harm our brand and reputation and materially and adversely affect our business, and we may incur substantial expenses to protect our intellectual property rights.

We regard our patents, copyrights, trademarks and other intellectual properties as critical to our success. We rely on a combination of patent, trademark and copyright laws, trade secrets protection, restrictions on disclosure and other agreements that restrict the use of our intellectual properties to protect these rights. For details, see "Business — Intellectual Property."

Our business partners may not always comply with our contract terms prohibiting the unauthorized use of our brands, images, characters and other intellectual property rights. The agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, third parties may independently discover trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties.

In addition, our competitors and other third parties may register trademarks or apply for patents that are similar to ours, and may divert potential customers from us to them. Preventing such unfair competition activities is inherently difficult. If we are unable to prevent such activities, competitors and other third parties may drive potential customers away from our platforms, which could harm our reputation and materially and adversely affect our results of operations.

Implementation of intellectual property laws in China has been developing. Policing unauthorized use of our proprietary technology, trademarks and other intellectual property is difficult and expensive, and litigation may be necessary to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our resources and could disrupt our business, as well as materially and adversely affect our financial condition and results of operations.

A substantial portion of our business depends on sales to the public sector. Uncertainties and changes in government policies in respect of, and government spending on, the AI-related products and services may negatively affect our business, financial condition and results of operations.

During the Track Record Period, we generated 28.6%, 41.9%, 39.7% and 47.6% of our revenues from our Smart City business in 2018, 2019, 2020 and the six months ended June 30, 2021,

respectively. However, government spending is subject to changes that are beyond our control, such as the future growth of urban population or changes in government's fiscal policy. If government spending that relates to our business does not continue to grow or remain at the current level, the business, results of operations, financial condition and prospects of our business could be materially and adversely affected.

Sales to the public sector can be expensive, and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. Accordingly, our business, financial condition, results of operations, and growth prospects may be adversely affected by certain events or activities, including, but not limited to:

- Changes in fiscal or procurement procedures or decreases in available government funding;
- Changes in policy or priorities and resultant funding;
- Changes in the government's assessment of the capabilities that we offer;
- Appeals, disputes, or litigation relating to government procurement, including but not limited to bid protests by unsuccessful bidders on potential or actual awards of contracts to us or our partners by the government;
- Additional selection processes administered by the system integrators engaged;
- The adoption of new laws or regulations or changes to existing laws or regulations;
- Budgetary constraints, including constraints imposed by any lapses in appropriations for the governments or certain of their departments and agencies;
- Influence by, or competition from, third parties with respect to pending, new, or existing contracts with government customers; and
- Potential delays or changes in the government appropriations or procurement processes, including as a result of events such as incidents of natural disasters and public health concerns or epidemics, such as the recent coronavirus outbreak.

Any such event or activity, among others, could cause governments and public sector customers to delay or refrain from purchasing our products and services in the future, reduce the size or payment amounts of purchases from existing or new government or public sector customers or end users, or otherwise have an adverse effect on our business, results of operations, financial condition, and prospects.

If we are not successful in maintaining and expanding the compatibility of our products and services with third-party products and services, our business, financial condition, and results of operations could be adversely impacted.

The competitive position of our products and services depends in part on their ability to operate with products and services of third parties. We intend to facilitate the compatibility of our platforms with various third-party hardware, software, and infrastructure by maintaining and expanding our business and technical relationships.

In recent years, smart devices including mobile phones, tablets, wearable devices and other IoT devices have gained increasing popularity. We expect this trend of technology development to continue as more advanced mobile communications technologies are broadly implemented. IT systems deployed by enterprises are also diversified and vary from each other. As such, we must continuously modify and enhance our products and services, including our software platforms, sensors and chips, to adapt to changes in hardware, software, networking, browser, and database technologies.

As we make our services available across a variety of IT systems and devices, we depend on the compatibility of our services with mainstream devices and IT systems that we do not control. For example, if a third-party were to develop software or services that compete with ours, that provider may choose not to support one or more of our platforms. In addition, in the future, one or more technology companies may choose not to support the operation of their hardware, software, or infrastructure that our platforms are compatible with, or our platforms may not support the capabilities needed to operate with such hardware, software, or infrastructure.

Any changes to technologies used in our products and services to existing features that we rely on, or to IT systems which make it difficult for our customers or end users to access our products or services, may make it more difficult for us to maintain or increase our revenues. As a result, our business, financial condition, and results of operations could be adversely impacted.

Our business depends substantially on the continuing efforts of our talent pool comprising employees or scientists that supports our existing operations and future growth. If we are unable to retain, attract, recruit or train such personnel, our business may be materially and adversely affected.

Our success depends on our ability to attract, recruit and train a large number of qualified employees and retain existing key personnel including renowned scientists. In particular, we rely on our research and development team to develop our advanced algorithms and technologies and our experienced sales personnel to maintain relationship with our customers. In order to compete for talent, we may need to offer higher compensation, better training and more attractive career opportunities and other benefits to our employees, which may be costly. We cannot assure you that we will be able to attract or retain a qualified workforce necessary to support our future growth. Furthermore, any disputes between us and our employees or any labor-related regulatory or legal proceedings may divert management and financial resources, negatively impact staff morale, reduce

our productivity, or harm our reputation and future recruiting efforts. In addition, our ability to train and integrate new employees into our operations may not meet the demands of our growing business. Any of the above issues related to our workforce may materially and adversely affect our operations and future growth.

Rumors or negative publicity involving our Company, products and services, management, customers, business partners or the AI industry in general, may materially and adversely affect our reputation, business, results of operations and prospects.

We and several companies in our industry in China have received a high degree of negative media coverage or citation by pressure groups around the world concerning our products and services, customers and business practices. Negative publicity or citation involving our industry, our Company, our products and services, our management, our customers or our business partners may materially and adversely harm our business and reputation. However, we cannot preclude media reports of similar nature being made in the future, nor can we assure you that we will be able to defuse such negative publicity or citation to the satisfaction of our investors, customers and business partners or prevent related misconception and other damages caused by such reports. We may have to incur significant expenses and divert our management's time and attention in order to remedy the effects of these negative reports, which may materially and adversely affect our results of operations.

Our business is dependent on the strengths and market acceptance of our brands, including SenseTime. If we fail to maintain and enhance our brands, or if we incur excessive expenses in this effort, our business, results of operations and prospects may be materially and adversely affected.

Our business and financial performance depends on the strength and the market acceptance of our brands. We have established a strong brand name and reputation for our products and services, especially in China. Any loss of trust in our products and services could harm the value of our brands, which could materially reduce our revenue and gross margin.

From time to time, we participate in offline events, such as industry conferences, product launches and industry salons, and work with media or search engine companies to associate our brands and reputation with technology or to promote our new products and services, which may cause us to substantially increase our marketing expenditures. However, we cannot assure you that these activities will be successful or that we will be able to achieve the promotional effect we expect.

If we are unable to maintain our reputation, enhance our brand recognition or promote our products and services, or if we incur excessive expenses in this effort, our business and growth prospects may be materially and adversely affected.

Confidentiality agreements and non-compete covenants with employees and other third parties may not adequately prevent disclosure of trade secrets and other proprietary information.

We have devoted substantial resources to the development of our technology and knowhow. Although we enter into employment agreements with confidentiality, non-compete covenants and intellectual property ownership clauses with our employees, certain consultants and advisors, we cannot assure you that these agreements will not be breached, that we will have adequate remedies for any breach in time or at all, or that our proprietary technology, know-how or other intellectual property will not otherwise become known to third parties. In addition, others may independently discover trade secrets and proprietary information, limiting our ability to assert any proprietary rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive position.

Any failure to offer high-quality maintenance and support services for our customers or end users may harm our relationships with them and, consequently, our business.

As we continue to grow our operations and support our customer base, we need to be able to continue to provide efficient support and effective maintenance that meets our customers' needs at scale. We may not be able to recruit or retain sufficient qualified support personnel with experiences in supporting customers and end users of our products and services. As a result, we may be unable to respond quickly enough to accommodate short-term increases in customer and end user demand for technical support or maintenance assistance. We also may be unable to modify the future scope and delivery of our maintenance services and technical support to compete with changes in the technical services provided by our competitors.

If we experience increased customer and end user demand for support and maintenance, we may face increased costs that may harm our results of operations. If we are unable to provide efficient customer and end user maintenance and support, our business may be harmed. Our ability to attract new customers is highly dependent on our business reputation and on positive recommendations from our existing customers and end users. Any failure to maintain high-quality maintenance and support services or a market perception that we do not maintain high-quality maintenance and support services for our customers and end users, would harm our business.

Our policy allows products with defects to be returned and exchanged by our customers within the warranty period. In addition, we typically offer a limited warranty for our products. If we experience any deterioration in the quality of our products, we will incur higher costs associated with returns, exchanges and warranties. We may also be required by law to adopt new or amend existing return, exchange and warranty policies from time to time. While these policies improve customer experience and promote customer loyalty, which may in turn help us acquire and retain customer, they also subject us to additional costs and expenses which we may not recoup through increased revenue. We cannot assure you that our return, exchange and warranty policy will not be misused by our customers, which may significantly increase our costs and may materially and adversely affect our business and results of operations. If we revise these policies to reduce our costs

and expenses, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new users at a desirable pace, which may materially and adversely affect our results of operations.

Our results of operations, financial condition and prospects may be adversely affected by fair value changes of our preferred shares and other financial liabilities and valuation uncertainty due to the use of unobservable inputs that require judgment and assumptions which are inherently uncertain.

In 2018, 2019 and 2020 and the first half of 2021, we realized net fair value losses of preferred shares and other financial liabilities of RMB3,182.0 million, RMB3,681.5 million, RMB10,563.6 million and RMB1,713.6 million, respectively. We use significant unobservable inputs, such as expected volatility, discount for lack of marketability and discount rate, in valuing such preferred shares and other financial liabilities. The fair value change of preferred shares and other financial liabilities may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. We had no other financial liabilities as of June 30, 2021, but we expect to recognize additional loss from the fair value changes of our preferred shares after June 30, 2021 to the **[REDACTED]**. After the automatic conversion of the preferred shares into Shares upon **[REDACTED]**, which will result in a net asset position, we do not expect to recognize any further loss or gain on fair value changes of preferred shares in the future.

We face risks associated with our investments, including exposure to fair value changes of financial assets at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs that require judgement and assumptions which are inherently uncertain.

We currently invest a portion of our capital in investments. During the Track Record Period, we had invested in debt, equity and structured deposits and may, from time to time, invest in such products in the future. As of June 30, 2021, our financial assets at fair value through profit or loss amounted to RMB6,687.0 million, including structured deposits of RMB2,186.4 million, representing approximately 20.7% of our total assets. We use significant unobservable inputs, such as expected volatility, discount for lack of marketability, risk-free rate and expected rate of return, in valuing such financial assets. The fair value change of financial assets at fair value through profit or loss may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such financial assets. These factors include, but are not limited to, general economic condition, changes in market interest rates and the stability of capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition. In addition, the process for determining whether an impairment of financial asset is other-than-temporary usually requires complex and subjective judgments, which could subsequently prove to have been wrong.

Furthermore, our investments may earn yields substantially lower than anticipated, and the fair values of our investments may fluctuate significantly, which contribute to the uncertainties in

valuation. Any failure to realize the benefits we expected from these investments may materially and adversely affect our business and financial results. We had aggregated net fair value gains on financial assets at fair value through profit or loss, which were mainly our debt and minority equity investment in certain entities and funds, of RMB70.5 million, RMB170.7 million and RMB147.9 million in 2018 and 2020 and the six months ended June 30, 2021, respectively. We had net fair value losses on financial assets at fair value through profit or loss of RMB118.1 million in 2019. Any change in securities prices and market conditions could lead to volatility in the fair values of our financial assets at fair value through profit or loss, which could further impact our financial condition and results of operations and may also impact our ability to dispose of these financial instruments at favorable prices.

Our investments or acquisitions may have a material adverse effect on our business, reputation, financial condition and results of operations.

We have invested in certain businesses in recent years, and we expect to continue to evaluate and consider a wide array of investments and acquisitions that we believe can extend and solidify our market-leading position as part of our overall business strategy. We may be engaged in discussions or negotiations with respect to one or more of these types of transactions. These transactions involve significant challenges and risks, including:

- difficulties integrating into our operations the personnel, operations, products and services;
- robustness of technology, internal controls and financial reporting of companies we acquire;
- disrupting our ongoing business, distracting our management and employees and increasing our expenses;
- losing established client relationships of the businesses we invest in or acquire;
- for investments over which we do not obtain management and operational control, we may lack influence over the controlling partner or shareholder, which may prevent us from achieving our strategic goals in such investment;
- new regulatory requirements and compliance risks that we become subject to as a result of acquisitions in new industries or otherwise;
- actual or alleged misconduct or non-compliance by any company we acquire or invest in (or by its affiliates) that occurred prior to our acquisition or investment, which may lead to negative publicity, government inquiry or investigations against such company or against us;

- unforeseen or hidden liabilities or costs that may adversely affect us following our acquisition of such targets;

- regulations including the anti-monopoly and competition laws, rules and regulations of the PRC and other countries in connection with any proposed investments and acquisitions;

- the risk that any of our pending or other future proposed acquisitions does not close;

- the costs of identifying and consummating investments and acquisitions;

- the use of substantial amounts of cash and potentially dilutive issuances of equity securities;

- significant reduction of the value of our investments at fair value through profit or loss; and

- challenges in achieving the expected benefits of synergies and growth opportunities in connection with these acquisitions and investments.

Any such developments described above could disrupt our existing business and have a material adverse effect on our business, reputation, financial condition and results of operations.

We may fail to effectively implement our future expansion and acquisition plans. Even if we succeed in such attempts, our investments or acquisitions may have a material adverse effect on our business, reputation, financial condition and results of operations.

We may grow our business through organic growth, and investments in and/or acquisitions of companies that are complementary to our business in the future. Our ability to grow through acquisition depends upon our ability to identify, negotiate, and complete suitable acquisitions and to obtain any necessary financing for such acquisitions. We have limited experience in acquisitions. We may not be able to identify appropriate potential acquisition targets, and even if we were able to do so, we may not be able to successfully execute any proposed acquisitions. If we undertake such acquisition but fail to either complete the acquisition or integrate the acquired businesses successfully into our existing operations, our share price, business, financial condition, results of operations and prospects may be materially and adversely affected.

We have invested in certain businesses in recent years, and we expect to continue to evaluate and consider a wide array of investments and acquisitions that we believe can extend and solidify our market-leading position as part of our overall business strategy. We may be engaged in discussions or negotiations with respect to one or more of these types of transactions. See "Future Plans and Use of **[REDACTED]** — Use of **[REDACTED]** — Potential Strategic Investment and Acquisition Opportunities."

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

The value of Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from governmental policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system and we cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. governmental policies may impact the exchange rate between Renminbi and the U.S. dollar in the future.

We are primarily exposed to changes in RMB/USD exchange rates. In 2018 and 2019, we had net foreign exchange losses of RMB38.6 million and RMB16.8 million, respectively, and in 2020 and the first half of 2021, we had net foreign exchange gains of RMB407.5 million and RMB63.1 million, respectively, as a result of foreign exchange gains/losses on translation of foreign currency denominated cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables.

The **[REDACTED]** from the **[REDACTED]** will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in the decrease in the value of our **[REDACTED]** from the **[REDACTED]**. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to complete filings with and obtain approvals from SAFE or its local counterparts or qualified banks, as applicable, before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

Failure to fulfil our obligations in respect of contract liabilities could materially and adversely affect our results of operation, liquidity and financial position.

Our contract liabilities represent our obligations to provide the contracted products and services to customers. Our contract liabilities mainly arise from the advance payment made by customers while the underlying products and services are not yet to be provided. As of December 31, 2018, 2019 and 2020 and June 30, 2021, we had contract liabilities of approximately RMB70.2 million, RMB152.9 million, RMB253.4 million and RMB157.8 million, respectively. For further details, see "Financial Information — Discussion of Certain Key Balance Sheet Items — Contract Liabilities." There is no assurance that we will be able to fulfil our obligations in respect of contract liabilities. If we are not able to fulfil our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to return the

advance payment made by our customers. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

Our technology infrastructure may experience unexpected system failure, interruption, inadequacy, security breaches or cyber-attacks. Our reputation, business and results of operations may be harmed by service disruptions or by our failure to timely and effectively scale up and adapt our existing technology and infrastructure.

Our technology infrastructure may encounter disruptions or other outages caused by problems or defects in our own technologies and systems, such as malfunctions in software or network overload, and by damages from fires, floods, earthquakes and other natural disasters, telecommunication failures, power loss, human error or other accidents. Our infrastructure and systems may be breached if any vulnerabilities therein are exploited by unauthorized third parties. We cannot assure you that any applicable recovery system, security protocol, network protection mechanisms or other defense procedures are, or will be, adequate to prevent such network or service interruptions, system failures or data losses. Despite any precautionary measures we may take, the occurrence of unanticipated problems that affect our technology infrastructure could result in interruptions in the availability of our products and services. It may be difficult for us to respond to such interruptions in a timely manner, or at all.

Any such disruption or inadequacy that causes interruptions to our operations, or failure to maintain the network and server or solve such problems in a timely manner, could affect the ability of customers to use our cloud-based products and services and reduce our customer satisfaction. An actual or perceived attack or security breach may damage our reputation and brand, expose us to risks of potential litigation and liabilities, and require us to expend significant capital and other resources to alleviate problems caused by such attacks or security breaches. As a result, our reputation, business and financial condition could be adversely affected.

If we fail to obtain and maintain the requisite licenses and approvals required in any jurisdiction where we operate our business, our business, financial condition and results of operations may be materially and adversely affected.

The industries we operate in are highly regulated. For example, under the current PRC regulatory scheme, a number of governmental authorities, including but not limited to the SAMR, MIIT, MPS, MOFCOM, NDRC, CAC and NMPA, jointly regulate major aspects of our industries. We are also required to obtain and maintain the requisite licenses and approvals required in other jurisdictions where we operate our business.

As confirmed by our PRC Legal Advisor, as of the Latest Practicable Date, we had obtained all the licenses and made all the filings with competent governmental authorities in all material aspects that are essential to the operation of our business in China. However, we cannot assure you that we can successfully update or renew the licenses required for our business in a timely manner or that these licenses are sufficient to conduct all of our present or future business. Considerable uncertainties exist regarding the interpretation and implementation of existing and future laws,

regulations and policies governing our business activities. We cannot assure you that we will not be found in violation of any future laws, regulations and policies or any of the laws, regulations and policies currently in effect due to changes in the relevant authorities' interpretation of these laws, regulations and policies. If we fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings in any of the jurisdiction where we operate our business, we may be subject to various penalties, such as confiscation of the revenue that were generated through the unlicensed internet or mobile activities, the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations. For further details on the requisite licenses and approvals for our business operations, see "Regulatory Overview."

We may be subject to product liability claims if our products or services contain defects. We could incur significant expenses to remediate such defects, as a result, our reputation could be damaged and we could lose market shares, and our financial condition and results of operations may be negatively affected.

Products and services within the industry, such as those we develop, may contain errors, defects, security vulnerabilities or software issues that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Despite internal testing, our products and services may contain serious errors or defects, security vulnerabilities or software issues which we are unable to successfully correct in a timely manner or at all, which could result in revenue loss, significant expenditures of capital, a delay or loss in market acceptance and damage to our reputation and brand, any of which could have an adverse effect on our business, reputation, financial condition, and results of operations.

Given that many of our customers use our products and services in processes that are critical to their businesses, any error, defect, security vulnerability, service interruption or software issue in our products and services could result in losses to our customers. Our customers may seek significant compensation from us for any losses they suffer or cease conducting business with us altogether. Further, our customers may share information about their negative experiences on social media, which could damage our reputation and result in a loss of future sales. We cannot assure you that provisions limiting our exposure to claims, which we typically include in agreements with our customers, would be enforceable, adequate, or would otherwise protect us from liabilities or damages with respect to any particular claim. Even if unsuccessful, a claim brought against us by any of our customers would likely be time-consuming, costly to defend and may have a material adverse impact on our reputation and brand, making it harder for us to sell our products and services.

We may be subject to intellectual property infringement claims, which could be time-consuming or costly to defend and may result in diversion of our financial and management resources.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, copyrights, patents, know-how, trade secrets or other intellectual property rights held by third parties without our awareness. We have not been subject to material proceedings and claims pending or threatened against us relating to the intellectual property

rights of others, yet we may from time to time be subject to such proceedings and claims in the future. We cannot assure you that holders of patents or other intellectual property rights purportedly relating to some aspect of our technology infrastructure or business, if any such holders exist, would not seek to enforce such patents or other intellectual property rights against us in mainland China, the United States or any other jurisdictions. Further, the application and interpretation of China's laws relating to patents and other intellectual property rights and the procedures and standards for granting such patents or other intellectual property rights in China are still evolving and uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. As we face increasing competition from other competitors in China, there may be a higher risk for us to be subject to intellectual property infringement claims or other legal proceedings. We may incur additional costs in monitoring and detecting potential infringement.

If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. Defending against any infringement or licensing allegations and claims can be costly and time consuming and may divert management's time and other resources from our business and operations, and the outcome of many of these claims and proceedings cannot be predicted. If a judgment, a fine or a settlement involving a payment of a material sum of money were to occur, or injunctive relief were issued against us, it may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, and our business, financial position, results of operations, prospects and reputation could be materially and adversely affected.

We may be involved in legal proceedings and commercial disputes, which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to claims and various legal and administrative proceedings, and, as a result, penalties that have arisen in the ordinary course of business, and new claims may arise in the future. In addition, agreements entered into by us may include indemnification provisions which may subject us to costs and damages in the event of a claim against an indemnified third party.

We have also been, and may continue to be, subject to various intellectual property infringement or misappropriation claims, see "Risk Factors — We may be subject to intellectual property infringement claims, which could be time-consuming or costly to defend and may result in diversion of our financial and management resources."

Regardless of the merit of particular claims, legal and administrative proceedings, such as litigations, injunctions and governmental investigations, may be expensive, time-consuming or disruptive to our operations and distracting to management. In recognition of these considerations, we may enter into new or further licensing agreements or other arrangements to settle litigation and resolve such disputes. No assurance can be given that such agreements can be obtained on acceptable terms or that litigation will not occur. These agreements may also significantly increase our operating expenses.

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations in the jurisdictions where we operate. We may be subject to investigations and proceedings by governmental authorities for alleged infringements of these laws if our compliance processes or internal control systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial conditions and results of operations. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial condition and results of operations. Given the uncertainty, complexity and scope of many of these litigation matters, their outcome generally cannot be predicted with a reasonable degree of certainty. Therefore, our provision for such matters may be inadequate.

Our Directors had confirmed that, during the Track Record Period and up to the Latest Practicable Date, there were no legal or administrative proceedings pending or threatened against us or any of our Directors that could, individually or in the aggregate, have a material effect on our business, financial condition or results of operations. However, new legal or administrative proceedings and claims may arise in the future and the current legal or administrative proceedings and claims we face are subject to inherent uncertainties. If one or more legal or administrative matters were resolved against us or an indemnified third party for amounts in excess of our management's expectations or certain injunctions are granted to prevent us from using certain technologies in our products and services, our business and financial conditions could be materially and adversely affected. Further, such an outcome could result in significant compensatory, punitive or other monetary damages, disgorgement of revenue or profits, remedial corporate measures, injunctive relief or specific performance against us that could materially and adversely affect our financial condition and operating results. Moreover, even if we eventually prevail in these matters, we could incur significant legal fees or suffer significant reputational harm, which could have a material and adverse effect on our prospects and future growth, including our ability to attract new business partners, expand our relationships with governmental regulators and industry groups and recruit and retain employees and agents. For further details regarding our legal proceedings and non-compliance events, see "Business — Legal Proceedings and Compliance" and "Business — Licenses, Approvals and Permits."

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases such as COVID-19 may materially and adversely affect our business, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, including COVID-19, avian influenza, severe acute respiratory syndrome, H1N1 influenza or Ebola virus, may materially and adversely affect our business, financial condition and results of operations. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, in turn, materially and adversely affect our business. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe

natural disasters in the PRC may materially and adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, including COVID-19, avian influenza, severe acute respiratory syndrome, H1N1 influenza or other epidemics, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations or prevent fraud or fail to meet our reporting obligations, and investor confidence and the market price of our Shares may be materially and adversely affected.

We may identify weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations and lead to a decline in the trading price of our Shares. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

Misconduct, non-compliance and omissions by our employees or third parties could harm our business and reputation.

Misconduct and omissions by our employees could subject us to liability or negative publicity. Although we have implemented strict human resources risk management policies, and we have in place an employee handbook approved by our management and distributed to all our employees, which contains broad internal rules and guidelines and cover areas such as best commercial practices, work ethics, fraud prevention mechanisms and regulatory compliance, there can be no assurance that our employees will not engage in misconducts or omissions that could materially and adversely affect our business, financial condition and results of operations.

Misconduct and omissions by our business partners, including our various suppliers, service providers and customers, as well as other third parties who have entered business relationships with our business partners, could subject us to liability or negative publicity. Although we have strict standards to choose our service providers, they may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may, directly or indirectly, affect our business. We cannot be certain whether such third party has infringed or will infringe any other parties' legal rights or violate any regulatory requirements. We cannot rule out the possibility of incurring liabilities or suffering losses due to any non-compliance by third parties. We cannot assure you that we will be able to identify irregularities or non-compliances in the business practices

of our business partners or other third parties, or that such irregularities or non-compliance will be corrected in a prompt and proper manner. The legal liabilities and regulatory actions on our business partners or other third parties involved in our business may affect our business activities and reputation, which may in turn affect our results of operations.

We involve third parties in our operations to supply certain components of our products and manufacture, assemble, test, package and deliver certain of our products. Such arrangements may reduce our control over supply sufficiency, product quantity and quality, development, enhancement and product delivery schedule and could harm our business.

We engage suppliers and contract manufacturers to supply certain components of our products and produce, assemble and test our products. We have also outsourced much of our transportation and logistics management, including packaging and delivery of our products. While these arrangements may lower our operating costs, they may also reduce our direct control over production and distribution. We may experience operational difficulties with our suppliers, contract manufacturers and logistics service providers, including supply shortage, reductions in the availability of production capacity, failures to comply with product specifications, insufficient quality control, failures to meet production deadlines, increases in assembling costs and longer lead time required. For example, supply shortages for semiconductors broadly in the market, as occurred in 2021, may have an impact on the supply of semiconductors for our AI infrastructure and software-embedded hardware products. In anticipation of such potential supply shortages and the supply chain disruptions induced by the COVID-19 pandemic, we strategically stored additional inventories of semiconductors in 2020, and our inventories increased by 66.4% from RMB430.1 million as of December 31, 2019 to RMB715.5 million as of December 31, 2020. As we expand our sensor and semiconductor businesses, we will require access to more manufacturing capacity which may or may not be available, or with acceptable terms or costs. Our suppliers, contract manufacturers and logistics service providers may experience disruptions in their production and assembly operations due to equipment breakdowns, labor strikes or shortages, natural disasters, component or material shortages, cost increases, environmental non-compliance issues or other similar problems. In addition, we may not be able to renew contracts with our suppliers, contract manufacturers or logistics service providers or identify substitute partners who are capable of supplying services, components and assembly capacities for new products we target to launch in the future. Although arrangements with these partners may contain provisions for warranty expense reimbursement, we may remain responsible for the customer for warranty service in the event of product defects and could experience an unanticipated product defect or warranty liability. Any failure of our suppliers, contract manufacturers and logistics to perform their responsibilities or to be in compliance with all applicable laws and regulations may have a material negative impact on our cost or supply of components or finished goods. In addition, assembly or logistics in our primary locations or transit to final destinations may be disrupted for a variety of reasons including, but not limited to, natural and man-made disasters, information technology system failures, commercial disputes, military actions or economic, business, labor, environmental, public health, or political issues.

We face inventory obsolescence, shortage or excess risks. Our results of operations could be materially harmed if we are unable to accurately forecast demand for our products.

Our inventory mainly includes purchased hardware and components and contract fulfillment cost. Although we believe we are able to carry fewer purchased hardware and components and lower our inventory risk through close coordination with our customers and our contract manufacturers, we may strategically keep a higher level of stock for certain key hardware to preempt possible industry-wide shortages. As of December 31, 2018, 2019, 2020 and June 30, 2021, we had inventories of RMB117.3 million, RMB430.1 million, RMB715.5 million and RMB667.2 million, respectively.

Maintaining an optimal level of inventory is important for the success of our business. However, we are exposed to inventory obsolescence and inventory shortage risks as a result of a variety of factors beyond our control, including, changes of customer needs and the inherent uncertainty of the success of product launches. We regularly track our inventory to keep it at a level sufficient to fulfill customers' orders. We also proactively assess changes in market conditions and pre-store strategic raw materials in anticipation of potential supply shortage. However, we cannot assure you that we can accurately predict these trends and events and avoid under-stocking or over-stocking inventory, or that our inventory management measures will be implemented effectively so that we will not have significant levels of inventory obsolescence, shortage or excess. As a result of unforeseen or sudden events, we may experience slow movement of our inventories, fail to utilize or sell our inventories swiftly, or face the risk of inventory obsolescence, and our business, results of operations, financial condition and prospects may be adversely affected.

We are uncertain about the recoverability of our deferred tax assets, which may affect our financial positions in the future.

As of December 31, 2018, 2019 and 2020 and June 30, 2021, our deferred tax assets amounted to RMB39.9 million, RMB261.2 million, RMB450.3 million and RMB538.9 million, respectively, which mainly represent the provision for impairment of receivables and unused tax losses from certain companies of our Group. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. In this context, we cannot guarantee the recoverability or predict the movement of our deferred tax assets, and to what extent they may affect our financial positions in the future.

We may be the subject of anti-competitive, harassing or other detrimental conducts by third parties that could harm our reputation and cause us to lose market share, customers and revenues.

We may be the target of anti-competitive, harassing, or other detrimental conduct by third parties. Such conduct includes complaints, anonymous or otherwise, to regulatory agencies. We may be subject to government or regulatory investigation as a result of such third-party conduct and may

be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Additionally, allegations, directly or indirectly against us, may be posted online by anyone, whether or not related to us, on an anonymous basis. Customers value readily available information concerning retailers, manufacturers, and their goods and services and often act on such information without further investigation or authentication and without regard to its accuracy. The availability of information on social media is virtually immediate, as is its impact. Social media immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information posted may be inaccurate and adverse to us, and it may harm our financial performance, prospects or business. The harm may be immediate without affording us an opportunity for redress or correction. Our reputation may be negatively affected as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose market share, customers and revenues.

We have granted share-based awards in the past under our share incentive plan and may continue to grant share-based awards in the future, which may result in increased share-based compensation expenses and have an adverse effect on our future profitability.

We adopted a share incentive plan for the purpose of granting share-based compensation awards to our officers, directors, employees and other eligible persons to incentivize their performance and align their interests with ours. We believe the granting of share-based compensation awards is of significant importance to our ability to attract and retain key personnel and employees, and we may continue to grant share-based compensation awards in the future. As a result, our expenses associated with share-based compensation may increase, which may have a material and adverse effect on our financial condition and results of operations. Our ability to attract or retain highly skilled employees may be adversely affected by declines in the perceived value of our equity or equity awards. Furthermore, there are no assurances that the number of shares reserved for issuance under our share incentive plan will be sufficient to grant equity awards adequate to recruit new employees and to compensate existing employees. In case we decide to reserve and issue additional shares under our share incentive plan, your interests in our Company will be further diluted by such issuance.

Our leased or owned property interests may be defective and our right to lease or use the properties may be challenged, which could cause additional expenses or significant disruption to our operation.

We lease properties for our office and other uses. As of the Latest Practicable Date, the relevant lessors of 37 of our leased properties had provided us with valid property certificates or relevant authorization documents evidencing their rights to lease the properties to us, while with respect to 58 of our leased properties, valid property ownership certificates or other similar proofs of certain leased properties have not been provided to us by the relevant lessors. Therefore, we cannot assure you that such lessors are entitled to lease the relevant properties to us. If the lessors are not entitled to lease the properties to us and the owners of such properties decline to ratify the lease agreements between us and the respective lessors, we may not be able to enforce our rights to lease

such properties under the respective lease agreements against the owners. As of the date of this document, we are not aware of any claim or challenge brought by any third parties concerning the use of our leased properties without obtaining proper ownership proof. If our lease agreements are claimed as null and void by third parties who are the real owners of such leased properties, we could be required to vacate the properties, in which event we could only initiate the claim against the lessors under relevant lease agreements for indemnities for their breach of the relevant leasing agreements. We cannot assure you that suitable alternative locations are readily available on commercially reasonable terms, or at all, and if we are unable to relocate our operations in a timely manner, our operations may be interrupted. For details, see "Business — Properties." Furthermore, as of the Latest Practicable Date, we have obtained the ownership certificates for our owned land use rights in Xuhui District and Pudong District, Shanghai, and we have obtained the requisite construction permits with respect to the construction of our Shanghai Lingang AIDC on the parcel of land in Pudong District. For more details, see "Business — Properties." Under the PRC legal regime regarding the land use right, land shall be used in line with the approved usage of the land. Any change as contemplated to the usages of land shall go through relevant land alteration registration procedures by landlords. As such, failure to do so may subject the landlords to a fine, additional expenses or retrieval of land or removal of the buildings by the PRC government authorities and therefore we may need to move our offices or relevant properties somewhere else and may incur additional expense or experience disruption of our operation due to our defective property rights, which could adversely affect our finance, business and operations.

Most of the lease agreements of our leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines.

Pursuant to applicable PRC laws and regulations, property lease agreements must be filed with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we have successfully filed leases for 19 properties we leased in China, while the lease agreements for 76 of our leased properties have not been registered with the PRC governmental authorities as required by the PRC laws, primarily due to the difficulty of procuring our lessors' cooperation to file such leases, among other things. Although the failure to do so does not in itself invalidate the leases, we may be ordered by the PRC government authorities to rectify such noncompliance and, if such noncompliance were not rectified within a given period of time, we may be subject to fines imposed by PRC government authorities ranging from RMB1,000 and RMB10,000 for each of our lease agreements that have not been registered with the relevant PRC governmental authorities. As of the date of this document, we are not aware of any regulatory or governmental actions, claims or investigations being contemplated or any challenges by third parties to our use of our leased properties the lease agreements of which have not been registered with the government authorities. However, we cannot assure you that the government authorities will not impose fines on us due to our failure to register any of our lease agreements, which may negatively impact our financial condition. For details, see "Business — Properties."

We could face challenges from mortgage holders of some of our leased properties, which could cause additional expenses and adversely affect our daily operations.

We may be subject to other risks related to our leased properties. For example, as of the Latest Practicable Date, 13 of our leased properties had been mortgaged at the time the leases were entered

into. These properties are primarily being used as our offices. As advised by our PRC Legal Advisor, our right to use the mortgaged properties are subject to the rights of mortgage relating to the relevant properties. In case such properties we leased are transferred due to the enforcement of mortgages, which had been set before the properties were leased to us, we may be required to relocate. As of the date of this document, we had not been aware of any enforcement of the mortgages of our leased properties. We cannot assure you that in the future, we may not encounter such challenges from the mortgage holders. In the event of relocation, we may incur additional costs, which could adversely affect our daily operations. For details, see "Business — Properties."

Failure to renew our current leases at reasonable terms or to locate desirable alternatives for our offices and facilities could materially and adversely affect our business and results of operations.

We generally enter into long-term leases. We may not be able to successfully extend or renew such leases upon expiration of the current term on commercially reasonable terms, or at all, and may therefore be forced to relocate our affected operations. This could disrupt our operations and result in significant relocation expenses, which could adversely affect our business, financial condition and results of operations. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our facilities as our business continues to grow, and failure in relocating our affected operations could adversely affect our business and operations.

Our limited insurance coverage could expose us to significant costs and business disruption.

We believe we maintain insurance policies in line with industry standards. We do not maintain business interruption insurance. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. We also do not maintain key-man life insurance or litigation insurance. The insurance industry in China is still at an early stage of development, and insurance companies in China currently offer limited business-related insurance products. As such, we may not be able to insure certain risks related to our assets or business even if we desire to. If we were to incur substantial losses or liabilities due to fire, explosions, floods or other natural disasters, disruption in our network infrastructure or business operations, or any material litigation, our results of operations could be materially and adversely affected. Our current insurance coverage may not be sufficient to prevent us from any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO OUR CORPORATE STRUCTURE

If the PRC government deems our Contractual Arrangement does not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Foreign ownership of internet-based businesses, such as distribution of online information and internet data center, is subject to restrictions under current PRC laws and regulations. For example, foreign investors are not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers) and any such foreign investor must have experience in providing value-added telecommunications services overseas and maintain a good track record in accordance with the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Version) (外商投資准入特別管理措施(負面清單)(2020年版)) (the "Negative List") issued on June 23, 2020 and effective on July 23, 2020, by the National Development and Reform Commission (the "NDRC") and Ministry of Commerce of the PRC ("MOFCOM"), and other applicable laws and regulations. In particular, the business scope of telecommunications companies is limited to the business opened according to China's WTO commitments in accordance with such Negative List. In addition, China's commitment to open telecommunication business does not include data center business pursuant to the Protocol on the Accession of the PRC, effective on December 10, 2001. Pursuant to the Mainland and Hong Kong Closer Economic Partnership Agreement and Mainland and Macao Closer Economic Partnership Agreement (collectively, the "CEPA Agreements"), Mainland China has promised to open mainland data center business to service providers in Hong Kong Special Administrative Region and Macao Special Administrative Region subject to certain limitations. For further information, see "Regulatory Overview — Regulations on Value-Added Telecommunication Services."

We are a Cayman Islands exempted company and our PRC subsidiaries are considered foreign-invested enterprises or FIEs. Therefore, neither we nor our FIEs are currently eligible to apply for the required licenses for providing internet data center services or other value-added telecommunication services or conduct other businesses that foreign-owned companies are prohibited or restricted from conducting in China. To comply with PRC laws and regulations, we conduct a portion of operations in China through our Consolidated Affiliated Entities, which hold such required license relating to internet data center. We have entered into contractual arrangement with our Consolidated Affiliated Entities and its shareholders, which enable us to (i) exercise effective control over our Consolidated Affiliated Entities, (ii) receive all or substantially all of the economic benefits and bear the obligation to absorb all or substantially all of the losses of our Consolidated Affiliated Entities, and (iii) have an exclusive option to purchase all or part of the equity interests in our Consolidated Affiliated Entities when and to the extent permitted by PRC laws. The contractual arrangement gives us effective control over the Consolidated Affiliated Entities and enables us to obtain substantially all of the economic benefits arising from the Consolidated Affiliated Entities as well as to consolidate their financial results in our results of operations. For a detailed description of our contractual arrangement, see "Contractual Arrangement."

In the opinion of our PRC Legal Advisor, (i) the ownership structure of VIE WFOE and the respective Consolidated Affiliated Entities, currently and immediately after giving effect to this **[REDACTED]**, does not and will not result in violation of the mandatory requirements of applicable PRC laws and regulations currently in effect; and (ii) the contractual arrangement among VIE WFOE, the respective Consolidated Affiliated Entities and the shareholders of the Consolidated Affiliated Entities governed by PRC law, currently and immediately after giving effect to this **[REDACTED]**, is and will be valid and binding, and does not and will not result in violation of the mandatory requirements of PRC laws or regulations currently in effect. However, we have been advised by our PRC Legal Advisor that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules, and there can be no assurance that the PRC regulatory authorities will take a view that is consistent with the opinion of our PRC Legal Advisor. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or, if adopted, what they would provide, otherwise our contractual arrangement accordingly may subject to adjustment and amendment.

In particular, the Foreign Investment Law was approved by the National People's Congress with effects from January 1, 2020 and the corresponding Implementation Rules of Foreign Investment Law and Interpretation of the Supreme People's Court on Several Issues Concerning the Application of the Foreign Investment Law and the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law as latest promulgated by PRC authorities. There are uncertainties as to how the current Foreign Investment Law and those PRC laws and regulations and policies would be further interpreted and implemented, if it would represent a major change to the laws and regulations and policies relating to the VIE structures. For more details, see "— Risks Relating to Our Corporate Structure — Substantial uncertainties exist with respect to the interpretation and implementation of the newly adopted PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations," and "— Risks Relating to Doing Business in China — The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China." If the ownership structure, contractual arrangement and businesses of our PRC subsidiaries or our Consolidated Affiliated Entities are found to be in violation of any existing or future PRC laws or regulations, or the VIE WFOE or the respective Consolidated Affiliated Entities fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business licenses and/or operating licenses of such entities;

- shutting down our servers or blocking our website, or discontinuing or placing restrictions or onerous conditions on our operations through any transactions between the VIE WFOE and the respective Consolidated Affiliated Entities;

- imposing fines, confiscating the income from the VIE WFOE or the respective Consolidated Affiliated Entities, or imposing other requirements with which we or our variable interest entity may not be able to comply;

- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangement with our variable interest entity and deregistering the equity pledge of our Consolidated Affiliated Entities, which, in turn, would affect our ability to consolidate, derive economic interests from, or exert effective control over our variable interest entity;

- restricting or prohibiting our use of the **[REDACTED]** of this **[REDACTED]** to finance our business and operations in China, and taking other regulatory or enforcement actions that could be harmful to our business;

- confiscating any of our income that they deem to be obtained through illegal operations; or

- imposing additional conditions or requirements with which we may not be able to comply or could be harmful to our business.

Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would, in turn, materially and adversely affect our business, financial condition and results of operations. If any of these occurrences results in our inability to direct the activities of our Consolidated Affiliated Entities that most significantly impact its economic performance, and/or our failure to receive the economic benefits from Consolidated Affiliated Entities, we may not be able to consolidate that entity in our consolidated financial statements in accordance with IFRS.

Substantial uncertainties exist with respect to the interpretation and implementation of the newly adopted PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

On March 15, 2019, the National People's Congress of the PRC approved the Foreign Investment Law (中華人民共和國外商投資法), which took effect on January 1, 2020 and replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law, and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. Along with the Foreign Investment Law, the Implementing Regulation of Foreign Investment Law (中華人民共和國外商投資法實施條例) promulgated by the State Council and the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of the Foreign Investment Law (最高人民法院關於適用《中華人民共和國外商投資法》若干問題的解釋) promulgated by the Supreme People's Court became effective on January 1, 2020. Since the Foreign Investment Law and its current implementation and interpretation rules are relatively new, uncertainties still exist in relation to their further interpretation and implementation. The variable interest entity structure has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. According to the Foreign Investment Law, the "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations ("Foreign Investors"),

including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws, regulations or guidelines of the State Council. The Foreign Investment Law and its corresponding implementation rules and judiciary interpretation do not explicitly classify whether variable interest entities that are controlled through contractual arrangement are or would be deemed as foreign-invested enterprises if they are ultimately "controlled" by foreign investors.

However, it has a catch-all provision under the definition of "foreign investment" that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations or the provisions of State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangement as a form of foreign investment. There can be no assurance that our control over our Consolidated Affiliated Entities through contractual arrangement will not be deemed as a foreign investment in the future.

The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either "restricted" or "prohibited" from foreign investment in a "negative list." The Foreign Investment Law provides that foreign-invested entities operating in "restricted" or "prohibited" industries will require market entry clearance and other approvals from relevant PRC government authorities. Pursuant to the Negative List, the value-added telecommunication services we provide fall within the restricted category. It remains unclear that whether the "negative list" to be published pursuant to the Foreign Investment Law will differ from the current negative list. If our control over our Consolidated Affiliated Entities through contractual arrangement is deemed as a foreign investment in the future, and any business of our Consolidated Affiliated Entities is "restricted" or "prohibited" from foreign investment under the "negative list" effective at the time, we may be deemed to be in violation of the Foreign Investment Law, the contractual arrangement that allows us to have control over our Consolidated Affiliated Entities may be deemed as invalid and illegal, and we may be required to unwind such contractual arrangement and/or restructure our business operations, any of which may have a material adverse effect on our business operations.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangement, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

Any failure by our Consolidated Affiliated Entities or its shareholders to perform their obligations under our contractual arrangement with them would have a material and adverse effect on our business.

We have relied and expect to continue to rely on contractual arrangement with our Consolidated Affiliated Entities and their respective shareholders to conduct a portion of our operations in China. For a description of our contractual arrangement, see "Contractual Arrangement." If our Consolidated Affiliated Entities or its shareholders breach or fail to perform their obligations under the contractual arrangement, we may have to incur substantial costs and expend additional resources to enforce such arrangement. Moreover, the shareholders of our Consolidated Affiliated Entities may have potential conflicts of interest with us. These shareholders may cause our Consolidated Affiliated Entities to breach, or refuse to renew, the existing contractual arrangement we have with them and our Consolidated Affiliated Entities, which would have a material and adverse effect on our ability to effectively control our Consolidated Affiliated Entities and receive economic benefits from it. We cannot assure you that when conflicts of interest arise, any or all of these shareholders will act in the best interests of our Company or such conflicts will be resolved in our favor.

Currently, all the agreements under our contractual arrangement are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. As a result, uncertainties in the PRC legal system could limit our ability to address such potential conflict of interests and enforce our contractual arrangement. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangement in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce our contractual arrangement, or if we suffer significant delay or other obstacles in the process of enforcing the contractual arrangement, we may not be able to exert effective control over our variable interest entity, and our ability to conduct our business may be negatively affected. See "— Risks Relating to Doing Business in China — The PRC legal system is evolving, and the resulting uncertainties could adversely affect us."

We rely on contractual arrangement with our Consolidated Affiliated Entities and its shareholders to exercise control over our business, which may not be as effective as direct ownership in providing operational control.

We have relied and expect to continue to rely on contractual arrangement with our Consolidated Affiliated Entities and its shareholders, including the power of attorney, to conduct our operations in China. For a description of our contractual arrangement, see "Contractual Arrangement." In particular, our ability to control our Consolidated Affiliated Entities depends on the power of attorney, pursuant to which each of the shareholders of Shanghai Qianlun irrevocably

appoints the VIE WFOE or its designated persons, as his, her or its attorney-in-fact to exercise such shareholders' rights in Consolidated Affiliated Entities, including, without limitation, the power to vote on his, her or its behalf on all matters of Consolidated Affiliated Entities requiring shareholder approval. We believe the rights granted under the power of attorney are legally enforceable but may not be as effective as direct equity ownership. The shareholders of our Consolidated Affiliated Entities may not act in the best interests of our Company or may not perform their obligations under these contracts. If we had direct ownership of our Consolidated Affiliated Entities, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of our Consolidated Affiliated Entities, which, in turn, could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the contractual arrangement, we would rely on legal remedies under PRC law for breach of contract in the event that our Consolidated Affiliated Entities and its shareholders did not perform their obligations under the contracts. These legal remedies may not be as effective as direct ownership in providing us with control over our variable interest entity.

If we exercise the option to acquire equity ownership and assets of any of the Consolidated Affiliated Entities, the ownership transfer may subject us to certain limitations and substantial costs.

Pursuant to the contractual arrangement, the VIE WFOE has the exclusive right to purchase all or any part of the equity interests in the respective Consolidated Affiliated Entities from their respective shareholders at a nominal price or at the lowest amount or the price otherwise acceptable to VIE WFOE allowed by the relevant PRC laws.

Currently, we consider that it is not viable for our Company to hold the Consolidated Affiliated Entities directly or indirectly through equity ownership. For a description of our contractual arrangement, see "Contractual Arrangement." However, we cannot assure you the governmental authorities will not impose additional requirements, such as to the extent as required by the then effective PRC laws, transforming our Consolidated Affiliated Entities into those directly or indirectly through equity ownership by foreign investors in whole or at a restricted percentage. If required so, we might have to exercise the option to acquire equity ownership of the Consolidated Affiliated Entities in accordance with our contractual arrangement. The equity transfer of such Consolidated Affiliated Entities may be subject to approvals from and filings with the MOFCOM or its local counterparts. The licenses relating to value added telecommunications hold by such entities may be scrutinized or renewed at the MIIT or its local counterparts in substance. In addition, the transfer price might be subject to review and tax adjustment with reference to its market value by the relevant tax authority. Where the PRC laws stipulate the lowest price above the nominal price, or the relevant tax authority refers to market value for the tax ability of Consolidated Affiliated Entities and their respective shareholders, the shareholders of Consolidated Affiliated Entities will pay the remaining amount to VIE WFOE under the contractual arrangement. The amount to be received by VIE WFOE may also be subject to a significant amount of enterprise income tax, which may have an adverse effect on our financial conditions.

Our contractual arrangement with our Consolidated Affiliated Entities may be subject to scrutiny by the PRC tax authorities and they may determine that we or our Consolidated Affiliated Entities owe additional taxes, which could negatively affect our financial condition and the value of your investment.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法) amended and effective on December 29, 2018 (the "Enterprise Income Tax Law"), every enterprise in China must submit its annual enterprise income tax return together with a report on transactions with its related parties to the relevant tax authorities. The PRC tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm's length principles. We have entered into the Contractual Arrangement amongst our VIE WFOE, Consolidated Affiliated Entities and its registered shareholders, respectively, under which we are able to exercise effective control over our Consolidated Affiliated Entities and all economic benefits arising from the businesses of each of our Consolidated Affiliated Entities are transferred to its VIE WFOE to the extent permitted under PRC laws by means of services fees payable by our variable interest entity to such VIE WFOE. For a description of our contractual arrangement, see "Contractual Arrangement." We may face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangement between each of the VIE WFOE, our Consolidated Affiliated Entities, and its shareholders was not entered into on an arm's length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust our Consolidated Affiliated Entities' taxable income in the form of a transfer pricing adjustment. PRC tax authorities may form the view that our Consolidated Affiliated Entities or our subsidiaries have improperly minimized their tax obligations, and we may not be able to rectify any such incident within the limited timeline required by PRC tax authorities. In addition, if the VIE WFOE requests the shareholders of our Consolidated Affiliated Entities respectively to transfer their equity interests in our Consolidated Affiliated Entities at nominal or no value pursuant to the contractual agreement, such transfer could be viewed and subject the VIE WFOE to PRC income tax. Furthermore, the PRC tax authorities may impose late payment fees and other penalties on our variable interest entity for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if our variable interest entity's tax liabilities increase or if it is required to pay late payment fees and other penalties.

We may lose the ability to use and benefit from assets held by our Consolidated Affiliated Entities and its subsidiaries that are material to the operation of our business if the entity goes bankrupt or become subject to a dissolution or liquidation proceeding.

As part of our Contractual Arrangement, the Consolidated Affiliated Entities holds certain assets and licenses that are material to the operation of our business. If our Consolidated Affiliated Entities go bankrupt and all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. Under the Contractual Arrangement, our Consolidated Affiliated Entities may not, in any manner, sell, transfer,

mortgage or otherwise dispose of its assets or legal or beneficial interests in the business without our prior consent. If our Consolidated Affiliated Entities undergo a voluntary or involuntary liquidation proceeding, unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business and compromising our qualification for certain licenses or permits indispensable to us, which could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in China's economic, political or social conditions or government policies could have a material and adverse effect on our business and results of operations.

A significant portion of our operations are conducted in China. Accordingly, our results of operations, financial condition and prospects are subject, to a significant degree, to the economic, political, social and legal developments in China. Generally, PRC government regulates the economy and related industries by imposing industrial policies and regulating the PRC's macro-economy through fiscal and monetary policies. During the past decades, PRC Government has taken various actions to promote market economy and the establishment of sound corporate governance in business entities. The PRC government also exerts significant influence over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. While the PRC economy has experienced significant growth over the past decades, the growth rate of the Chinese economy has gradually slowed, and China has undergone the impact of COVID-19 pandemic on the Chinese economy in 2020 and such impact may still count. It may be difficult for us to predict all the risks and uncertainties that we may face as a result of the current economic, political, social and regulatory development, any prolonged slowdown in the Chinese economy may reduce our clients' demand for our products and services and materially and adversely affect our business and results of operations. Furthermore, any major changes in the policies of the PRC government or in the laws and regulations in China could have a material impact on the overall economic growth of China.

The PRC legal system is evolving, and the resulting uncertainties could adversely affect us.

We conduct our business primarily through our subsidiaries and consolidated affiliated entities in China. Our operations in China are governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

As the legislation in China and the PRC legal system has continued to evolve rapidly over the past decades and the PRC government has made significant progress in promulgating laws and regulations related to economic affairs and matters, for example, such laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, many of these laws and regulations are relatively new and there is a limited volume of published decisions and enactments. In particular, there exist substantial uncertainties surrounding

the evolvement, interpretation and enforcement of regulatory requirements of cybersecurity, data security, privacy protection as well as anti-monopoly, and we may need to take certain corresponding measures to maintain our regulatory compliance, such as adjusting the relevant business or transactions and introducing compliance experts and talents, which may incur additional related costs and adverse impact on our business. As a result, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. Therefore, there are uncertainties involved in their implementation and interpretation, and it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection available to you and us. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. Additionally, if our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends or make other distributions to us. Furthermore, the PRC tax authorities may require our PRC subsidiaries to adjust their taxable income under the contractual arrangement they currently have in place with our variable interest entity in a manner that would materially and adversely affect their ability to pay dividends and other distributions to us. See "— Risks Relating to Our Corporate Structure — Our contractual arrangement with our Consolidated Affiliated Entities may be subject to scrutiny by the PRC tax authorities and they may determine that we or our Consolidated Affiliated Entities owe additional taxes, which could negatively affect our financial condition and the value of your investment."

Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. See also "— If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in PRC taxation and implications upon us and our non-PRC shareholders."

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of our offshore offerings to make loans to or make additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Under PRC laws and regulations, we are permitted to utilize the **[REDACTED]** from this **[REDACTED]** to fund our PRC subsidiaries by making loans to or additional capital contributions to our PRC subsidiaries, subject to applicable government registration and approval requirements. These PRC laws and regulations may significantly limit our ability to use Renminbi converted from the net **[REDACTED]** of this **[REDACTED]** to fund the establishment of new entities in China by our PRC subsidiaries, to invest in or acquire any other PRC companies through our PRC subsidiaries, or to establish a new variable interest entity in China. According to the relevant PRC regulations on foreign-invested enterprises in the PRC, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings and registration with SAMR and other governmental authorities in the PRC. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local counterparts; and (ii) each of our PRC subsidiaries may not procure loans which exceed the difference between its registered capital and its total investment amount as recorded in the filings with competent governmental authorities or the upper limit calculated based on a statutory formula under the macro-prudential management of full-covered cross-border financing by SAFE and PBOC. Any medium or long-term loan to be provided by us to our variable interest entity and its subsidiaries must be recorded and registered by the NDRC and SAFE or its local counterparts. Moreover, we cannot assure you that we will be able to complete the necessary registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we received or expect to receive from our offshore offerings and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises ("Circular 19"), which took effect on June 1, 2015 and was amended on December 30, 2019. Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign- invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using RMB funds converted from their foreign exchange capital for expenditures beyond their business scope. On June 9, 2016, the SAFE promulgated the Notice on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange ("Circular 16"). Circular 16 prohibits foreign- invested enterprises from, among other things, using RMB funds converted from their foreign exchange capital for expenditure beyond their business scope, investment and financing (except for securities investment or non-guaranteed bank products), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use. In January 2017 and April 2020, SAFE further promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification ("Circular 3") and the

Circular of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Management Service in Support of Foreign Business Development ("Circular 8"), respectively. Circular 3 stipulates several capital control measures with respect to the outbound remittance of profits from domestic entities to offshore entities while Circular 8 stipulates the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. For further information, see "Regulatory Overview — Regulations on Foreign Exchange." Circular 19, Circular 16, Circular 3 and Circular 8 may significantly limit our ability to transfer to and use the loans or investment in the PRC, which may materially and adversely affect our business, financial condition and results of operations.

Governmental restrictions on currency conversion may limit our ability to utilize our revenue effectively and affect the value of your investment.

The convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China are subject to restrictions of PRC foreign exchange regulations. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from or registration with appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

The PRC government may regulate cross border transactions falling under capital account and may also restrict access in the future to foreign currencies for current account transactions. We receive substantially all of our revenue in RMB, owing to the overall restrictions on foreign currency, and we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our Shares.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC law.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("Circular 37"). Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities as well as foreign individuals with a habitual residence in China due to economic interests) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. Circular 37 further requires amendment to the SAFE registrations in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as change of the offshore special purpose vehicle's name and operation term, or any significant changes with respect to the PRC individual shareholder, such as increase or decrease of capital contribution, share transfer or exchange, or mergers or divisions. Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future.

If our shareholders who are PRC residents fail to make the required registration or to update the previously filed registration, our PRC subsidiaries may be prohibited from distributing their profits or the proceeds from any capital reduction, share transfer or liquidation to us, and we may also be prohibited from making additional capital contributions into our PRC subsidiaries. In February 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) ("Notice 13"), effective June 2015, and further amended by SAFE on December 30, 2019. Under Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

As of the Latest Practicable Date, to the best of our knowledge, our shareholders had complied with the requirements as stipulated under Circular 37 in all material aspects. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our Company, and we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or continuously comply with all requirements under Circular 37 or other related rules. The failure or inability of the relevant shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, such as restrictions on our cross-border investment activities, on the ability of our wholly foreign-owned subsidiaries in China to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange restrictions. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, among other things, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulation requires, among other things, that the foreign investor should submit a declaration to the MOFCOM in advance of any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise and involves any of the following circumstances: (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. We do not expect that any of our further merger and acquisition will trigger the requirement to submit such declaration to MOFCOM under each of the above-mentioned circumstances or any review by other PRC government authorities. Moreover, the Anti-Monopoly Law (中華人民共和國反壟斷法) promulgated by the Standing Committee of the National People's Congress which became effective in 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be notified and cleared by the Anti-Monopoly Bureau of SAMR before they can be completed.

In addition, Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, effective in September 2011 and Measures for the Security Review of Foreign Investment that came into effect in January 2021, requires acquisitions by foreign investors of PRC companies engaged in certain industries that are crucial to national security be subject to security review before consummation of any such acquisition.

The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies. Moreover, such offshore special vehicle, if through acquisitions of PRC domestic companies by its affiliated PRC companies or individuals in the process of its corporate offshore restructuring, shall also obtain the approval of MOFCOM.

We may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Our PRC Legal Advisors are of the opinion that, based on its understanding of the current PRC laws and regulations, each of the prior CSRC approval for the our **[REDACTED]** and MOFCOM approval is not required because (i) Beijing SenseTime, was incorporated as a domestic company in November 2014 and became a wholly foreign owned enterprise since August 2015 in accordance with the M&A rules, by Hong Kong SenseTime that was not being controlled directly or indirectly by PRC companies or individuals, (ii) our wholly foreign-owned enterprises, other than Beijing SenseTime, such as Shanghai SenseTime and Shenzhen SenseTime and its wholly-owned PRC subsidiaries, were not established through a merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company, and (iii) no provision in the M&A Rules clearly classifies contractual arrangement as a type of transaction subject to the M&A Rules. However, uncertainties still exist as to how the M&A Rules and other PRC laws, regulations and government policies will be interpreted and implemented or whether the relevant authorities would promulgate further requirements. Recently, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. See "Regulatory Overview — Regulations on M&A and Overseas Listings." As these opinions are recently issued, official guidance and related implementation rules have not been issued yet and the interpretation of these opinions remains unclear at this stage. We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us. If it is determined in the future that approval from the CSRC or other regulatory authorities or other procedures are required for this **[REDACTED]**, we

may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization for this **[REDACTED]**. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for this **[REDACTED]**, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Consequently, failure to comply with these regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the **[REDACTED]** from this **[REDACTED]** into China, halting this **[REDACTED]** or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our shares. The regulatory authorities also may take actions requiring us, or making it advisable for us, to halt this **[REDACTED]** before settlement and delivery of the shares **[REDACTED]** hereby. Thus, any uncertainties or negative publicity regarding such approval requirement could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of the shares.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Under SAFE regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches and complete certain other procedures. See "Regulatory Overview — Regulations on Foreign Exchange — Regulations on Stock Incentive Plans." We and our PRC resident employees who participate in our share incentive plans will be subject to these regulations when our Company becomes publicly listed in Hong Kong. If we or any of these PRC resident employees fail to comply with these regulations, we or such employees, consultants and advisors may be subject to fines and other legal or administrative sanctions. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in PRC taxation and implications upon us and our non-PRC shareholders.

Under the Enterprise Income Tax Law and its implementing rules, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a PRC resident enterprise. The implementing rules define the term "de facto management body" as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. The SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People's Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies on April 22, 2009 and most recently amended on December 29, 2017 ("Circular 82"), which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, the criteria set forth in the

circular may reflect the SAT general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made by or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we will be subject to the enterprise income tax on our global income at the rate of 25% and we will be required to comply with PRC enterprise income tax reporting obligations.

You may be subject to PRC withholding tax on dividends from us and PRC income tax on any gain realized on the transfer of our Shares.

Under the current tax law in China, any dividends paid by us to non-PRC enterprise shareholders may be subject to PRC withholding tax at a rate of 10% in the case of non-PRC enterprise shareholders or 20% in the case of non-PRC individual shareholders if such dividends are deemed to be from PRC sources. In addition, gains realized on the sale or other disposition of our Shares may be subject to PRC tax at a rate of 10% in the case of non-PRC enterprise shareholders or 20% in the case of non-PRC individual shareholders if such gains are deemed to be from PRC sources. Any PRC tax liability may be reduced under applicable tax treaties. However, it is unclear whether non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any PRC tax may reduce the returns on your investment in the Class B Shares.

We may not be able to obtain certain benefits under the relevant tax arrangement for dividends paid by our PRC subsidiaries to us through our Hong Kong subsidiaries.

We are a holding company incorporated under the laws of the Cayman Islands and as such rely on dividends and other distributions on equity from our PRC subsidiaries to satisfy part of our liquidity requirements. Pursuant to the Enterprise Income Tax Law, a withholding tax rate of 10% currently applies to dividends paid by a PRC "resident enterprise" to a foreign enterprise investor, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for preferential tax treatment. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention

of Fiscal Evasion with respect to Taxes on Income, effective from December 8, 2006, such withholding tax rate may be lowered to 5% if a Hong Kong resident enterprise owns no less than 25% of a PRC enterprise's shares directly. On February 3, 2018, the SAT promulgated the Announcement of the State Administration of Taxation on Issues concerning "Beneficial Owners" in Tax Treaties which specifies different factors to be taken into consideration when analyzing whether an applicant could be recognized as a beneficial owner. If our Hong Kong subsidiaries are not considered as beneficial owner, they could not enjoy the tax preferential rate of 5%.

Furthermore, the Administrative Measures for Non-Resident Taxpayers to Enjoy Treaty Benefits, which became effective in January 2020, require non-resident enterprises to determine whether they are qualified to enjoy the preferential tax treatment under the tax treaties and file relevant materials with the tax authorities. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. See "Financial Information — Taxation — PRC." We intend to re-invest all earnings generated from our PRC subsidiaries for the operation and expansion of our business in China in the foreseeable future. We cannot assure you that our determination regarding our qualification to enjoy the preferential tax treatment will not be challenged by the relevant tax authority or we will be able to complete the necessary filings with the relevant tax authority and enjoy the preferential withholding tax rate of 5% under the arrangement with respect to any dividends to be paid by our PRC subsidiaries to our Hong Kong subsidiaries.

We and our shareholders face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises, assets attributed to a PRC establishment of a non-PRC company or immovable properties located in China owned by non-PRC companies.

The SAT issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises on February 3, 2015 ("Bulletin 7"), and amended on October 17, 2017 and December 29, 2017, which partially replaced and supplemented previous rules under the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises ("Circular 698"), which was issued by the SAT in 2009. Pursuant to Bulletin 7, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if the arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from the indirect transfer may be subject to PRC enterprise income tax. According to Bulletin 7, "PRC taxable assets" include assets attributed to an establishment in China, immovable properties located in China, and equity investments in PRC resident enterprises. Gains derived from the transfer of PRC taxable assets by a direct holder that is a non-PRC resident enterprise is subject to PRC enterprise income taxes. When determining whether an arrangement has a "reasonable commercial purpose", the following factors are considered:

- whether the value of the equity interest of the relevant offshore enterprise is mainly derived from PRC taxable assets;

- whether the assets of the relevant offshore enterprise mainly consist of direct or indirect investment in China;

- whether the income of the relevant offshore enterprise is mainly generated from China;
- whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature as evidenced by actual function and risk exposure;
- for how long the existing business model and organizational structure of the relevant offshore enterprise has existed;
- the income tax payable outside of PRC on the gains derived from the indirect transfer of PRC taxable assets;
- the replicability of the arrangement by direct transfer of PRC taxable assets; and
- the tax situation of such indirect transfer and applicable tax treaties or similar arrangements.

Gains derived from an indirect offshore transfer of assets of a PRC establishment or place of business are to be included in the enterprise income tax filing of the PRC establishment or place of business, and are subject to a PRC enterprise income tax rate of 25%. In case of a transfer of immovable properties located in China or of equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax rate of 10% applies, subject to available preferential tax treatment under applicable tax treaties or similar arrangements. The party who is obligated to pay for the transfer has the withholding obligation with respect to the transfer. Where the payor fails to withhold sufficient tax, the transferor is required to declare and pay such tax to the tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to overdue payments, or fines and other rectifying measures. Bulletin 7 does not apply to sales of shares by investors through a public stock exchange if the shares were acquired by the investors through a public stock exchange.

We face uncertainties as to the application of Bulletin 7 and previous rules under Circular 698, including reporting and other obligations with respect to certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries or investments. We may be subject to filing obligations or taxed as the transferor, or subject to withholding obligations as the transferee, in the transactions. For transfer of our shares by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in filings under Circular 698 and Bulletin 7. We may be required to allocate valuable resources to comply with Circular 698 and Bulletin 7, to request relevant transferors from whom we purchase taxable assets to comply with these rules, or to establish that we should not be taxed under these rules, which may have a material adverse effect on our financial condition and results of operations.

It may be difficult to effect service of process upon us or our directors or officers named in this document who reside in China or to enforce foreign court judgments against them in China.

It may be difficult to effect service of process outside China upon certain of our directors and officers, including with respect to matters arising under applicable securities laws. It may be difficult for you to enforce against us or our directors or officers in China any judgments obtained from courts outside of China.

On July 14, 2006, mainland China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "2006 Arrangement"), pursuant to which a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a mainland China Court or a Hong Kong court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in mainland China if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain. On January 18, 2019, the Supreme People's Court and the Hong Kong SAR Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "2019 Arrangement"), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between mainland China and Hong Kong, based on criteria other than a written bilateral choice of court agreement. The 2019 Arrangement will only take effect from its commencement date, which is not yet known. The 2019 Arrangement will, upon its effectiveness, supersedes the 2006 Arrangement. However, the 2006 Arrangement will continue to apply to a choice of court agreement in writing signed before the 2019 Arrangement comes into effect. Therefore, before the 2019 Arrangement becomes effective, recognition and enforcement in the PRC of judgments of a foreign court may be difficult.

The PRC Labor Contract Law, any labor shortages, increased labor cost or other factors affecting our labor force may adversely affect our business, profitability and reputation.

China's overall economy and the average wage in China have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase.

We have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law and its implementation rules, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employee's probation and unilaterally terminating labor contracts. In October 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law, which came into effect on July 1, 2011, which was amended on December 29, 2018. On April 3, 1999, the State Council promulgated the Regulations on the Administration of Housing Accumulation Funds, which was amended on March 24, 2002 and March 24, 2019. Companies registered and operating in China are required under the Social Insurance Law and the Regulations on the Administration of Housing Accumulation Funds to, apply for social insurance registration and housing fund deposit registration within 30 days of their establishment and, to pay for their employees different social insurance including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to the extent required by law. However, certain of our PRC subsidiaries that do not hire any employees and are not a party to any employment agreement, have not applied for and obtained such registration. We could be subject to orders by the competent labor authorities for rectification and failure to comply with the orders may further subject us to administrative fines.

As the application and interpretation of labor-related laws and regulations are limited and still evolving, our employment practices may violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. We cannot assure you that we have complied or will be able to comply with all labor-related law and regulations including those relating to obligations to make full social insurance payments and contribute to the housing provident funds. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations will be adversely affected. In addition, any labor shortages, increased labor cost or other factors affecting our labor force in relation thereto, may adversely affect our business, profitability and reputation.

If our preferential tax treatments are revoked, become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions, and our results of operations could be materially and adversely affected.

Operating in the high-technology and software industry, a number of our PRC subsidiaries enjoy various types of preferential tax treatment according to the prevailing PRC tax laws. Our PRC subsidiaries may, if they meet the relevant requirements, qualify for three main types of preferential treatment, which are high and new technology enterprises specially supported by mainland China, software enterprises and key software enterprises within the scope of the mainland Chinese national plan.

For a qualified high and new technology enterprise, the applicable enterprise income tax rate is 15%. The high and new technology enterprise qualification is re-assessed by the relevant authorities

every three years. Moreover, a qualified software enterprise is entitled to a tax holiday consisting of a two-year tax exemption beginning with the first profit-making calendar year and a 50% tax reduction for the subsequent three years. The software enterprise qualification is subject to an annual assessment. If our preferential tax treatments are revoked, become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, the discontinuation of any of the various types of preferential tax treatment we enjoy could materially and adversely affect our results of operations. See "Financial Information — Taxation — PRC."

RISKS RELATING TO OUR WVR STRUCTURE

The concentration of our Share ownership limits our Shareholders' ability to influence corporate matters.

Our Company will be controlled through weighted voting rights. Each Class A Share has ten votes per share and each Class B Share has one vote per share, except with respect to voting on resolutions on the Reserved Matters, in relation to which each Share is entitled to one vote. Immediately after completion of the **[REDACTED]**, Prof. Tang, Dr. Xu Li, Dr. Wang and Mr. Xu Bing will be the WVR Beneficiaries and will beneficially own all of our issued and outstanding Class A Shares, which represent approximately **[REDACTED]**% of the voting power of our issued and outstanding share capital for resolutions in relation to matters other than the Reserved Matters. The WVR Beneficiaries therefore has significant influence over management and affairs of our Company, and over all matters requiring shareholder approval, including the election of directors (excluding the appointment, election or removal of any independent non-executive Director) and significant corporate transactions, such as a merger or other sale of our company or our assets, for the foreseeable future. In addition, because each Class B Share carries only one-tenth of the voting rights of each Class A Share (except as required by applicable law and in relation to the Reserved Matters), the issuance of the Class B Shares, including future stock-based acquisition transactions and employee equity incentive programs, could prolong the duration of the WVR Beneficiaries' ownership of our voting power immediately after the completion of **[REDACTED]** and their ability to determine the outcome of most matters submitted to a vote of our Shareholders. For further details about our shareholding structure, see "Share capital — Weighted Voting Rights Structure."

The WVR Beneficiaries have substantial influence over our business and operations, including matters relating to management and policies, decisions in relation to acquisitions, expansion plans, business consolidation, the sale of all or substantially all of our assets, nomination of directors, dividends or other distributions, as well as other significant corporate actions. Following the completion of the **[REDACTED]**, the WVR Beneficiaries will collectively beneficially own all of our issued and outstanding Class A Shares, which represent approximately **[REDACTED]**% of the voting power of our outstanding share capital. The concentration of voting power and the substantial influence of the WVR Beneficiaries over our Company may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and reduce the price of our Shares. In addition, the interests of the WVR Beneficiaries may differ from the interests of our other Shareholders. Subject to the Listing Rules, our Articles of Association and other applicable laws and regulations, the WVR Beneficiaries will continue to have the ability to exercise their substantial

influence over us and to cause us to enter into transactions or take, or fail to take, actions or make decisions which conflict with the best interests of our other Shareholders.

This concentrated control limits or severely restricts our Shareholders' ability to influence corporate matters and, as a result, we may take actions that our Shareholders do not view as beneficial. As a result, the market price of our **[REDACTED]** could be adversely affected.

Holders of our Class A Shares may exert substantial influence over us and may not act in the best interests of our independent Shareholders.

Following completion of the **[REDACTED]**, the WVR Beneficiaries will be in a position to exert significant influence over the affairs of our Company and will be able to influence the outcome of any shareholders' resolutions (other than the Reserved Matters), irrespective of how other shareholders vote. The interests of the holders of our Class A Shares may not necessarily be aligned with the interests of our Shareholders as a whole, and this concentration of voting power may also have the effect of delaying, deferring or preventing a change in control of our company.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our [REDACTED] and the liquidity and market price of our Class B Shares may be volatile.

Prior to completion of the **[REDACTED]**, there has been no public market for our Class B Shares. There can be no guarantee that an active trading market for our Class B Shares will develop or be sustained after completion of the **[REDACTED]**. The **[REDACTED]** is the result of negotiations between our Company and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**), which may not be indicative of the price at which our Class B Shares will be traded following completion of the **[REDACTED]**. The market price of our Class B Shares may drop below the **[REDACTED]** at any time after completion of the **[REDACTED]**.

The trading price of our Class B Shares may be volatile, which could result in substantial losses to you.

The trading price of our Class B Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, mainland China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Class B Shares. A number of China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards China-based

companies listed in Hong Kong and consequently may impact the trading performance of our Class B Shares. These broad market and industry factors may significantly affect the market price and volatility of our Class B Shares, regardless of our actual operating performance.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and substantial shareholders, could adversely affect the market price of our Class B Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Class B Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our current shareholders [are] subject to certain lock-up periods beginning on the date on which trading in our Class B Shares commences on the Hong Kong Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Class B Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Class B Shares they may own now or in the future.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the **[REDACTED]** of our Class B Shares is higher than the net tangible book value per Class B Share immediately prior to the **[REDACTED]**, purchasers of our Class B Shares in the **[REDACTED]** will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Class B Shares in the **[REDACTED]** may experience further dilution in their shareholding percentage.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our Class B Shares, the market price and trading volume for our Class B Shares could decline.

The trading market for our Class B Shares depends in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers us downgrades our Class B Shares or publishes inaccurate or unfavorable research about our business, the market price for our Class B Shares would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our Class B Shares to decline.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert reports, contained in this document.

This document, particularly the section headed "Industry Overview", contains information and statistics relating to the industry in which we operate. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the **[REDACTED]**, the Joint Sponsors, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** or any other party involved in the **[REDACTED]**, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the **[REDACTED]**. Prior to the publication of this document, there has been press and media coverage regarding us and the **[REDACTED]**. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the **[REDACTED]**, we have sought the following waivers and exemptions from strict compliance with the relevant provisions of the Listing Rules or the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, our Company must appoint an individual, who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Ms. Lin Jiemin (林潔敏) ("**Ms. Lin**") and Ms. Wong Wai Yee Ella (黃慧兒) ("**Ms. Wong**"), as the joint company secretaries of our Company. See "Directors and Senior Management — Joint Company Secretaries" for further biographical details of Ms. Lin and Ms. Wong.

Ms. Wong is a chartered secretary, chartered governance professional and fellow of The Hong Kong Chartered Governance Institute (HKCGI) (formerly known as The Hong Kong Institute of

Chartered Secretaries) and a fellow of The Chartered Governance Institute (CGI) (formerly known as The Institute of Chartered Secretaries and Administrators). She fully meets the qualification requirements stipulated under Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Accordingly, while Ms. Lin does not possess the qualification required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the basis of the arrangements below:

(a) Ms. Lin will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by our Hong Kong legal advisers on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time;

(b) Both Ms. Lin and Ms. Wong have confirmed that each of them will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules;

(c) Ms. Wong will assist Ms. Lin to enable her to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as our company secretary;

(d) Ms. Wong will communicate regularly with Ms. Lin on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Ms. Wong will work closely with, and provide assistance to, Ms. Lin in the discharge of her duties as a company secretary, including organizing our Board meetings and Shareholders' general meetings;

(e) Upon expiry of Ms. Lin's initial term of appointment for an initial period of three years from the **[REDACTED]** as the company secretary of our Company, our Company will evaluate her experience in order to determine if she has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Ms. Lin's appointment as the company secretary of the Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules;

(f) Our Company has appointed Haitong International Capital Limited as its compliance adviser on a permanent basis pursuant to Rules 3A.19 and 8A.33 of the Listing Rules which will act as the additional communication channel with the Stock Exchange and provide professional guidance and advice to our Company and Ms. Lin as to the compliance with the Listing Rules and all other applicable laws and regulations; and

(g) The waiver can be revoked with immediate effect if there are material breaches of the Rules 3.28 and 8.17 of the Listing Rules by our Company.

Before the end of the three-year period, we shall liaise with the Stock Exchange to revisit the situation in the expectation that we should then be able to demonstrate to the Stock Exchange's satisfaction that Ms. Lin, having had the benefit of Ms. Wong's assistance for three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon **[REDACTED]**. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], waivers from strict compliance with (where applicable) (i) the announcement, circular and independent Shareholders' approval requirements under Rule 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap set out in Chapter 14A of the Listing Rules for certain continuing connected transactions; and (iii) the requirement of limiting the term of certain continuing connected transactions to three years or less under Rule 14A.52 of the Listing Rules. see "Connected Transactions."

WAIVER IN RELATION TO THE DISCLOSURE REQUIREMENTS WITH RESPECT TO CHANGES IN SHARE CAPITAL

We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements of paragraph 26 of Part A of Appendix 1 to the Listing Rules in respect of disclosing the particulars of any alterations in the capital of any member of the Group within two years immediately preceding the issue of this Document.

We have identified seven entities that we consider are the major subsidiaries and operating entities primarily responsible for the track record results of our Group (the "**Principal Entities**", and each a "**Principal Entity**"). For further details, see "History and Corporate Structure — Our Major Subsidiaries and Operating Entities." Globally, as at the Latest Practicable Date, our Group has over 100 subsidiaries and Consolidated Affiliated Entities, across more than 10 different jurisdictions. It would be unduly burdensome for our Company to disclose this information, which would not be material or meaningful to investors. By way of illustration, for the three years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021, (a) the aggregate revenue of the Principal Entities (after intra group eliminations) represented approximately 98.6%, 98.5%, 86.3% and 92.6% of the Group's total revenue, respectively; and (b) the aggregate total assets of the Principal Entities (after intra-group eliminations) represented approximately 72.5%, 81.9%, 61.9% and 72.3% of the Group's total assets, respectively. In addition, substantially all of the major intellectual property rights of the Group are held by the Principal Entities. Our non-Principal Entities are not individually material to us in terms of its contribution to our total net income, total assets, total revenue or profits. Additionally, our non-Principal Entities do not hold material assets (save for passive financial products and equity investments of the Group) or other material proprietary technologies or material research and development functions of the Group.

Particulars of the changes in the share capital of the Company and the Principal Entities have been disclosed in "Statutory and General Information — 1. Further Information about our Group — 1.2 Changes in the share capital of our Company" and "Statutory and General Information — 1. Further Information about our Group — 1.3 Changes in the share capital of our major subsidiaries and operating entities" in Appendix IV to this Document.

WAIVER IN RESPECT OF COMPANIES AND BUSINESS TO BE ACQUIRED AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the accountants' report to be included in a document must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years and six months immediately preceding the issue of this Document.

Pursuant to Rule 4.02A, acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to Note (4) to Rule 4.04 of the Listing Rules, the Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4) on a case-by-case basis, and having regard to all relevant facts and circumstances and subject to certain conditions set out thereunder.

Post-TRP Investments

Since June 30, 2021 (being the date to which our Group's latest audited accounts have been made up) and up to the Latest Practicable Date, the Group has made or proposed to make 43 investments or acquisitions ("**Post-TRP Investments**"), details of which are set out in the below:

Name of the target company	Investment / acquisition amount	Percentage shareholding / equity interest in the target company after completion of the proposed investment / acquisition	Principal business of the target company	Basis for determining the investment amount
Company 1	RMB 60 million	Not more than 6.98%	Server and related accessories	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 2	RMB 20 million	20%	Automotive networking	Based on target company's funding needs, financial performance and comparable companies' valuation

Name of the target company	Investment / acquisition amount	Percentage shareholding / equity interest in the target company after completion of the proposed investment / acquisition	Principal business of the target company	Basis for determining the investment amount
Company 3	RMB 5 million	10%	ODM for AIoT devices	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 4	RMB 6.5 million	10%	Data centers EPC and operation	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 5	RMB 10 million	1.40%	Automotive camera system	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 6	USD 15 million	Not more than 2.3%	AR smart glasses	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 7	RMB 5 million	3.33%	Beauty products focused new retail	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 8	RMB 5 million	7.69%	Sports facilities' digitization	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 9	RMB 10 million	0.40%	VR content producer	Based on target company's funding needs and valuation negotiated by the lead investor
Company 10	USD 15 million	7.14%	Data privacy technology solutions	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 11	RMB 20 million	1.75%	Media cloud services and solutions	Based on target company's funding needs, financial performance and comparable companies' valuation

Name of the target company	Investment / acquisition amount	Percentage shareholding / equity interest in the target company after completion of the proposed investment / acquisition	Principal business of the target company	Basis for determining the investment amount
Company 12	RMB 75 million	6.82%	Automotive safety and data services	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 13	RMB 20 million	2.53%	3D imaging solutions	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 14	RMB 193.15 million	1.36%	IoT technology platform for logistics	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 15	RMB 50 million	6.25%	AR data platform	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 16	RMB 120 million	1.39%	Printed Circuit Board (PCB)-focused flexible supply chain solutions provider	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 17	RMB 100 million	2.45%	AR hardware and software	Based on target company's funding needs and valuation negotiated by lead investors
Company 18	RMB 260 million	0.90%	B2B platform for textile supply chain	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 19	RMB 200 million	6.70%	Computer vision related semiconductor design	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 20	RMB 100 million	3.57%	Computer vision chip products and solutions provider	Based on target company's funding needs, financial performance and comparable companies' valuation

Name of the target company	Investment / acquisition amount	Percentage shareholding / equity interest in the target company after completion of the proposed investment / acquisition	Principal business of the target company	Basis for determining the investment amount
Company 21	RMB 20 million	7.00%	Physics simulation engine for gaming	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 22	RMB 65 million	10.00%	Graphics rendering game engine	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 23	RMB 40 million	10.00%	Building Information Modeling (BIM) design software	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 24	RMB 50 million	10.00%	Geographic Information System (GIS) platform	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 25	RMB 150 million	5.00%	VR technology products and services	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 26	RMB 40 million	10.00%	VR solutions and content producer	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 27	RMB 10 million	3.00%	Smart city-focused system integrator	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 28	RMB 30 million	1.00%	Dental-related imaging solutions provider	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 29	RMB 30 million	4.00%	Internet-based supply chain management platform for pharmaceutical industry	Based on target company's funding needs, financial performance and comparable companies' valuation

Name of the target company	Investment / acquisition amount	Percentage shareholding / equity interest in the target company after completion of the proposed investment / acquisition	Principal business of the target company	Basis for determining the investment amount
Company 30	RMB 30 million	1.88%	Smart Mining integrated solutions provider	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 31	RMB 30 million	1.00%	Interventional diagnosis and treatment solutions provider	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 32	RMB 80 million	Not more than 0.75%	Solid-state lithium battery provider	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 33	RMB 80 million	Not more than 1.00%	Logistics automation and robotics solutions provider	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 34	USD 3 million	2.50%	Natural language processing algorithmic solutions provider	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 35	RMB 30 million	8.57%	Smart IoT systems solutions	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 36	RMB 10 million	6.67%	AI-assisted drug screening solutions provider	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 37	RMB 30 million	1.30%	Collaborative robots	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 38	RMB 30 million	2.50%	Intelligent manufacturing solutions provider	Based on target company's funding needs, financial performance and comparable companies' valuation

Name of the target company	Investment / acquisition amount	Percentage shareholding / equity interest in the target company after completion of the proposed investment / acquisition	Principal business of the target company	Basis for determining the investment amount
Company 39	RMB 50 million	3.30%	Smart Industry solutions provider	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 40	RMB 21.75 million	15.00%	Data center operator and infrastructure maintenance provider	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 41	RMB 64 million	8.00%	Smart Industry solutions provider	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 42	RMB 50 million	7.00%	Digital twin solutions provider	Based on target company's funding needs, financial performance and comparable companies' valuation
Company 43	RMB 25 million	5.00%	Digital rendering solutions provider	Based on target company's funding needs, financial performance and comparable companies' valuation

Each of the above Post-TRP Investments in Company 5, Company 6, Company 10, Company 11, Company 12, Company 14, Company 15 and Company 16 has been fully or partly settled in cash as of Latest Practicable Date, and the other Post-TRP Investments will be settled in cash. To the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, the counterparties to the Post-TRP Investments and their ultimate beneficial owners are third parties independent from the Company and its connected persons.

The reasons for the Post-TRP Investments are to invest in companies with principal businesses related to the Group's core business with a view to creating synergies with the Group's existing core business and improve the Group's services and products to its customers.

Conditions to the waivers [granted] by the Stock Exchange

We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in respect of the Post-TRP Investments on the following grounds:

1. Ordinary and usual course of business

The Post-TRP Investments are essential to the ordinary and usual course of business of our Group as it is one of our principal business strategies to grow and expand by investing in companies with principal businesses related to the Group's core business. The Company believes that the terms of each of the Post-TRP Investments are fair and reasonable and in the interests of the Shareholders as a whole.

2. The percentage ratios of each investment are all less than 5% by reference to the most recent financial year of our Company's Track Record Period

The applicable percentage ratios for each of the Post-TRP Investments are all less than 5% by reference to the most recent financial year of our Company's Track Record Period. To the best knowledge of our Company, the Post-TRP Investments are not subject to aggregation under Rule 14.22 of the Listing Rules.

Accordingly, we consider that the Post-TRP Investments are immaterial compared to the scale of the Group's operations as a whole and do not expect them to have any material effect on the financial condition of the Group.

3. The Company is neither able to exercise any control, nor has any significant influence, over the underlying companies or business

We only hold or propose to acquire minority equity interests in each of the target companies of the Post-TRP Investments and do not control their boards of directors. Given that our Group is neither able to exercise any control nor have any significant influence over each of the target companies of the Post-TRP Investments, we would not be able to compel or request the target companies of the Post-TRP Investments to cooperate with its audit work in order for us to comply with the relevant requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules.

4. Alternative disclosure of the Post-TRP Investments in this Document

We have provided in this section alternative information in connection with the Post-TRP Investments. Such information include, where applicable, those that would be required for a disclosable transaction under Chapter 14 of the Listing Rules, including, for example, the reasons

for the Post-TRP Investments, the description of the principal businesses of the target companies for the Post-TRP Investor, the proposed investment amounts and the basis for determining the investment amounts as set out above, and a confirmation that the counterparties and their respective ultimate beneficial owners are independent of the Company and the Company's connected persons. Since the applicable percentage ratios for the each of the Post-TRP Investments are significantly less than 5% by reference to the most recent financial year of the Track Record Period, we believe the current disclosure in this Document is adequate for potential investors to form an informed assessment of the Group.

For the avoidance of doubt, the names of the subject of the Post-TRP Investments are not disclosed in this Document because (i) disclosure of the names of the relevant companies in the Document is commercially sensitive and may jeopardize our ability to consummate the proposed investments; (ii) in respect of certain Post-TRP Investments, the Group is under contractual obligations not to disclose our investments in such target companies; and (iii) given the competitive nature of the industry in which we operate, it is commercially sensitive to disclose the identities of the companies we invested or propose to invest in to avoid our competitors to anticipate our plans of business growth.

Proposed Investment in Company 44

The Group has proposed to subscribe for convertible securities of Company 44 convertible into a maximum of 40% of equity interest in Company 44 on a fully diluted basis (the "**Proposed Investment**") for a total consideration of JPY1,760 million, which is expected to be settled in cash. The consideration is based on arm's length negotiations between Company 44 and the Company, taking into account the valuation of comparable companies in the market. The Company intends to use its internal resources to satisfy the cash consideration. As at the Latest Practicable Date, no definitive agreement has been entered into between Company 44 and the Company.

Company 44 commenced operations in 2019 and is principally engaged in hardware and software distributorship. We confirm that the Proposed Investment is in line with the Group's business and growth strategy, and is related to the Group's core businesses. Completion of the Proposed Investment is expected to take place after the **[REDACTED]**.

The Directors believe that the terms of the Proposed Investment are fair and reasonable and in the interest of the Shareholders as a whole. Company 44 is an associate of a core connected person of the Company at the Company level.

Conditions to the waivers [granted] by the Stock Exchange

We have applied to the Stock Exchange for, and the Stock Exchange [has agreed to grant], a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in respect of the Proposed Investment on the following grounds:

1. Ordinary and usual course of business

The Proposed Investment is essential to the ordinary and usual course of business of our Group as it is one of our principal business strategies to grow and expand by investing in companies with principal businesses related to the Group's core business. The Company believes that the terms of the Proposed Investment are fair and reasonable and in the interests of the Shareholders as a whole.

2. The percentage ratios of the Proposed Investment are all less than 5% by reference to the most recent financial year of the Company's Track Record Period

The applicable percentage ratios for the Proposed Investment are all less than 5% by reference to the most recent financial year of the Company's Track Record Period. To the best of the knowledge of the Company, the Proposed Investment is not subject to aggregation with any of the Post-TRP Investments under Rule 14.22 of the Listing Rules. In addition, unless and until the Company elects to exercise its conversion rights under the convertible securities, the Company will not hold any equity interest in Company 44.

Accordingly, the Company believes that the Proposed Investment is immaterial compared to the scale of the Group's operations as a whole, and is not expected to have any material effect on the financial condition of the Group. As set out in the paragraph headed "—Alternative Disclosure in this Document" below, all information that is reasonably necessary for the potential investors to make an informed assessment of the Group's activities or financial position has been included in the Document. Accordingly, the Company believes that a waiver from compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the investors.

3. The historical financial information of Company 44 fulfilling the disclosure requirement under Rule 4.04 of the Listing Rules would be unduly burdensome to prepare

Note 2 to Rule 4.04 of the Listing Rules requires that "the financial information on the business or subsidiary acquired, agreed to be acquired or proposed to be acquired must normally be drawn up in conformity with accounting policies adopted by the new applicant and be disclosed in the form of a note to the accountants' report or in a separate accountants' report."

Company 44 is a private company with limited liability incorporated under the laws of Japan. The historical financial information of Company 44 was prepared in accordance with Japanese

GAAP, as opposed to IFRS adopted by the Group. In addition, Company 44 adopted a financial year end date of March 31 while the Group adopted a financial year end date of December 31. It would require significant time and resources of the Group and its reporting accountant to familiarize themselves with the management accounting policies of Company 44 and compile the necessary financial information to bring them in conformity with the Group's accounting policies (including accounting standards and financial year-end date) and to comply with Rule 4.04 of the Listing Rules for disclosure in the Document.

In addition, given that the Company does not hold any equity interest prior to the exercise of its conversion rights under the convertible securities, it would be impractical for the Company to request Company 44 to cooperate with the audit work of the Group, even if the Company and its reporting accountants were to expend the time and resources to bring Company 44's financial information in conformity with the Group's accounting policies.

Against the significant additional work and expenses involved, the benefit of disclosure of the financial information of Company 44 may not justify such work, given that: (i) as at the Latest Practicable Date, the Company did not hold any equity interest in Company 44, and in any event, upon full conversion of the convertible securities into a maximum of 40% equity interest in Company 44, the financial results of Company 44 will not be consolidated; and (ii) the percentage ratios of the investment in Company 44 are all less than 5% by reference to the most recent financial year of our Company's Track Record Period. The investment in Company 44 is therefore considered to be immaterial compared to the Group's operations as a whole and the Company does not expect it to have any material effect on the financial condition of the Group.

Accordingly, the Company believes that it is impractical and unduly burdensome for us to disclose the audited financial information of Company 44 as required under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules.

4. Alternative disclosure of the Proposed Investment in the Document

The Company has provided alternative information on the Proposed Investment in the Document. These include the information which would be required for a disclosable transaction under Chapter 14 of the Listing Rules that the Directors consider to be material, including, for example, the reasons for the Proposed Investments (as disclosed above), the descriptions of Company 44's principal business activities, the investment amount and the basis for determining the investment amounts as set out above, and that Company 44 is an associate of a core connected person of the Company at the Company level.

The name of Company 44 is not disclosed in the Document because (i) disclosure of the name of Company 44 in the Document is commercially sensitive and may jeopardize the Company's ability to consummate the Proposed Investment; (ii) the Group is under contractual obligations not to disclose the Proposed Investment; and (iii) given the competitive nature of the industry in which the Company operates, it is commercially sensitive to disclose the identity of Company 44 to avoid competitors to anticipate the Company's plans of business growth.

The Company does not expect to use any **[REDACTED]** from the Proposed **[REDACTED]** to fund such Post-TRP Investments and the Proposed Investment.

WAIVER AND EXEMPTION IN RELATION TO THE PRE-[REDACTED] ESOP OF THE COMPANY

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribes certain disclosure requirements in relation to the share options granted by our Company (the "**Share Option Disclosure Requirements**"):

(i) Rule 17.02(1)(b) of the Listing Rules stipulates that all the terms of a scheme must be clearly set out in this Document. Our Company is also required to disclose in this Document full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options.

(ii) Paragraph 27 of Part A of Appendix 1 to the Listing Rules requires our Company to set out in this Document particulars of any capital of any member of our Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee.

(iii) Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires our Company to set out in this Document, among other things, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of the option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given.

As of the Latest Practicable Date, our Company had granted options under the Pre-**[REDACTED]** ESOP to 1,521 grantees, including six connected persons (three Directors and three directors of subsidiaries of our Company) and 1,515 other employees of our Company, to subscribe for an aggregate of 2,797,614,349 Shares, all of which have been issued and are held by SenseTalent representing 7.92% of the total number of Shares in issue immediately after completion of the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share immediately upon the completion of the **[REDACTED]**) on the terms set out in "Statutory and General Information — D. Share Incentive Schemes — 2. Pre-**[REDACTED]** ESOP" in Appendix IV to this Document.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Our Company has applied to the Stock Exchange and the SFC respectively for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules and the condition to make available a full list of grantees with all the particulars required under paragraph 10(d) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Rule 17.02(1)(b) of, and paragraph 27 of Part A of Appendix 1 to, the Listing Rules in relation to the options granted under the Pre-**[REDACTED]** ESOP; and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the options granted under the Pre-**[REDACTED]** ESOP, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

(i) given that 1,521 grantees are involved, strict compliance with the Share Option Disclosure Requirements in setting out full details of all the grantees who held options under the Pre-**[REDACTED]** ESOP in this Document would be costly and unduly burdensome for our Company in light of a significant increase in cost and timing for information compilation and document preparation;

(ii) the disclosure of the personal details of each grantee, including the number of options granted and addresses, may require obtaining consent from all the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for our Company to obtain such consents given the number of grantees;

(iii) the options under the Pre-**[REDACTED]** ESOP form a key component of the overall remuneration package of the grantees, and the disclosure of option-related information could potentially jeopardize our Company's ability to attract, motivate and retain talented employees and is not in the interests of our Company and the Shareholders as a whole;

(iv) the grant and exercise in full of the options under the Pre-**[REDACTED]** ESOP will not cause any material adverse impact to the financial position of our Group;

(v) there is no potential dilution effect on the shareholding as the Shares underlying the options granted under the Pre-**[REDACTED]** ESOP are already in issue and held by Sense Talent;

(vi) non-compliance with the Share Option Disclosure Requirements would not prevent our Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and

(vii) material information relating to the options under the Pre-**[REDACTED]** ESOP will be disclosed in this Document, including the total number of Shares subject to the Pre-**[REDACTED]** ESOP, the

exercise price per Share and impact on earnings per Share upon full exercise of the options granted under the Pre-**[REDACTED]** ESOP. Our Directors consider that the information that is reasonably necessary for the potential investors to make an informed assessment of our Company in their investment decision making process has been included in this document.

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application will not prejudice the interests of the investing public.

We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Part A of Appendix 1 to the Listing Rules with respect to the options granted under the Pre-**[REDACTED]** ESOP on the condition that:

(i) on an individual basis, full details of the options granted under the Pre-**[REDACTED]** ESOP to each of our Directors and other connected persons of our Company will be disclosed in this Document as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(ii) in respect of the options granted under the Pre-**[REDACTED]** ESOP to the remaining grantees (being the other grantees who are not Directors or other connected person of our Company), disclosure will be made on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grant, being: (1) 1 to 99,999 Shares; (2) 100,000 to 399,999 Shares; and (3) 400,000 or more Shares. For each lot of Shares, the following disclosures will be made on an aggregated basis: (i) the aggregate number of grantees and number of Shares underlying the options granted under the Pre-**[REDACTED]** ESOP; (ii) the consideration paid for and the dates of grant of the options under the Pre-**[REDACTED]** ESOP; and (iii) the vesting period and exercise price of the options granted under the Pre-**[REDACTED]** ESOP;

(iii) the aggregate number of Shares underlying the options granted under the Pre-**[REDACTED]** ESOP and the percentage to our Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date will be disclosed in this Document;

(iv) a summary of the major terms of the Pre-**[REDACTED]** ESOP will be disclosed in "Statutory and General Information — D. Share Incentive Schemes — 2. Pre-**[REDACTED]** ESOP" in Appendix IV to this Document;

(v) the particulars of the waiver will be disclosed in this Document; and

(vi) the grant of certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting our Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

We have applied for, and the SFC [has granted], the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance with respect to the options granted under the Pre-**[REDACTED]** ESOP on the condition that:

(i) on an individual basis, full details of the options granted under the Pre-**[REDACTED]** ESOP granted to each of our Directors and other connected persons of our Company will be disclosed in this Document as required by paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(ii) in respect of the options granted under the Pre-**[REDACTED]** ESOP to the remaining grantees (being the other grantees who are not Directors or other connected person of our Company), disclosure will be made on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grant, being: (1) 1 to 99,999 Shares; (2) 100,000 to 399,999 Shares; and (3) 400,000 or more Shares. For each lot of Shares, the following disclosures will be made on an aggregated basis: (i) the aggregate number of grantees and number of Shares underlying the options granted under the Pre-**[REDACTED]** ESOP; (ii) the consideration paid for and the dates of grant of the options under the Pre-**[REDACTED]** ESOP; and (iii) the vesting period and exercise price of the options granted under the Pre-**[REDACTED]** ESOP;

(iii) the particulars of the exemption will be disclosed in this Document; and

(iv) the document is issued on or before **[REDACTED]**.

Further details of the Pre-**[REDACTED]** ESOP are set out in "Statutory and General Information — D. Share Incentive Schemes — 2. Pre-**[REDACTED]** ESOP" in Appendix IV to this Document.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

For further information on our Directors, see "Directors and Senior Management."

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. Xu Li (徐立)	Flat A2, 1/F, Block A Grandview Tower 130 Kennedy Road Wan Chai Hong Kong	Chinese (Hong Kong)
Prof. Tang Xiao'ou (湯曉鷗)	Flat A, 76/F Diamond Sky, The Cullinan 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong	Chinese (Hong Kong)
Dr. Wang Xiaogang (王曉剛)	Flat D, 8/F, Block A1 The Horizon 18 Fo Chun Road Pak Shek Kok, New Territories Hong Kong	Chinese (Hong Kong)
Mr. Xu Bing (徐冰)	Flat A, 62/F Luna Sky, The Cullinan 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong	Chinese (Hong Kong)
Non-executive Director		
Ms. Fan Yuanyuan (范瑗瑗)	Flat B, 10/F, Tower 7 Redhill Peninsula 18 Pak Pat Shan Road Tai Tam Hong Kong	Chinese
Independent non-executive Directors		
Prof. Xue Lan (薛瀾)	Room 504, Building 2 Lanqiying Community Haidian District Beijing PRC	Chinese

Name	Address	Nationality
Mr. Lyn Frank Yee Chon (林怡仲)	Flat B, 22nd floor Altamira No. 18 Po Shan Road Mid-Levels Hong Kong	Chinese (Hong Kong)
Mr. Li Wei (厲偉)	24C, Yutingxuan City Garden Futian District, Shenzhen Guangdong Province PRC	Chinese

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbor View Street
Central
Hong Kong

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

HSBC Corporate Finance (Hong Kong) Limited
1 Queen's Road Central
Hong Kong

[REDACTED]

[REDACTED]

Legal Advisors to the Company

As to Hong Kong and U.S. laws:
Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC law:
King & Wood Mallesons
18/F, East Tower
World Financial Center
1 Dongsanhuan Zhonglu
Chaoyang District
Beijing 100020
PRC

As to Cayman Islands law:
BGA Law (Cayman) Limited
c/o 3-212 Governors Square
23 Lime Tree Bay Avenue
P.O. Box 30746
Seven Mile Beach
Grand Cayman KY1-1203
Cayman Islands

	As to U.S. export control law: **Hughes Hubbard & Reed LLP** 1775 I Street, N.W. Washington, D.C. 20006-2401 U.S.A.
Legal Advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and U.S. laws:* **Slaughter and May** 47th Floor, Jardine House One Connaught Place Central Hong Kong *As to PRC law:* **Zhong Lun Law Firm** 23-31/F, South Tower of CP Center 20 Jin He East Avenue Chaoyang District Beijing 100020 PRC
Reporting Accountant and Independent Auditor	**PricewaterhouseCoopers** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
Industry Consultant	**Frost & Sullivan International Limited** 1706, One Exchange Square 8 Connaught Place Central Hong Kong
	[REDACTED]

CORPORATE INFORMATION

Registered Office	ICS Corporate Services (Cayman) Limited 3-212 Governors Square 23 Lime Tree Bay Avenue P.O. Box 30746, Seven Mile Beach Grand Cayman KY1-1203 Cayman Islands
Head Office and Principal Place of Business in the PRC	No. 1900 Hongmei Road Xuhui District Shanghai 200233 PRC
Head Office and Principal Place of Business in Hong Kong	2/F, Harbor View 1 12 Science Park East Avenue Hong Kong Science & Technology Park Shatin Hong Kong
Company's Website	**https://www.sensetime.com** *(The information contained in this website does not form part of this document)*
Joint Company Secretaries	**Ms. Lin Jiemin** (林潔敏) 2/F, Harbor View 1 12 Science Park East Avenue Hong Kong Science & Technology Park Shatin Hong Kong **Ms. Wong Wai Yee Ella** (黃慧兒) (*HKCGI, CGI*) Level 54, Hopewell Center 183 Queen's Road East Hong Kong
Authorized Representatives	**Mr. Xu Bing** (徐冰) Flat A, 62/F Luna Sky, The Cullinan 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong **Ms. Lin Jiemin** (林潔敏) 2/F, Harbor View 1 12 Science Park East Avenue Hong Kong Science & Technology Park Shatin Hong Kong

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)
Compliance Advisor	**Haitong International Capital Limited** Suites 3001-3006 and 3015-3016 One International Finance Centre 1 Harbor View Street Central Hong Kong **[REDACTED]**
Principal Banks	**China Construction Bank** No. 25, Finance Street Xicheng District Beijing PRC **Industrial and Commercial Bank of China Limited, Shanghai Municipal Branch** No. 9 Pudong Avenue Pudong New District Shanghai PRC

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

The information that appears in this Industry Overview contains information and statistics on the industry in which we operate. The information and statistics contained in this section have been derived partly from publicly available government and official sources. Certain information and statistics set forth in this section have been extracted from a market research report by Frost & Sullivan (the "Frost & Sullivan Report"), an Independent Third Party which we commissioned. We believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information from official government sources set out in this Industry Overview has not been independently verified by us, the Joint Sponsors, the **[REDACTED]***, the* **[REDACTED]***, the* **[REDACTED]***, any of the* **[REDACTED]***, any of our or their respective directors, officers, employees, advisors, agents or representatives or any other party involved in the* **[REDACTED]** *and no representation is given as to its accuracy and the information from official government sources should not be relied upon in making, or refraining from making, any* **[REDACTED]** *decision.*

ARTIFICIAL INTELLIGENCE IS A TRANSFORMATIONAL FOUNDATION TECHNOLOGY WITH PROFOUND IMPACT ON MANKIND

Artificial intelligence (AI) is a branch of computer science that seeks to create software that simulates human intelligence by enabling machines to mimic the perceptual and cognitive functions normally associated with the human mind, such as seeing, learning and problem solving. The AI in use today primarily focuses on performing specific tasks, enabling robust applications found in computer vision, audio processing, natural language processing and data science.

AI is now being integrated into various aspects of daily life and represents a transformational foundation technology that will have a profound impact on the development of mankind. Global AI-enabled business opportunities as measured by the global nominal GDP boosted by AI technologies are expected to reach USD10 trillion in 2025, according to Frost & Sullivan.

AI MODELS ARE THE CORE BUILDING BLOCKS FOR THE AI INDUSTRY

AI models are the core building blocks of AI software. AI models are mathematical algorithms which can take unstructured data as input and transform them into informative output through its "intelligence," namely, the capability of perceiving the world, transcribing and organizing information, enhancing or generating contents, or making decisions. AI models are produced by a training process that typically requires a large amount of computing power and data. An AI application, which is developed to increase efficiency, improve productivity and enhance life experiences, is a software product that integrates a group of AI models.

Breakthroughs in Deep Learning Technology

Machine learning, a key branch of AI research, is the design and use of computer algorithms that improve through experience and iterations. Deep learning is a subfield of machine learning,

where the deep learning models automate much of the data processing, eliminate some of the manual human assistance and enable the use of very large datasets. As massive training data is fed into the network, the deep learning model's parameters are gradually improved, resulting in better performance and accuracy. The rise and propagation of deep learning methodologies have resulted in higher performance of AI models, and significant advancement in recognition accuracy across AI-related disciplines, in particular, computer vision.

Growing Number of IoT Devices Fueling Substantial Data Growth

The number of IoT devices, primarily including smartphones, automobiles and sensors, was 17.7 billion at the end of 2020 and is expected to rise rapidly at a CAGR of 28.9% to reach over 63.0 billion by 2025, according to Frost & Sullivan. Data generated or captured by such connected devices has been growing rapidly and is expected to account for more than 40% of global data volume by 2025. Global data volume is expected to increase from 66 zettabytes (ZB) in 2020 to 190 ZB in 2025, representing a CAGR of 23.5%. As the number of IoT devices increases, AI models play a key role in processing massive amount of data generated every day. Advances in the quality and quantity of AI models have enabled a wider range of AI applications, which further lead to a larger volume of data facilitating the training and development of AI models.

Increasing Computing Power Supported by Build-out of Digital Infrastructure

Substantial computing power is the prerequisite for the large-scale training and production of AI models. The building of advanced digital infrastructure and development of specialized technologies, such as AI chips, are enabling the growth of computing power. AI digital infrastructure, including 5G and IoT networks, cloud-based computing and large-scale data centers, is being built globally to enable efficient real-time data transmission, processing and storage. In China, the development of digital infrastructure has progressed significantly in recent years. In 2020, China announced the national policy of "New Infrastructure" to promote investment in areas such as AI, large-scale data centers, the Industrial Internet and 5G. The development of specialized AI chips and cloud computing are also boosting computing efficiency and reducing computing costs.

The above trends and developments have created a competitive advantage for leading AI players, who are generally equipped with advanced technology and adequate resources. By effectively mass-producing AI models, leading AI companies are able to develop applications for complex scenarios with high accuracy and cost effectiveness, thus generating economies of scale.

OVERVIEW OF THE AI SOFTWARE MARKET

With the proliferation of data, digital transformation has become a global trend. Enterprises and public sector are relying more on software to innovate and enhance their operational efficiency and results. Meanwhile, consumers increasingly demand software that makes their daily lives more convenient and enjoyable. The global software market is expected to reach USD1,098.4 billion in 2025, representing a CAGR of 12.0% from USD622.7 billion in 2020, according to Frost & Sullivan. Meanwhile, spending on software relative to global GDP is expected to increase from 0.7% in 2020 to 0.9% in 2025.

As the quantity and complexity of captured data grow, traditional software becomes inadequate in analyzing and extracting useful information from them, which creates demand for AI technology. Global spending on AI technology, including AI software, hardware and services, is expected to reach USD221.2 billion in 2025, representing a CAGR of 26.3% from USD68.7 billion in 2020, according to Frost & Sullivan.

AI software, with its ability to utilize massive data, is expected to represent an increasingly significant portion of software spending. AI software will be the fastest-growing and largest segment of the AI technology market, projected to account for approximately 55.1% of global AI technology market in 2025. The global AI software market size is expected to reach USD121.8 billion in 2025, representing a CAGR of 31.9% from USD30.5 billion in 2020, according to Frost & Sullivan.

China is the second-largest AI software market, after the United States. The AI software market in China is expected to grow at a CAGR of 41.5% from RMB29.5 billion in 2020 to RMB167.1 billion in 2025, which would make it the fastest-growing among major markets globally. The contribution of AI software to the China software market is projected to rise from 9.0% in 2020 to 24.1% in 2025, according to Frost & Sullivan.

AI SOFTWARE MARKET SEGMENTS

AI software markets can be categorized into computer vision, speech recognition and natural language processing, and data science, according to Frost & Sullivan. These fields are mainly supported by four types of AI models, namely, (i) perception intelligence, (ii) decision intelligence, (iii) AI-enabled content generation, and (iv) AI-enabled content enhancement. Computer vision is a major perception capability that has been successfully commercialized through industry-grade mass production of AI models.

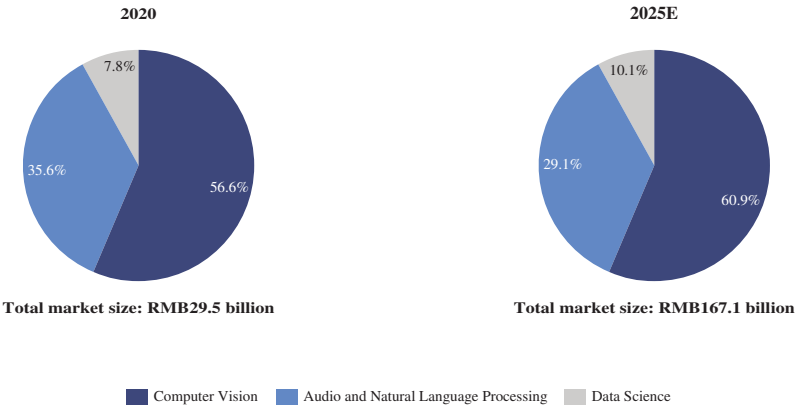
Computer vision is an interdisciplinary scientific field that enables computers to analyze digital images or videos in order to extract data, perform analysis and automate certain tasks. Over 80% of information processed by human brains comes from eyes, according to Frost & Sullivan. Such massive amount of visual information can be analyzed through computer vision, which makes it a vital AI subfield with wide applications across industries. Computer vision software is the largest segment of the global AI software market at 46.9% in 2020 and is expected to reach USD68.0 billion in 2025, representing a CAGR of 36.6% from USD14.3 billion in 2020.

Speech recognition refers to the technology that recognizes spoken words and converts them into texts, while natural language processing refers to the technology that can understand and interpret texts and provide requested feedbacks. They are mostly used for voice services in scenarios such as smart cabin, robots interactions, and voice assistants.

Data science usually follows the application of computer vision, speech recognition and natural language processing. It encompasses decision intelligence related technology applications, such as the control of vehicles in autonomous driving, action recommendations and alerts in spatial management, and intelligent human machine interactions, creating a growing market for data science software.

The computer vision software market in China is projected to reach RMB101.7 billion in 2025, representing a CAGR of 43.5% from RMB16.7 billion in 2020. Audio and natural language processing software is projected to reach RMB48.6 billion in 2025, representing a CAGR of 35.9% from RMB10.5 billion in 2020. Data science software market is projected to reach RMB16.8 billion in 2025, representing a CAGR of 48.8% from RMB2.3 billion in 2020.

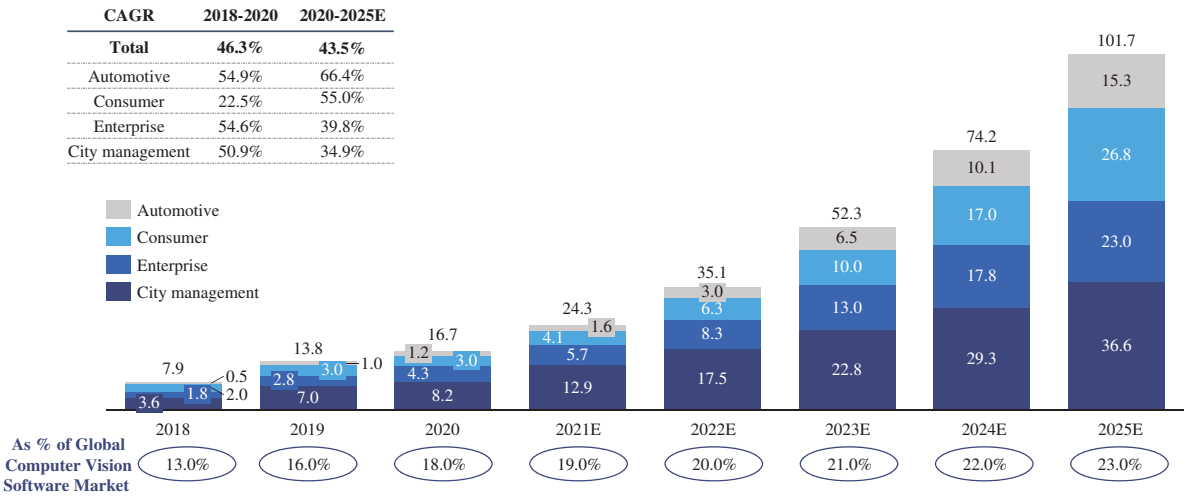
AI Software Market by Segment in China



OVERVIEW OF THE COMPUTER VISION SOFTWARE MARKET IN CHINA

The computer vision software market in China is projected to grow at a CAGR of 43.5% from RMB16.7 billion in 2020 to reach RMB101.7 billion in 2025, accounting for 23.0% of the global computer vision software market, compared to 18.0% in 2020, according to Frost & Sullivan.

Market Size of China Computer Vision Software Market (RMB Billion, 2018-2025E)



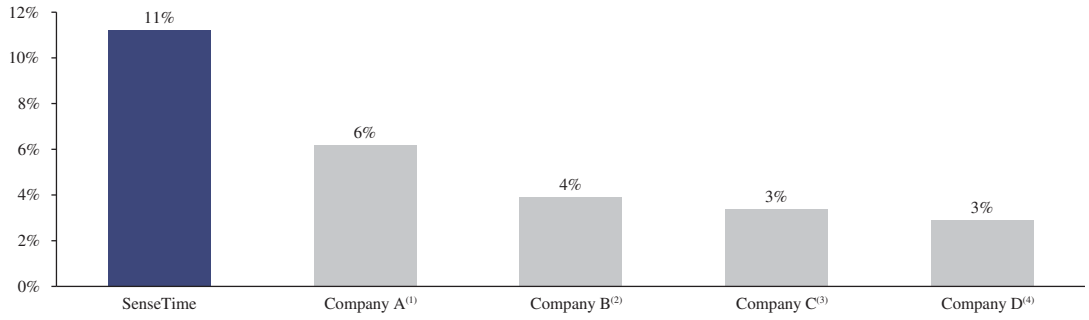
COMPETITIVE LANDSCAPE

SenseTime is the largest AI software provider in terms of revenue in Asia in 2020, and the largest computer vision software provider in China in terms of revenue in 2020, according to Frost & Sullivan.

SenseTime's competitors in the computer vision software market in China can be categorized into (i) computer vision-centric software companies; (ii) computer vision related hardware providers; and (iii) cloud service providers, according to Frost & Sullivan.

The following graph shows the market share of the top five computer vision software providers in China by software revenue in 2020:

Market Share of Computer Vision Software Providers in China, 2020



Notes:

(1) Company A is a leading computer vision-related hardware provider with businesses mainly covering the public sectors and enterprises. Company A is listed on the Shenzhen Stock Exchange.

(2) Company B is a leading cloud service, telecom equipment and consumer electronics provider.

(3) Company C is a leading computer vision-centric software company with businesses mainly covering public sectors and enterprise applications.

(4) Company D is a leading technology company offering Internet-related services and products in entertainment, artificial intelligence, cloud services and other technologies. Company D is listed on both the Nasdaq and the Stock Exchange.

Entry Barriers

The entry barriers for the computer vision software industry primarily include:

- ***Technology innovation capability.*** Technology capability sits at the very core of business development for computer vision software providers. As new application scenarios for computer vision software continue to emerge, computer vision software providers have to develop one-stop software platforms that offer a large number of applications to address

special needs of diversified long-tail scenarios efficiently. Furthermore, it is necessary for a leading player to have full-stack technology capabilities, including software-defined computing processing power, algorithms and software solutions, to improve its platform-based cross-scenario service capabilities.

- ***Computing infrastructure.*** In order to process the massive amounts of data generated and to train high performance AI models, it is critical for computer vision software providers to invest heavily in constructing their own computing infrastructure or procuring infrastructure services. Such intensive investments can be a barrier for new entrants.

- ***Talent Acquisition and Retention.*** With the rapid development of the industry and the widespread deployment of AI software solutions, the ability to consistently attract and retain experienced and skilled talents has become a key driver of long-term business success.

Threats

The threats to the computer vision software industry primarily include:

- ***Ethical concerns of artificial intelligence.*** The application of computer vision in various scenarios involve ethical issues such as privacy concerns, AI responsibility and the delegation of decision making, transparency, and bias, which arise at all stages of decision making processes.

- ***Concern on data security and privacy.*** Data security and privacy remain major concerns for many computer vision software companies. As the training of AI models requires large amounts of data input, and the inference of AI models often involves processing of real-world data, organizations and individuals are increasingly concerned about the security and privacy of the data provided to and processed by computer vision software companies.

COMPUTER VISION SOFTWARE FOR ENTERPRISE APPLICATIONS IN CHINA

Enterprises can digitalize their operations by deploying AI models across various scenarios.

Key Trends and Drivers

According to Frost & Sullivan, the key growth drivers of China's computer vision software market for enterprise applications include:

Operation Management Optimization

Traditional industries and enterprises seek to improve operating efficiency. For example, many residential communities demand simplified and intelligent ways to manage environment and personnel to improve productivity and customer experience. Enterprises are increasingly incentivized to adopt various AI models to help optimize operations to improve efficiency.

Labor Efficiency Improvement

Labor costs have been on the rise due to talent scarcity and general economic development. AI technology can in many cases reduce human inputs required and increase efficiency and accuracy. For example, in quality control management, traditional manual sampling can be inconsistent, inefficient and costly. Quality control through AI model-enabled automated sampling and testing can save man hours, enhance efficiency while lowering defect rate.

User Experience Enhancement

Enterprises use AI software to provide differentiated services and offerings to their end users, enhancing the latter's experience and hence gaining a competitive edge commercially. For example, in shopping malls, AI software can be used to provide indoor navigation and digital personal assistant to make the user experience more interactive and attractive. By utilizing the functions provided by AI models, businesses can significantly increase the variety and efficiency of their services and hence deliver more value to customers.

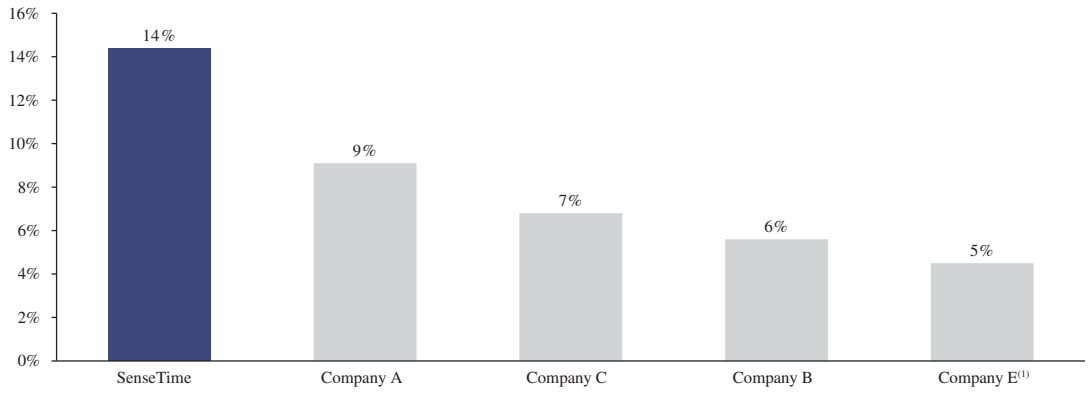
Market Size

The computer vision software market for enterprise applications in China is expected to reach RMB23.0 billion in 2025, representing a CAGR of 39.8% from RMB4.3 billion in 2020, according to Frost & Sullivan.

Key Players & Market Positions

SenseTime is the largest computer vision software provider for enterprise applications by software revenue in China in 2020, according to Frost & Sullivan. The following graph shows the market share of the top five computer vision software providers for enterprise applications in China by software revenue in 2020.

Market Share of Computer Vision Software Providers for Enterprise Applications in China, 2020



Note:

(1) Company E is a leading computer vision-centric software company with businesses mainly covering the financial and public sectors.

COMPUTER VISION SOFTWARE FOR CITY MANAGEMENT APPLICATIONS IN CHINA

China is one of the pioneers in AI-empowered city management. Urbanization and population growth in China's major cities have changed the landscape of city management. As visual data is continuously generated by IoT devices, AI models trained and improved with such massive data can provide insights for city management. City administrators can use AI software to advance urban digital transformation, provide a safer and more convenient environment for residents and improve public services in traffic management, safety, environmental protection, urban management and emergency responses.

Key Trends and Drivers

According to Frost & Sullivan, the key growth drivers of China's computer vision software market for city management applications include:

Increasing City Management Complexity

The analysis of unstructured visual data captured in cities requires a large amount of manpower, a growing challenge for city administrators due to labor shortage and budgetary restraints. In addition, there are limited resources to perform real-time analysis of videos and images, and tackle specialized needs of numerous long-tail scenarios. City administrators have been utilizing AI software to solve these issues. For example, computer vision technology can help ease traffic delays and reduce accidents with traffic signal intelligence, path optimization and intelligent navigation.

Increasing Demand for Timely Emergency Response

City administrators face increasing difficulties in timely identifying and responding to incidents and emergencies. By analyzing video footages, and extracting useful data, AI models allow for real-time analysis of the physical world and thus help city administrators quickly respond to alerts. For example, with the help of computer vision technology and wide deployment of IoT devices, fire departments can receive timely and accurate reports of fires, while emergency vehicles can have their driving routes optimized based on real-time traffic data.

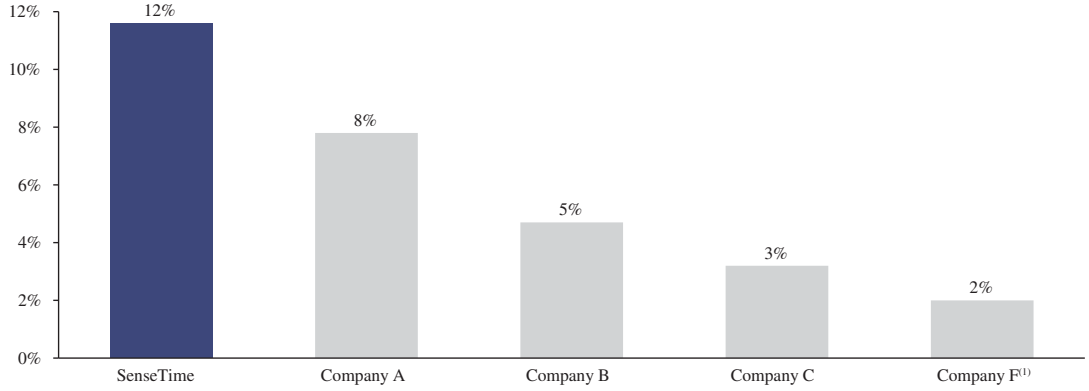
Market Size

The computer vision software market for city management applications in China is expected to reach from RMB8.2 billion in 2020 to RMB36.6 billion in 2025, representing a CAGR of 34.9%, according to Frost & Sullivan.

Key Players & Market Positions

SenseTime is the largest computer vision software provider for city management applications in China in terms of software revenue in 2020, according to Frost & Sullivan. The following graph shows market share of the top five computer vision software providers for city management applications in China by software revenue in 2020.

Market Share of Computer Vision Software Providers for City Management Applications in China, 2020



Note:

(1) Company F is a leading computer vision-centric software company, with its businesses including city management, enterprise and consumer applications.

COMPUTER VISION SOFTWARE FOR CONSUMER APPLICATIONS IN CHINA

AI technology and its applications are increasingly important in the overall consumer experience, providing consumers with new forms of services for media, entertainment, social activities and healthcare. In addition, the physical world and virtual world converge through various IoT devices, including smartphones and AR/VR devices. This trend leads to the emergence of the Metaverse, referring to the convergence of physical, augmented and virtual reality in one shared online space.

Key Trends and Drivers

According to Frost & Sullivan, the key trends and drivers of China's computer vision software market for consumer applications include:

Proliferation of IoT Devices

The growth of AI software market for consumer application is driven by a growing number of IoT devices. Coupled with high-speed networks and cloud computing, these devices are capable of

generating and transmitting massive amount of data, thus creating a conducive backdrop for widespread adoption of AI models. Furthermore, IoT devices increasingly incorporate AI models to enhance their performance and functionalities.

Increasing Demand for AI-enhanced User Experience

AI technology can create more immersive user experiences, leading to growing consumer demand in areas such as tourism, social networking, online shopping and gaming. In particular, the Metaverse has the potential to become a universal platform for future social interactions, empowered by AI models.

Expanding AI Applications in the Healthcare Industry

AI technologies have been increasingly adopted in healthcare industry to facilitate precise diagnosis and treatment. AI models can be deployed in a wide range of clinical scenarios to support hospital departments, such as radiology, cardiology, orthopedics and pathology. Furthermore, AI has the potential to revolutionize drug discovery process in various ways, such as generating properties and structures of potential complex molecules.

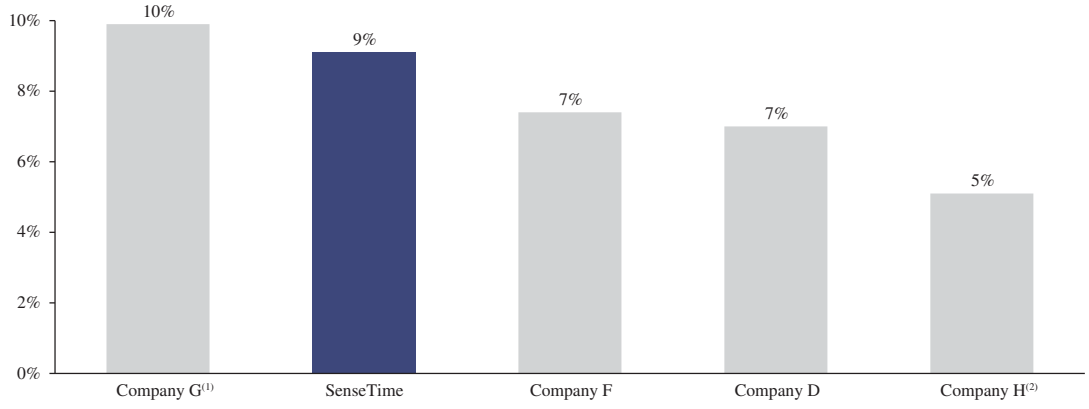
Market Size

The computer vision software market for consumer applications in China is expected to reach RMB26.8 billion in 2025, representing a CAGR of 55.0% from RMB3.0 billion in 2020, according to Frost & Sullivan.

Key Players & Market Positions

Having entered the consumer applications market since 2015, SenseTime is the second-largest computer vision software provider for consumer applications in China in terms of software revenue in 2020, according to Frost & Sullivan. The following graph shows market share of the top five computer vision software providers for consumer applications in China by software revenue in 2020.

Market Share of Computer Vision Software Providers for Consumer Application in China, 2020



Notes:

(1) Company G is a leading computer vision-centric software company with businesses covering consumer applications. Company G is listed on the Shanghai Stock Exchange.

(2) Company H is a leading technology company offering Internet-related services and products in online commerce and local services, cloud services and other technologies. Company H is listed on both the New York Stock Exchange and the Stock Exchange.

COMPUTER VISION SOFTWARE FOR AUTOMOTIVE APPLICATIONS IN CHINA

The global shipment for passenger and commercial vehicles was 77 million in 2020 and is projected to reach over 100 million in 2030, according to Frost & Sullivan. China accounts for the largest share of the global automotive market, at 32.8% of global shipment for passenger and commercial vehicle shipments in 2020. This large market is undergoing revolutionary changes, as vehicles are becoming increasingly intelligent. Key changes include the development of autonomous driving technologies and the development of intelligent in-vehicle software, both of which are primarily enabled by the advancement of sophisticated AI models. These changes present massive growth opportunities. In particular, the global autonomous driving technology market is projected to reach USD110.0 billion in 2025 and further expand to USD320.0 billion in 2030. China's autonomous driving technology market is projected to reach RMB265.0 billion in 2025 and RMB618.0 billion in 2030. Specifically, the market size of China's AI-centric software for autonomous driving has reached RMB5.1 billion in 2020, at a CAGR of 63.7% from RMB0.7 billion in 2016 to 2020, and is expected to reach RMB53.0 billion in 2025, representing a CAGR of 59.9% from 2020 to 2025.

In addition to software products, automobile companies require AI-as-a-Service and cloud services to train AI models efficiently and continuously improve their autonomous driving capabilities. Cloud services are also being developed to enable vehicles to interact with their surroundings in real time, creating a safer driving environment with a higher degree of automation.

Key Trends and Drivers

According to Frost & Sullivan report, the key trends and drivers of China's computer vision software for automotive applications market include:

Wider Adoption of Autonomous Driving Technologies

Automobile companies have been making significant investments in developing Advanced Driver Assistance Systems (ADAS) globally. Up to 90% of all vehicles sold in China are expected to be equipped with L2 (ADAS) or above autonomous driving capabilities by 2030, significantly increasing from less than 9% in 2020, according to Frost & Sullivan. Up to 20% of all vehicles sold in China are expected to be equipped with L4 or above autonomous driving capabilities by 2030. Most automobile companies are looking to gradually introduce more advanced autonomous driving capabilities in their vehicle models. A number of companies are aiming directly at providing L4 or above autonomous solutions.

Increasing Demand for Intelligent Features

Automobiles are transitioning from hardware-based to essentially software-centric "computers on wheels." Features such as environment sensing, driver monitoring, V2X connections, in-vehicle infotainment systems are widely applied in smart/autonomous driving by utilizing AI models embedded in software platforms within the vehicles systems. Smart cabin/cockpit solutions such as driver-monitoring system and in-vehicle infotainment systems with AI-enhanced functions are being widely adopted by automobile companies in new vehicle models. Apart from hardware performance, AI-enabled intelligent features to improve user experience are increasingly becoming a key differentiation point for the vehicles offered by automobile companies.

Favorable Environment for Autonomous Driving

China is at the forefront of adopting autonomous driving technologies with a favorable environment. In combination with the growing investment in autonomous driving and the favorable policies for smart cars, China could potentially foster world-leading autonomous driving capabilities and players.

Market Size

The computer vision software market for automotive applications in China is expected to increase from RMB1.2 billion in 2020 to RMB15.3 billion in 2025, representing a CAGR of 66.4%, according to Frost & Sullivan.

Key Players & Market Positions

SenseTime has leading capabilities in terms of ADAS, AI-driven smart cabin, AI infrastructure service capability and collaboration with Chinese and global automobile companies compared to peers, according to Frost & Sullivan. The following graph shows a comparison of core capabilities of leading software providers for autonomous driving in China.

	SenseTime	Company B	Company D	Company I[1]	Company J[2]
➢ **L2+ ADAS**	●	●	◑	○	○
➢ **L4 autonomous driving**	◑	◑	◑	◑	◑
➢ **Robotaxi/Robobus**	◑	○	◑	●	◑
➢ **AI-driven smart cabin**	●	●	●	○	◑
➢ **AI infrastructure service capability**	●	●	●	○	○
➢ **Vehicle-to-everything (V2X) System**	◑	◑	◑	◑	◑
➢ **Commercialization**	●	◑	◑	◑	◑

● *Strong capability (already at commercialization stage)*

◑ *Still developing capability (early stage of commercialization)*

○ *No presence or very limited capability*

Notes:

(1) Company I is a leading specialized autonomous driving solutions provider with robotaxi operations in China and the United States.

(2) Company J is a leading mobility technology platform listed on the New York Stock Exchange.

SOURCE OF INFORMATION

In connection with the **[REDACTED]**, we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report on the markets in which we operate. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We have agreed to a total of USD100,000 in fees and expenses for the preparation and use of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful **[REDACTED]** or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the **[REDACTED]**.

We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed "Summary," "Risk Factors," "Business," "Financial Information" and elsewhere in this document to provide our potential investors with a more comprehensive

presentation of the industries in which we operate. Unless otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications. During the preparation of the market research report, Frost & Sullivan performed both (i) primary research, which involved in-depth interviews with leading industry participants and industry experts; and (ii) secondary research, which involved review of company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data was obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

This section sets forth a summary of the most significant rules and regulations that may affect our business activities.

REGULATIONS ON VALUE-ADDED TELECOMMUNICATIONS SERVICES AND FOREIGN INVESTMENT RESTRICTIONS

Regulations on Foreign Investment Restrictions

Investment in the PRC by foreign investors was regulated by the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》) amended by National Development and Reform Commission (the "**NDRC**") and the Ministry of Commerce of the PRC (the "**MOFCOM**") on June 28, 2017 and taking into effect on July 28, 2017 (the "**2017 Catalog**"). On June 28, 2018, the MOFCOM and the NDRC jointly promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (《外商投資准入特別管理措施（負面清單）》) (the "**2018 Foreign Investment Negative List**"), which became effective on July 28, 2018 and replaced the Special Administrative Measures for Foreign Investment Access (foreign investment access negative list) in the 2017 Catalog. On June 30, 2019, the MOFCOM and the NDRC jointly promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (the "**2019 Foreign Investment Negative List**"), which became effective on July 30, 2019 and replaced the 2018 Foreign Investment Negative List. On June 23, 2020, the MOFCOM and the NDRC jointly promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Version) (《外商投資准入特別管理措施（負面清單）（2020年版）》) (the "**Negative List**"), which became effective on July 23, 2020 and replaced the 2019 Foreign Investment Negative List. The list of encouraged industries under the 2017 Catalog was replaced by the Catalog of Industries for Encouraging Foreign Investment (2019 Version) (《鼓勵外商投資產業目錄》) (the "**2019 Catalog**"), which was promulgated by the MOFCOM and the NDRC jointly on June 30, 2019 and became effective on July 30, 2019. The 2019 Catalog was replaced by the Catalog of Industries for Encouraging Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄（2020年版）》) (the "**2020 Catalog**"), which was promulgated by the MOFCOM and the NDRC jointly on December 27, 2020 and became effective on January 27, 2021. As a result, the 2017 Catalog has been replaced by the Negative List and the 2020 Catalog. The industries which are not listed in the 2020 Catalog or the Negative List shall be categorized as permitted industries for foreign investment. According to the Negative List, the industry of value-added telecommunications services (except for e-commerce, domestic multipoint communication, store-and-forward and call centers) we currently operate in falls into the restricted category.

According to the Administrative Regulations on Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), as most recently amended in February 2016, foreign invested value-added telecommunications enterprises must be in the form of a Sino-foreign equity joint venture. The regulations limit the ultimate capital contribution percentage by foreign investor(s) in a foreign-invested value-added telecommunications enterprise to 50% or less and require the primary foreign investor who invests in a foreign invested value-added telecommunications enterprise operating the value-added telecommunications business in the PRC to have a good track record and operational experience in operating value-added telecommunications business. On August 1, 2019, the Ministry of Industry and Information Technology (the "**MIIT**")

issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant shall have a record of good performance and operating experience in managing value-added telecommunications services, describing the value-added telecommunications services provided in the previous period in accordance with the relevant supporting documents and written expressions.

In July 2006, the predecessor to the MIIT issued the Circular of the Ministry of Information Industry on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Business (《信息產業部關於加強外商投資經營增值電信業務管理的通知》), according to which a foreign investor in the telecommunications service industry in the PRC must establish a foreign invested enterprise and apply for a telecommunications businesses operation license. This circular further requires that: (i) the PRC domestic telecommunications business enterprises must not lease, transfer or sell a telecommunications businesses operation license to a foreign investor through any form of transaction or provide resources, offices and working places, facilities or other assistance to support the illegal telecommunications services operations of a foreign investor; (ii) value-added telecommunications enterprises or their shareholders must directly own the domain names and trademarks used by such enterprises in their daily operations; (iii) each value-added telecommunications enterprise must have the necessary facilities for its approved business operations and maintain such facilities in the regions covered by its license; and (iv) all providers of value-added telecommunications services are required to maintain network and internet security in accordance with the standards set forth in relevant PRC regulations. If a license holder fails to comply with the requirements in the circular and cure such non-compliance, the MIIT or its local counterparts shall have the discretion to take measures against such license holder, including revoking its license for value-added telecommunications business. Based on the Notice regarding the Strengthening of Ongoing and Post Administration of Foreign Investment Telecommunications Enterprises (《關於加強外商投資電信企業事中事後監管的通知》) issued by MIIT in October 2020, the MIIT will not issue Examination Letter for Foreign Investment in Telecommunications Business (《外商投資企業電信業務審定意見書》). Foreign invested enterprises need to submit relevant foreign investment materials to MIIT for the initial application and the changes of telecommunications operating permits.

Regulations on Value-Added Telecommunication Services

The PRC Telecommunications Regulations (《中華人民共和國電信條例》) (the "**Telecommunications Regulations**"), as most recently amended in February 2016, are the primary regulations governing telecommunications services. Under the Telecommunications Regulations, a telecommunications service provider is required to procure operating licenses prior to the commencement of its operations. The Telecommunications Regulations distinguish "basic telecommunications services" from "value-added telecommunications services." Value-added telecommunications services are defined as telecommunications and information services provided through public networks. Internet information service is a subcategory (B25 Information Service) of value-added telecommunications service in the Catalog of the Telecommunications Regulations (as defined below), as most recently updated in June 2019. Pursuant to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the "**Internet Measures**"), as most

recently amended in January 2011, "internet information services" refers to the provision of information through the internet to online users, and they are categorized into "commercial internet information services" and "non-commercial internet information services", which is a subcategory (B25 Information Service) of value-added telecommunications service in the current Catalog of the Telecommunications Regulations. On January 8, 2021, the Administrative Measures on Internet Information Services (Revised Draft for Comment) (《互聯網信息服務管理辦法》(修訂草案徵求意見稿)) was proposed by the Cyberspace Administration for China (the "**CAC**") for public comments until February 7, 2021. Compared with the current Internet Measures, the main changes of the revised draft are primarily on the following aspects: (i) extending the scope of "internet information services" as "the provision of internet information and application platform services to users, including but not limited to internet news information services, internet services relating to search engines, instant messaging, interactive information services, online live-streaming, online payment, advertisement promotion, online data storage, online shopping, online booking, application software downloading and other internet services"; (ii) telecommunications services license is required for an internet information service provider if internet information services provided by such provider is categorized as telecommunications services while filing with competent telecommunication authorities is required if internet information services provided by such provider are not deemed as telecommunications services; (iii) strengthening supervision and administration measures on publishing and communicating internet information and (iv) improving protection of users' information by requiring internet information service providers and internet access service providers to ensure personal information security and to implement technical and necessary measures to prevent the identity information and information record they collect, use, record and store from being leaked, damaged or lost.

The Catalog of Classification of Telecommunications Services (《電信業務分類目錄》) (the "**Catalog of Telecommunications Businesses**") was issued by the MIIT in December 2015 and amended in June 2019 as an attachment to the Telecommunications Regulations to categorize telecommunications services as either basic or value-added. A commercial internet information services operator must obtain a value-added telecommunications services license for internet information services, which is known as an ICP License, from the relevant government authorities before engaging in any commercial internet information services operations in the PRC. No ICP License is required if the operator will only provide internet information on a non-commercial basis. According to the Administrative Measures on Telecommunications Business Operating Licenses, an ICP License has a term of five years and can be renewed within 90 days before expiration. The Catalog of Telecommunications Businesses categorizes online information services as value-added telecommunications services, and further provides that the internet data center ("**IDC**") services refer to the placement, agency maintenance, system configuration and management services provided for users' servers or other internet/network-related equipment in a form of outsourced lease by utilizing the corresponding machine room facilities, as well as the lease of database systems, servers and other equipment, lease of the storage spaces of such equipment, lease of communication lines and export bandwidth on an agency basis, and other application services. Whilst IDC services are subject to stricter regulations, the operator of IDC services needs to obtain a value-added telecommunications business license, and states its business category as IDC B11. Distribution of online information and IDC is subject to restrictions on foreign ownership under the current PRC laws and regulations, as they are internet-based businesses. The business scope of telecommunications companies are limited to the business opened according to China's WTO

commitments in accordance with the Negative List. In addition, China's commitment to open telecommunication business does not include data center business pursuant to the Protocol on the Accession of the PRC, effective on November 10, 2001. Pursuant to the Mainland and Hong Kong Closer Economic Partnership Agreement and Mainland and Macao Closer Economic Partnership Agreement (collectively, the "**CEPA Agreements**"), both effective on June 1, 2016, Mainland China has promised to open mainland data center business to service providers in Hong Kong Special Administrative Region and Macao Special Administrative Region subject to certain limitations.

The Administrative Measures on Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》), promulgated by the MIIT in 2009 and most recently amended in July 2017, set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. Under these measures, a commercial operator of value-added telecommunications services must first obtain a license from the MIIT or its provincial level counterpart, or else such operator might be subject to sanctions including corrective orders and warnings from the competent administration authority, fines and confiscation of illegal gains. In case of serious violations, the operator's websites may be ordered to be closed.

In addition to the Telecommunications Regulations and the other regulations abovementioned, the provision of commercial internet information services on mobile internet applications is regulated by the Administrative Provisions on Information Services of Mobile Internet Applications (《移動互聯網應用程序信息服務管理規定》), which was promulgated by the CAC on June 28, 2016 and took effective on August 1, 2016. The information service providers of mobile internet applications are subject to requirements under these provisions, including acquiring the qualifications required by laws and regulations and being responsible for information security.

REGULATIONS ON CYBER SECURITY AND DATA PROTECTION

The PRC government has enacted laws and regulations with respect to internet information security and protection of personal information from any abuse or unauthorized disclosure. Internet information in the PRC is regulated and restricted from a national security standpoint. The Standing Committee of the National People's Congress (the "**SCNPC**") enacted the Decision on the Maintenance of Internet Security (《關於維護互聯網安全的決定》) on December 28, 2000, which was amended on August 27, 2009 and may subject persons to criminal liabilities in the PRC for any attempt to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. In addition, on December 16, 1997, the Ministry of Public Security (the "**MPS**") issued the Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), which took effect on December 30, 1997 and were amended by the State Council on January 8, 2011, prohibits using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an internet information service provider violates any of these measures, competent authorities may revoke its operating license and shut down its websites. The

Administrative Measures for the Graded Protection of Information Security (《信息安全等級保護管理辦法》) that was issued and took effect on June 22, 2007 requires the entities that operate and use information systems to fulfill the obligation of protection the information system at multi-level. The entities that operate the information systems at Grade II or above shall, within 30 days since the date when its security protection grade is determined, handle the record-filing procedures at the local public security authority.

The PRC Cyber Security Law (《中華人民共和國網絡安全法》), which was promulgated in November 7, 2016 and took into effect on June 1, 2017, requires a network operator, including internet information services providers among others, to adopt technical measures and other necessary measures in accordance with applicable laws and regulations as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. The Cyber Security Law emphasizes that any individuals and organizations that use networks must not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. The Cyber Security Law has also reaffirmed certain basic principles and requirements on personal information protection previously specified in other existing laws and regulations, including those described above. Any violation of the provisions and requirements under The Cyber Security Law may subject an internet service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites or even criminal liabilities.

The PRC Data Security Law (《數據安全法》) was promulgated on June 10, 2021 and became effective on September 1, 2021. It establishes a data protection system based on the category and security level of the data in terms of its importance for economic and social development and the potential harm caused by illegal use of such data to national security, public interest or rights and interests of individuals and organizations. Competent governmental authorities shall be responsible to formulate lists for "key data." Higher level of protection shall apply to "national core data" which refers to data that are vital to national security, economy, people's livelihood and major public interests. According to the Data Security Law, data activities affecting or likely to affect national security will be subject to national security review under the data security review system. The data relating to safeguarding national security and interests and performance of international obligations shall be subject to export control of China. In addition, the Data Security Law provides that key data processors shall appoint a data security officer and establish a management department to take charge of data security, and such processors shall evaluate the risk of their data activities periodically and file assessment reports with the relevant regulatory authorities. Furthermore, data transaction intermediary service providers shall check the sources of the data, the identities of parties involved in the data transactions and keep records accordingly. Violation of Data Security Law may subject the relevant entities or individuals to warning, fines, suspension of business for rectification, revocation of permits or business licenses, and/or even criminal liabilities. According to the Data Security Law, the maximum monetary fine imposed on the breaching party is RMB 10 million. Since the Data Security Law is relatively new, uncertainties still exist in relation to its interpretation and implementation.

On August 20, 2021, the SCNPC issued the Personal Information Protection Law (《個人信息保護法》), which takes effect from November 1, 2021. The Personal Information Protection Law reiterates the circumstances under which a personal information processor could process personal information and the requirements for such circumstances, such as when (1) the individual's consent has been obtained; (2) the processing is necessary for the conclusion or performance of a contract to which the individual is a party; (3) the processing is necessary to fulfill statutory duties and statutory obligations; (4) the processing is necessary to respond to public health emergencies or protect natural persons' life, health and property safety under emergency circumstances; (5) the personal information that has legally been made public by the relevant individual or otherwise is processed within a reasonable scope; (6) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision, and other activities in the public interest; or (7) under any other circumstance as provided by any law or regulation. It also stipulates the obligations of a personal information processor. The Personal Information Protection Law provides that a personal information processor could process publicly disclosed information within the reasonable scope in accordance therewith on the basis of the six circumstances already specified thereunder. No organization or individual may illegally collect, use, process or transmit personal information, illegally buy or sell, provide or make personal information public, or engage in the processing of personal information that endangers the national security or public interests. The Personal Information Protection Law clarifies the definition of "Sensitive Personal Information", which means personal information that, once leaked or illegally used, may give rise to discrimination against individuals or seriously endanger personal or property security, including information on biometrics, religious beliefs, specific identifications, medical health, financial accounts, and personal whereabouts, among others. To process sensitive personal information based on an individual's consent, a personal information processor shall obtain the separate consent from the individual. Where any law or administrative regulation provides that written consent shall be obtained for processing sensitive personal information, such provision shall prevail. In terms of cross-border transmission of personal information, pursuant to the Personal Information Protection Law, a personal information processor, providing personal information to any party outside the territory of the PRC, shall notify individuals of the overseas recipient's identity, contact information, processing purposes, processing methods, categories of personal information, the methods in which individuals exercise the rights over the overseas recipient, and other matters, and obtain individuals' separate consent. Furthermore, critical information infrastructure operators and the personal information processors that process the personal information reaching or exceeding the threshold specified by the national cyberspace administration in terms of quantity shall store domestically the personal information collected and generated within the territory of the PRC. Where it is truly necessary to provide the information abroad, the security assessment organized by the national cyberspace administration shall be passed, unless otherwise regulated by laws, administrative regulations, or provisions issued by the national cyberspace administrative authorities. The Personal Information Protection Law provides that if an overseas organization or individual engages in personal information processing activities that damage the rights and interests relating to personal information of citizens of the PRC or compromise national security or public interests of the PRC, the national cyberspace administration may include it or him in a list of those the provision of personal information to whom is restricted or prohibited, make an announcement, and take measures such as restricting or prohibiting the provision of personal information to it or him. On the other hand, personal information processors shall themselves, on the basis of the purposes of the processing of personal information, processing methods, categories of personal

information, the impacts on individuals, and potential security risks, among others, take necessary measures to ensure that personal information processing activities comply with the provisions of laws and administrative regulations, and prevent unauthorized access to as well as the leakage, tampering or loss of personal information.

For purposes of ensuring the security of the supply chain for critical information infrastructure and maintaining national security, on July 10, 2021, the Measures for Cyber Security Review (Revised Draft for Comments) (《網絡安全審查辦法（修訂草案徵求意見稿）》) (the "**Revised Draft**") was proposed by the CAC for public comments until July 25, 2021. As compared with the Measures for Cyber Security Review (《網絡安全審查辦法》) implemented on June 1, 2020, the Revised Draft has inserted the procedures for additional oversight of "foreign (國外)" listings in relation to cybersecurity. The Revised Draft specifies that the procurement of network products and services by operator of critical information infrastructure and the activities of data process carried out by data processor that raise or may raise "national security" concerns are subject to strict cyber security review by Office of Cyber Security Review established by the CAC. Before such operator or data processor purchases internet products and services, it should assess the potential risk of national security that may be caused by the use of such products and services. If such use of products and services may give raise to national security concerns, it should apply for a cyber security review by the Cyber Security Review Office and a report of analysis of the potential effect on national security shall be submitted when the application is made. In addition, critical information infrastructure operators and data processors that possess the personal data of at least one million users must apply for a cybersecurity review by the Cyber Security Review Office, if they plan listing of companies in foreign countries. The Cybersecurity Review Office may voluntarily conduct cyber security review if any network products and services, activities of data process or listing of companies overseas affects or may affect national security. Pursuant to the Revised Draft, any violation shall be punished in accordance with the Cybersecurity Law and the Data Security Law of the PRC, the sanctions under which include, among others, government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations.

The cyber security review focuses on the assessment of risk related to procurement activities, data process and listing of companies overseas and the major factors that are taken into consideration includes (i) the risk of critical information infrastructure being illegally controlled, interfered or destroyed as a result of the use of the products or services; (ii) the continuous harm to the business of critical information infrastructure by the interruption of provision of products or services; (iii) the security, openness, transparency, diversity of sources, reliability of supply and potential supply interruptions of products and services due to political, diplomatic or international trade issues; (iv) whether the products and services provider comply with PRC laws and regulations; (v) the risk of core data or a large amount of personal information being stolen, leaked, destroyed, illegally utilized or exited the country; (vi) the risk that critical information infrastructure, core data or a large amount of personal information will be affected, controlled, or maliciously utilized by foreign governments after listing overseas and (vii) other factors that may endanger the security of critical information infrastructure and national data security. It may take approximately 70 business days in maximum for the general cybersecurity review upon the delivery of their applications, which may be subject to extensions for a special review. Since the Revised Draft is released for public comments, it is subject to further changes interpretation, and the operative provisions and anticipated

adoption or effective date may be subject to change with substantial uncertainty. However, the Revised Draft provides no further explanation or interpretation for "foreign" listing (國外上市). It remains uncertain whether any future regulatory changes would impose additional restrictions on companies like us. The Revised Draft remains unclear on whether the relevant requirements will be applicable to companies that intend to be listed in Hong Kong such as us. Furthermore, the exact scope of operator under the Revised Draft and the current regulatory regime remains unclear, and the PRC governmental authorities may have wide discretion in the interpretation and enforcement of these laws. We cannot predict the impact of the draft measures, if any, at this stage. As of the Latest Practicable Date, the Group has not been involved in any investigations on cybersecurity review made by the CAC on the national security basis or any other basis, and has not received any inquiry, notice, warning, or sanctions in such respect.

In addition, on November 14, 2021, the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例（徵求意見稿）》) was proposed by the CAC for public comments until December 13, 2021. The draft measures reiterate that data processors which process the personal information of at least one million users must apply for a cybersecurity review if they plan listing of companies in foreign countries, and the draft measures further require the data processors that carry out the following activities to apply for cybersecurity review in accordance with the relevant laws and regulations: (i) the merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests affects or may affect national security; (ii) the listing of the data processor in Hong Kong affects or may affect the national security; and (iii) other data processing activities that affect or may affect national security. Any failure to comply with such requirements may subject us to, among others, suspension of services, fines, revoking relevant business permits or business licenses and penalties. Since the CAC is still seeking comments on the Revised Draft from the public as of the date of the Document, the Revised Draft (especially its operative provisions) and its anticipated adoption or effective date are subject to further changes with substantial uncertainty. For further information, see "Risk Factors — Risks relating to Our Business — We are subject to complex and evolving laws, regulations and governmental policies regarding privacy and data protection. Actual or alleged failure to comply with privacy and data protection laws, regulations and governmental policies could damage our reputation, deter current and potential customers from using our products and services and could subject us to significant legal, financial and operational consequences."

On July 30, 2021, the State Council promulgated the Regulations for Safe Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the "**Safe Protection Regulations**") which will take effect on September 1, 2021. Pursuant to the Safe Protection Regulations, critical information infrastructure refers to important network infrastructure and information system in public telecommunications, information services, energy sources, transportation and other critical industries and domains, in which any destruction or data leakage will have severe impact on national security, the nation's welfare, the people's living and public interests. The Safe Protection Regulations provide specific requirements for the responsibilities and obligations of the operator: (i) the operator shall establish and improve the cyber security protection system and responsibility system, and ensure the input of manpower, financial and material resources; (ii) the operator shall set up a special security management department, and review the security background of the person

in charge of the special security management department and the personnel in key positions; (iii) the operator shall guarantee the operation funds of the special security management department, allocate corresponding personnel, and have the personnel of the special security management department participate in the decision-making relating to cyber security and informatization; (iv) the operators shall give priority to the purchase of safe and reliable network products and services; network products and services procured that may affect the national security shall be subject to the security review in accordance with the national provisions on network security. The Safe Protection Regulations clarity the measures for dealing with the failure of key information infrastructure operators to perform their responsibilities for security protection, such as imposing fines.

The Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) (the "**Provisions**") was jointly promulgated by the MIIT, the CAC and the Ministry of Public Security on July 12, 2021 and became effective on September 1, 2021. Network product providers, network operators as well as organizations or individuals engaging in the discovery, collection, release and other activities of network product security vulnerability are subject to the Provisions and shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. In response to the Cyber Security Law, network product providers are required to report relevant information of security vulnerability of network products with the MIIT within two days and to provide technical support for network product users. Network operators shall take measures to examine and fix security vulnerability after discovering or acknowledging that their networks, information systems or equipment have security loopholes. According to the Provisions, the breaching parties may be subject to monetary fine as regulated in accordance with the Cyber Security Law. Since the Provisions is relatively new, uncertainties still exist in relation to its interpretation and implementation.

On August 16, 2021, the CAC, the NDRC, the MPS, the MIIT and the Ministry of Transport jointly promulgated the Several Provisions on Automobile Data Security Management (Trial Implementation) (《汽車數據安全管理若干規定（試行）》) ("**Provisions on Automobile Data Security**") which will take effect from October 1, 2021 and aims to regulate the collection, analysis, storage, utilization, provision, publication, and cross-border transmission of personal information and critical data generated throughout the lifecycle of automobiles by automobile designers, producers and service providers. Relevant automobile data processor including automobile manufacturers, compartment and software providers, dealers, maintenance providers are required to process personal information and critical data in accordance with applicable laws during the automobile design, manufacture, sales, operation, maintenance and management. To process personal information, automobile data processors shall obtain the consent of the individual or conform to other circumstances stipulated by laws and regulations. Pursuant to the Provisions on Automobile Data Security, personal information and critical data related to automobiles shall in principle be stored within the PRC and a cross-border data security evaluation shall be conducted by the national cyberspace administration authority in concert with relevant departments under the State Council if there is a need to provide such data overseas. To process critical data, automobile data processors shall conduct risk assessment in accordance with regulations and submit risk assessment reports to related departments at provincial levels.

On March 6, 2020, the Standardization Administration Committee of China issued Information Security Technology — Personal Information Security Specification (《信息安全技術-個人信息安全規範》) (GB/T 35273-2020) (the "**2020 Specification**"). The 2020 Specification has replaced GB/T 35273-2017 Personal Information Security Specification, and has updated and refined the previous guidelines. The 2020 Specification is a recommended national standard which means it does not have legal effect, but to certain extend it explains and reinforces the requirements under the PRC Cyber Security Law. It lays out granular guideline on how to obtain consent and how personal information should be collected, used and shared. Under the 2020 Specification, personal information refers to any information that is recorded, electronically or otherwise, that can be used alone or in combination with other information to identify a natural person or reflect the activity of a natural person. Sensitive personal information is defined as personal information which if disclosed or abused, will lead to adverse impact to the personal information subject, including personal identification number, mobile phone number, individual biometric information, bank account number, location tracking, health and physiological information and transaction information, etc. The organization or person who is in a position to determine the purpose, means and similar measures of personal information processing (the "**PI Controller**") cannot force a natural person, who is identified by or associated with the personal information (the "**PI Subject**"), to accept the business functions provided by the product or service. If the PI Subject does not explicitly authorize and provide consent to use personal information for a specific business function, the PI Controller may not demand the PI Subject to give consent by reasons of better quality service, increased security, research and promote better experience. Under the 2020 Specification, the PI Controller, among other things, is required to inform the PI Subject of the purpose, method, scope and other rules for collecting and using such personal information and obtain consent from the PI Subject, obtain explicit consent (being a specific and clear expression of intention voluntarily made by the PI Subject on the basis of complete knowledge) from the PI Subject prior to collection of sensitive personal information, and minimize the storage period of personal information necessary to accomplish their purposes, after which personal information must be anonymized); furthermore, to share and transfer personal information, the PI Controller must conduct security impact assessments in advance, inform the subject about the purpose of sharing and transferring their personal information, and receive the PI Subject's explicit consent. It is suggested as well that Controllers develop a specific and detailed protocol for handling and reporting any personal information security incidents, including regular trainings for the workers who handle personal information.

On July 27, 2021, the Supreme People's Court of China issued the Provisions on Several Issues concerning the Application of Law in the Trial of Civil Cases Involving the Use of Face Recognition Technologies to Process Personal Information (《關於審理適用人臉識別技術處理個人信息相關民事案件適用法律若干問題的規定》) (the "**Face Recognition Provisions**"). The Face Recognition Provisions apply to civil disputes arising from the use of face recognition technology to deal with facial information between equal civil subjects. The Face Recognition Provisions clarify the nature and responsibilities of the abuse of utilizing face recognition technologies to process facial information. To process the facial information of a natural person, the individual consent of such natural person or his/her guardian must be obtained. Any violation of individual consent, or forcing or de facto forcing of a natural person to consent to the processing of facial information constitutes an infringement of the personal rights and interests of natural persons. The Face Recognition Provisions further stipulate that a natural person has the right to confirm the invalidity of certain boilerplate terms of a contract with the information processor if the information processor enters into a contract

with a natural person using boilerplate terms that would require such natural person to grant the processer an indefinite right to process his/her human facial information, or that such terms are irrevocable or would permit the information processor to assign the right to process such facial information. If the natural person requests confirmation that the boilerplate terms are invalid, the Face Recognition Provisions provide that the people's court shall support the claim pursuant to the law.

Pursuant to the Eleventh Amendment to the Criminal Law (《中華人民共和國刑法修正案（十一）》) issued by the SCNPC in December 26, 2020 and became effective in March 1, 2021, any internet service provider that fails to fulfill the obligations related to the internet information security administration as required by the applicable laws and refuses to rectify upon orders, shall be subject to criminal penalty. Pursuant to the Notice of the Supreme People's Court, the Supreme People's Procuratorate and the Ministry of Public Security on Legally Punishing Criminal Activities Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知》), issued on April 23, 2013, Article 253 of the Criminal Law of the PRC (《中華人民共和國刑法》), and the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), which was issued on May 8, 2017 and took effect on June 1, 2017, the following activities may constitute the crime of infringing upon a citizen's personal information: (i) providing a citizen's personal information to specified persons or releasing a citizen's personal information online or through other methods in violation of relevant national provisions; (ii) providing legitimately collected information relating to a citizen to others without such citizen's consent (unless the information is processed, not traceable to a specific person and not recoverable); (iii) collecting a citizen's personal information in violation of applicable rules and regulations when performing a duty or providing services; or (iv) collecting a citizen's personal information by purchasing, accepting or exchanging such information in violation of applicable rules and regulations.

Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**") that was issued by the National People's Congress ("**NPC**") on May 28, 2020 and took effect on January 1, 2021 provides that natural persons' personal information shall be protected by law and any organizations and individuals shall legally collect personal information and ensure the security of personal information collected. It is not allowed to illegally collect, use, process or transfer the personal information, or illegally buy or sell, provide or make public the personal information of others. Personal information of natural persons refers to all kinds of information recorded by electronic or otherwise that can be used to independently identify or be combined with other information to identify the natural persons' names, dates of birth, ID numbers, biometric information, addresses, telephone numbers, e-mail addresses, health information, whereabouts, etc. The processing of personal information shall be subject to the principle of legitimacy, rightfulness and necessity, with no excessive processing, and shall meet the following conditions: (i) with the consent of the natural person or the guardian thereof, unless otherwise provided by laws or administrative regulations; (ii) expressly stating the purpose, method and scope of information to be processed; and (iii) not violating the provision of the laws and administrative regulations and the agreement of both parties. The Civil Code has revised the Internet tort liability and further elaborated on "safe harbor" rule with respect to an internet

service provider from both the aspects of notice and counter notice, including (i) upon receiving notice from the right holder, promptly adopting necessary protective measures such as deletion, screening or disconnection of hyperlinks and reefing right holder's notice to disputed internet user; and (ii) upon receiving counter-notice from the disputed internet user, referring such counter-notice to the claiming right holder and informing him/her to take other corresponding measures such as filing complaint with competent authorities or suit with courts. The Civil Code has also provides that where the internet service provider knew or should have known the infringing acts of the internet user, it shall be severally liable with such internet user.

During the Track Record Period, we have implemented comprehensive internal policies and measures on protection of cybersecurity, data privacy and personal information. See "Business — Data Privacy and Personal Information Protection."

REGULATIONS AND POLICIES ON ARTIFICIAL INTELLIGENCE TECHNOLOGIES AND AUTONOMOUS DRIVING VEHICLE

The Guidelines for the Construction of National Open Innovation Platforms for the New Generation Artificial Intelligence (《國家新一代人工智能開放創新平台建設工作指引》), promulgated by the Ministry of Science and Technology on August 1, 2019 and came into effect on the same date, pointed out that "open and sharing" shall be the important philosophy in promoting artificial intelligence innovation and industry development in China, and encouraged to open innovation platforms for companies to do testing, and thus to form standard and modularized models, middleware and applications for providing services to the public in the form of open interfaces, model libraries, algorithm packages, etc. The Guidelines for the Construction of the National New Generation Artificial Intelligence Innovation and Development Pilot Zone (revised version) (《國家新一代人工智能創新發展試驗區建設工作指引(修訂版)》), promulgated by the Ministry of Science and Technology on September 29, 2020 and came into effect on the same date, underlines that an environment conducive to the innovation and development of artificial intelligence shall be created, as well as to promote the construction of artificial intelligence infrastructure and strengthen the conditional support for the innovation and development of artificial intelligence.

In accordance with the Notice of the State Council on Issuing the "Made in China (2025)" (《國務院關於印發<中國製造2025>的通知》) which was promulgated by the State Council on May 8, 2015 and came into effect on the same date, to fully implement the intention of the 18th National Congress of the Communist Party of China (the "**CPC**") and the Second, Third and Fourth Plenary Sessions of the 18th Central Committee of the CPC and adhere to the path of new industrialization with Chinese characteristics, the promotion of integrated development of the next generation information technology and manufacturing technology and regard intelligent manufacturing are the main directions of comprehensive integration of informationization and industrialization. And efforts should be made to develop intelligent equipment and intelligent products, promote intelligent production process, cultivate new production methods, and comprehensively enhance the intelligent level of research and development, production, management and service of enterprises. The Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and Outlines of Objectives in Perspective of the Year 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), promulgated on March 12, 2021 and came into effect

on the same date, points out the focus of key areas include high-end chips, operating systems, key artificial intelligence algorithms, sensors, and the PRC shall speed up technology R&D, and make breakthroughs in basic theories, basic algorithms, and equipment materials.

In May 2016, the Chinese government issued the Three-Year Implementing Plan for Internet Plus Artificial Intelligence (《"互聯網+"人工智能三年行動實施方案》, the "**Three-Year Plan**") and in July 2017, the Development Planning on the New Generation of Artificial Intelligence (《關於印發新一代人工智能發展規劃的通知》, the "**Development Plan**") was also issued. The two Plans aimed to encourage the development of AI technology in China. In particular, the Three-Year Plan stipulates that by 2018, the Three-Year Plan jointly released by the NDRC, MIIT, Ministry of Science and Technology ("**MOST**") and State Internet Information Office ("**SIIO**") outlined nine key engineering areas in AI technology development between 2016 and 2018. It also identified specific high-level policy goals of the Chinese government such as funding for research and development, government support for industry development and the identification of key industrial projects. The Three-Year Plan put forward a series of measures for technology R&D and application and industrial development. On the other hand, the Development Plan issued by the State Council charts a blueprint for the overall thinking, strategic goals, main tasks and supporting measures for AI development in China all the way through 2030. Importantly, the Development Plan outlined a three-step process to achieve its strategic objectives.

The MIIT, the Ministry of Public Security and the Ministry of Transport issued the Circular on the Norms on Administration of Road Testing of Intelligent Connected Vehicles (Trial Implementation) (《智能網聯汽車道路測試管理規範（試行）》) (the "**Norms on Administration**") in April 2018, which became effective from May 1, 2018, and further issued the Administrative Norms for Road Testing and Demonstrative Application of Intelligent Connected Vehicles (Trial Implementation) (《智能網聯汽車道路測試與示範應用管理規範（試行）》) (the "**New Norms on Administration**") on July 27, 2021, which will become effect from September 1, 2021 and will replace the Norms on Administration. The New Norms on Administration is the primary national level regulatory document on road testing of autonomous driving vehicles in the PRC, pursuant to which, any entity intending to conduct a road testing and demonstrative application of intelligent connected vehicles must provide a self-statement on road testing safety and a temporary license plate for each tested vehicle. Demonstrative application refers to activities involving the pilot and trail effects of running intelligent connected vehicles with passengers and goods, which are carried out on designated sections of roads, urban roads, regions and other roads that are used for passage of public motor vehicles. To qualify for these required licenses, an applicant entity must satisfy, among others, the following requirements: (i) it must be an independent legal person registered under PRC law with the capacity to conduct manufacturing, technological research or testing of vehicles and vehicle parts, which has established protocol to test and assess the performance of autonomous driving system and is capable of conducting real-time remote monitor of the tested vehicles; (ii) the vehicle under road testing must be equipped with a driving system that can switch between autonomous pilot mode and human driving mode in a safe, quick and simple manner and allows human driver to take control of the vehicle any time immediately when necessary; (iii) the tested vehicle must be equipped with the functions of recording, storing and real-time monitoring the condition of the vehicle and is able to transmit real-time data of the vehicle, such as the driving mode, location and speed; (iv) the applicant entity must sign an employment contract or a labor

service contract with the driver of the tested vehicle, who must be a licensed driver with more than three years' driving experience and a track record of safe driving and is familiar with the testing protocol for autonomous driving system and proficient in operating the system; (v) the applicant entity must insure each tested vehicle for at least RMB5 million against car accidents or provide a letter of guarantee covering the same. During testing, the testing entity should post a noticeable identification logo for autonomous driving test on each tested car and should not use autonomous driving mode unless in the permitted testing areas specified in the self-statement. If the testing entity intends to conduct road testing in the region beyond the administrative territory of the certificate issuing authority, it must again provide the former relevant materials and supplementary materials (if any) to the relevant authority supervising the road-testing of autonomous cars in that region. In addition, the testing entity is required to submit to the provincial authority a periodical testing report every six months and a final testing report within one month after completion of the road testing. In the case of a car accident causing severe injury or death of personnel or vehicle damage, the testing entity must report the accident to the provincial authority within 24 hours and submit a comprehensive analysis report in writing covering cause analysis, final liability allocation results, etc. within five working days after the traffic enforcement agency determines the liability for the accident.

On February 10, 2020, eleven central level Chinese governmental departments jointly issued the Strategy for Innovation and Development of Intelligent Vehicles (《智能汽車創新發展戰略》) (the "**Strategy**"). The Strategy sets out a blueprint of how the Chinese government will boost the development of autonomous vehicles over the next thirty years. The Strategy makes it clear that intelligent vehicles are the future of the global automotive industry and that China is no exception. The Strategy provides a more realistic vision that by 2025 a comprehensive system comprising of technological innovation, industrial ecosystem, infrastructure, regulations and standards, product regulating and cybersecurity has been basically established – all aimed at providing an ecosystem for intelligent vehicles to develop in China.

On March 9, 2020, the Taxonomy of Driving Automation for Motor Vehicles (《汽車駕駛自動化分級》) was published by the MIIT and subsequently became the recommended national standard on January 1, 2021. It provides six levels from 0 to 5 for the taxonomy of driving automation, which level 5 refers to full driving automation.

REGULATIONS ON PRODUCT LIABILITY AND CONSUMER RIGHTS PROTECTION

Regulations on Product Liability

According to the Civil Code, if defective products are identified after they have been put into circulation, the manufacturers or the sellers shall take remedial measures such as issuance of a warning, alerts, calls and recall of products in a timely manner. In the event of damage arising from a defective product or the failure to take timely remedial actions, the infringed party may seek compensation from either the manufacturer or seller of such a product. If the defect is caused by the seller, the manufacturer shall be entitled to seek reimbursement from the seller upon compensation of the victim. If the products are produced or sold with known defects, causing deaths or severe

adverse health issues, the infringed party has the right to claim punitive damages in addition to compensatory damages.

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Product Quality Law**"), promulgated on February 22, 1993 and was most recently amended on December 29, 2018, a manufacturer is prohibited from producing or selling products that do not meet applicable standards and requirements for safeguarding human health and ensuring human and property safety. Products must be free from unreasonable dangers threatening human and property safety. Where a defective product causes physical injury to a person or property damage, the infringed party may make a claim for compensation from the manufacturer or the seller of the product. Manufacturers and sellers of non-compliant products may be ordered to cease the production or sale of the products and could be subject to confiscation of the products and/or fines. A seller of a product shall be responsible for repairing, replacing or returning the product with the specified defects, and shall compensate for the damages incurred by consumers who bought such defective product. After the seller performs its obligation of repairing, replacing and returning the defective product and/or compensating for the customers' damages, such seller is entitled to seek reimbursement from the manufacturer of such product, if it could be proved that the defect is caused by the manufacturer. Earnings from sales in contravention of such standards or requirements may also be confiscated, and in severe cases, the business license may be revoked.

A variety of consumer protection laws are also applicable to regulate our business including the Consumer Rights and Interests Protection Law of the PRC (《消費者權益保護法》) (the "**Consumer Rights and Interests Protection Law**"), which was amended on October 25, 2013 and became effective on March 15, 2014. The Consumer Rights and Interests Protection Law imposes stringent requirements and obligations on business operators, who are required to guarantee that the products and services they provide satisfy the requirements for personal or property safety. Business operators are also required to provide consumers with authentic information about the quality, function, usage and term of validity of the products or services. Any incompliance with these consumer protection laws could result in a wide range of penalties including administrative sanctions, such as the issuance of a warning, confiscation of illegal income, imposition of fines, an order to cease business operations, revocation of business licenses, as well as potential civil or criminal liabilities.

Regulations on Compulsory Product Certification

According to the Administrative Regulations on Compulsory Product Certification (《強制性產品認證管理規定》) as promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC, or the QSIQ, which was merged into the SAMR afterwards, on July 3, 2009 and became effective on September 1, 2009 and the First Catalog of Products Subject to China Compulsory Certification as promulgated by the QSIQ in association with the State Certification and Accreditation Administration Committee, or the CAA, on December 3, 2001, QSIQ are responsible for the regulation and quality certification of vehicles. Telecommunication terminal equipment and information technology equipment must not be sold, exported or used in operating activities unless they are certified by certification authorities designated by the CAA as qualified products and granted certification marks.

REGULATIONS ON NATIONAL SECURITY PROTECTION MATTERS

On January 9, 2021, the MOFCOM promulgated the Rules on Counteracting Unjustified Extra-territorial Application of Foreign Legislation and Other Measures (《阻斷外國法律與措施不當域外適用辦法》) (the "**Counteracting Measures**"). This legislation provides the legal basis for the Chinese government to cope with the impact on China caused by unjustified extra-territorial application of foreign legislation and other measures other than those under the treaties or international agreements to which China is a party. The Counteracting Measures will apply to cases where the extraterritorial application of foreign laws and measures violates international law and basic norms of international relations, and improperly prohibits or restricts PRC citizens, legal persons or other organizations from conducting normal economic, trade and related activities with third countries (regions) and their citizens, legal persons or other organizations. According to the Counteracting Measures, where Chinese entities encounter foreign laws or measures that prohibit or restrict their normal economic and trade activities, they shall report the relevant situation to the MOFCOM and its local counterparts within 30 days. Failure to report may subject such Chinese entities to warning, rectification order within a specified time and fine.

The Counteracting Measures further stipulates the working mechanism for dealing with the unjustified extraterritorial application of foreign laws and measures, which is led by the MOFCOM, together with the NDRC and other relevant departments. When assessing and determining whether the reports received involve unjustified extra-territorial application of foreign legislation and other measures, the following factors shall be taken into account by the working mechanism: (1) whether international law or the basic principles of international relations are violated; (2) potential impact on China's national sovereignty, security and development interests; (3) potential impact on the legitimate rights and interests of the citizens, legal persons or other organizations of China; and (4) other factors that shall be taken into account. Where the working mechanism, confirms the existence of unjustified extra-territorial application of foreign legislation and other measures, the MOFCOM will issue a prohibition order against recognition, enforcement and compliance with relevant foreign laws and measures; meanwhile, a citizen, legal person or other organization of China may also have the right to apply to the MOFCOM for exemption from compliance with a prohibition order.

The Counteracting Measures also provide protections from the national level, i.e. the Chinese government can provide relevant support to Chinese entities that suffer significant losses due to non-compliance with the relevant foreign laws and measures, in adherence to the prohibition order; and take necessary counter-measures based on actual circumstances and needs.

REGULATIONS ON ANTI-MONOPOLY MATTERS

The currently effective Anti-Monopoly Law (《中華人民共和國反壟斷法》) was promulgated by the SCNPC in 2007 and took effect on August 1, 2008. Pursuant to the Anti-Monopoly Law, the relevant operators of a concentration of undertakings which reaches the standard for declaration shall make an advance declaration to the antimonopoly law enforcement authority under the State Council and it prohibits monopolistic conduct, such as entering into monopoly agreements, abuse of

dominant market position and concentration of undertakings that have the effect of eliminating or restricting competition.

Competing business operators may not enter into monopoly agreements that eliminate or restrict competition, such as by boycotting transactions, fixing or changing the price of commodities, limiting the output of commodities, fixing the price of commodities for resale to third parties, among others, unless the agreement will satisfy the exemptions under the Anti-monopoly Law, such as improving technologies, increasing the efficiency and competitiveness of small and medium-sized undertakings, or safeguarding legitimate interests in cross-border trade and economic cooperation with foreign counterparts. Sanctions for violations include an order to cease the relevant activities, and confiscation of illegal gains and fines (from 1% to 10% of sales revenue from the previous year, or RMB500,000 if the intended monopoly agreement has not been performed). On June 26, 2019, the SAMR further issued the Interim Provisions on the Prohibitions of Monopoly Agreements (《禁止壟斷協議暫行規定》) which took effect on September 1, 2019 and supersedes certain anti-monopoly rules and regulations previously issued by the State Administration for Industry and Commerce (the "**SAIC**"). Upon the implementation of the Interim Provisions on the Prohibitions of Monopoly Agreements (《禁止壟斷協議暫行規定》), the Provisions on the Procedures for the Administrative Departments for Industry and Commerce to Investigate Cases of Monopoly Agreements and the Abuse of Dominant Market Position (《工商行政管理機關查處壟斷協議、濫用市場支配地位案件程序規定》), issued by the former SAIC in 2009, and the Provisions for the Industry and Commerce Administrations on the Prohibition of Monopoly Agreements (《工商行政管理機關禁止壟斷協議行為的規定》) published in 2010 were simultaneously abolished.

A business operator with a dominant market position may not abuse its dominant market position to conduct acts, such as selling commodities at unfairly high prices or buying commodities at unfairly low prices, selling products at prices below cost without any justifiable cause, and refusing to trade with a trading party without any justifiable cause. Sanctions for violation of the prohibition on the abuse of dominant market position include an order to cease the relevant activities, confiscation of the illegal gains and fines (from 1% to 10% of sales revenue from the previous year). On June 26, 2019, the SAMR issued the Interim Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為暫行規定》) which took effect on September 1, 2019 to further prevent and prohibit the abuse of dominant market positions. Upon the implementation of the Interim Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為暫行規定》), the *Provisions for the Industry and Commerce Administrations on the Prohibition of Abuse of Dominant Market Position* (《工商行政管理機關禁止濫用市場支配地位行為的規定》) was simultaneously abolished. The Interim Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為暫行規定》) provides more details on factors to be taken into consideration when assessing an abusive behavior, introduces types of factors for consideration of the dominance of operators in the internet and intellectual property industry, and clarifies the procedural requirements for suspension of investigation.

Among other things, where a concentration of undertakings reaches the declaration threshold stipulated by the State Council, a declaration must be approved by the anti-monopoly authority before the parties implement the concentration. Concentration refers to (1) a merger of undertakings;

(2) acquiring control over other undertakings by acquiring equities or assets; or (3) acquisition of control over, or the possibility of exercising decisive influence on, an undertaking by contract or by any other means. If business operators fail to comply with the mandatory declaration requirement, the anti-monopoly authority is empowered to terminate and/or unwind the transaction, dispose of relevant assets, shares or businesses within certain periods and impose fines of up to RMB500,000.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Copyright and Software Products

On September 7, 1990, the SCNPC promulgated Copyright Law of the PRC (《中華人民共和國著作權法》) (the "**Copyright Law**"), which took into effect on June 1, 1991, and amended on October 27, 2001, February 26, 2010 and November 2020, respectively. The Copyright Law provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. In addition, internet activities, products disseminated over the internet and software products also enjoys copyright. There is a voluntary registration system administered by the PRC Copyright Protection Center. In order to further implement the Computer Software Protection Regulations (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991, taking into effect on October 1, 1991, and amended on December 20, 2001, January 8, 2011 and January 30, 2013 (which amendment took into effect on March 1, 2013) respectively, the National Copyright Administration issued the Computer Software Copyright Registration Procedures (《計算機軟件著作權登記辦法》) on February 20, 2002, which apply to software copyright registration, license contract registration and transfer contract registration. The National Copyright Administration of the PRC shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China (the "**CPCC**"), is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (Revised in 2013).

Provisions of the Supreme People's Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》) provide that web players or web service providers who create works, performances or audio-video products, for which others have the right of dissemination through information networks or are available on any information network without authorization shall be deemed to have infringed upon the right of dissemination through information networks.

Trademarks

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 as well as the Implementation Regulation of the PRC

Trademark Law (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002 and amended on April 29, 2014. The Trademark Office handles trademark registrations and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the first or any renewed ten- year term. Trademark registrant may license its registered trademark to another party by entering into a trademark license agreement. Trademark license agreements must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. The PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use. Trademark license agreements should be filed with the Trademark Office or its regional offices.

Domain Names

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》), promulgated by MIIT on November 5, 2004 and taking into effect on December 20, 2004 which was superseded by the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated by MIIT on August 24, 2017 and taking into effect on November 1, 2017, and the Implementing Rules of China Country Code Top-Level Domain Name Registration (《國家頂級域名註冊實施細則》) and the Procedural Rules of China Country Code Top-Level Domain Name Dispute Resolution (《國家頂級域名爭議解決程序規則》) which were promulgated by China Internet Network Information Center on June 18, 2019 and came into effect on the same date. Domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC internet domain names. The domain name services follow a "first come, first file" principle, where the corresponding detailed rules for domain name registration stipulate otherwise, such provisions shall prevail. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure. The domain name disputes shall be accepted and solved by a domain name dispute resolution body as recognized by the China Internet Network Information Center. In accordance with the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which was promulgated by the Ministry of Industry and Information Technology on November 27, 2017 and came into effect on January 1, 2018, the Internet access service provider concerned shall check the real identity information of the domain name registrant via the Record-filing System, and shall not provide access services if the Internet-based information service provider fails to provide real identity information or the identity information provided is inaccurate or incomplete, with the exception of domain names that have been filed for record with the Record-filing System prior to the effectiveness of this Notice.

Patents

According to the Patent Law of the PRC (Revised in 2020) (《中華人民共和國專利法（2020年修訂）》) promulgated by the by the Standing Committee of the NPC on October 17, 2020 and came into effect on June 1, 2021, and its Implementation Rules (Revised in 2010) (《中華人民共和國專利法實施細則（2010 年修訂）》) promulgated by the State Council on January 9, 2010 and most recently amended on February 1, 2010, the State Intellectual Property Office of the PRC is responsible for administering patents in the PRC. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The Patent Law of the PRC and its implementation rules provide for three types of patents, "invention", "utility model" and "design." Invention patents are valid for twenty years, while design patents are valid for fifteen years and utility model patents are valid for ten years, from the date of application. In accordance with the Measures for the Filing of Patent Exploitation License Contracts (《專利實施許可合同備案辦法》) which was promulgated by the State Intellectual Property Office on June 27, 2011 and came into effect on August 1, 2011, the State Intellectual Property Office shall be responsible for filing of patent licensing contracts nationwide. The parties concerned shall complete filing formalities within three months from the effective date of a patent licensing contract. The PRC patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. A third-party player must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights. Compared with the Patent Law before revised, the main changes of the Patent Law of the PRC (revised in 2020) are concentrated on the following aspects: (i) clarifying the incentive mechanism for inventor or designer relating to service inventions; (ii) extending the duration of design patent; (iii) establishing a new system of "open licensing" (開放許可); and (iv) increasing the compensation for patent infringement.

REGULATIONS ON EMPLOYMENT

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994, taking into effect on January 1, 1995 and amended on August 27, 2009 and December 29, 2018, the PRC Labor Contract Law (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, taking into effect on January 1, 2008 and amended on December 28, 2012, and the Implementing Regulations of the Employment Contracts Law (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and taking into effect on September 18, 2008, labor relationships between employers and employees must be executed in written form. Wages may not be lower than the local minimum wage. Employers must establish a system for labor safety and sanitation, strictly abide by state standards and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions.

Under PRC laws, rules and regulations, including the Social Insurance Law (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010 and taking into effect on July 1, 2011, which was amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》) promulgated by the State Council and taking

into effect on January 22, 1990 and amended on March 24, 2019, and the Regulations on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) promulgated by the State Council and taking into effect on April 3, 1999, and amended on March 24, 2002 and March 24, 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance and housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the deficit amount.

REGULATIONS ON FOREIGN EXCHANGE

Regulation on Foreign Currency Exchange

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administration Regulations (《外匯管理條例》), most recently amended in 2008. Under PRC foreign exchange regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange ("**SAFE**"), by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

In 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》) ("**Circular 59**"), which substantially amends and simplifies the current foreign exchange procedure. Pursuant to Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In 2013, SAFE specified that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) ("**Circular 13**"). Instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, may directly review the applications and conduct the registration.

In March 2015, SAFE promulgated the Circular of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《國家外匯管理

局關於改革外商投資企業外匯資本金結匯管理方式的通知》) ("**Circular 19**"), which expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. Circular 19 replaced both the Circular of the SAFE on Issues Relating to the Improvement of Business Operations with Respect to the Administration of Foreign Exchange Capital Payment and Settlement of Foreign-invested Enterprises (《國家外匯管理局關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) ("**Circular 142**"), and the Circular of the SAFE on Issues concerning the Pilot Reform of the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises in Certain Areas (《國家外匯管理局關於在部分地區開展外商投資企業外匯資本金結匯管理方式改革試點有關問題的通知》) ("**Circular 36**"). Circular 19 allows all foreign-invested enterprises established in the PRC to settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operation, provides the procedures for foreign invested companies to use RMB converted from foreign currency-denominated capital for equity investments and removes certain other restrictions that had been provided in Circular 142. However, Circular 19 continues to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capital for expenditure beyond their business scope and providing entrusted loans or repaying loans between non-financial enterprises. SAFE promulgated the Notice of the SAFE on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) ("**Circular 16**"), effective June 2016, which reiterates some of the rules set forth in Circular 19. Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there are substantial uncertainties with respect to Circular 16's interpretation and implementation in practice. Circular 19 or Circular 16 may delay or limit us from using the proceeds of offshore offerings to make additional capital contributions to our PRC subsidiaries and any violations of these circulars could result in severe monetary or other penalties.

In January 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) ("**Circular 3**"), which stipulates several capital control measures with respect to the outbound remittance of profits from domestic entities to offshore entities, including (i) banks must check whether the transaction is genuine by reviewing board resolutions regarding profit distribution, original copies of tax filing records and audited financial statements, and (ii) domestic entities must retain income to account for previous years' losses before remitting any profits. Moreover, pursuant to Circular 3, domestic entities must explain in detail the sources of capital and how the capital will be used, and provide board resolutions, contracts and other proof as a part of the registration procedure for outbound investment.

According to the Circular of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Management Service in Support of Foreign Business Development (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (the "**SAFE Circular 8**"), which was promulgated by the SAFE on April 10, 2020, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Enterprises meeting the prescribed requirements are allowed to use revenues under the capital accounts as capital funds, external debts and overseas listings for

domestic payment without providing banks with authenticity certification materials in advance, to the extent that funds are used for true and law-compliant purposes and such enterprises comply with the in-force administrative provisions on the use of revenue under the capital accounts.

Regulation on Foreign Debts

A loan made by a foreign entity to a PRC entity is considered to be a foreign debt in China and is regulated by various laws and regulations, including the Regulation of the People's Republic of China on Foreign Exchange Administration, the Interim Provisions on the Management of Foreign Debts, and the Administrative Measures for Registration of Foreign Debts. Under these rules and regulations, foreign debts must be registered with and recorded by SAFE or its local branches within 15 business days after entering into the foreign debt contract before the principal of debts can be remitted into the onshore foreign debt bank account. Pursuant to these rules and regulations, measured with the traditional approach before PBOC Circular 9 (as defined hereunder), the maximum amount of the aggregate of (i) the outstanding balance of foreign debts with a term not longer than one year, or the short-term foreign debt balance, and (ii) the accumulated amount of foreign debts with a term longer than one year, or the medium and long-term foreign debt amount, of an FIE shall not exceed the difference between its registered total investment and its registered capital, or Total Investment and Registered Capital Balance; in particular, for the foreign debt scale of foreign-funded investment companies, if the registered capital is not less than US$30 million but less than US$100 million, the sum of the short-term foreign debt balance and the medium and long-term foreign debt amount shall not exceed 4 times of the paid-in capital; if the registered capital is not less than US$100 million, the sum of the short-term foreign debt balance and the medium and long-term foreign debt amount shall not exceed 6 times of the paid-in capital.

On January 12, 2017, the People's Bank of China (the "**PBOC**") promulgated the Notice of the People's Bank of China on Matters concerning the Macro-Prudential Management of Full-Covered Cross-Border Financing (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》), or PBOC Circular 9, which sets forth an upper limit for PRC entities, including FIEs and domestic enterprises, regarding their foreign debts. Pursuant to PBOC Circular 9, the outstanding cross-border financing of an enterprise (the outstanding balance drawn) shall not exceed 200% of its net assets. In March 2020, the PBOC and SAFE issued the Notice on Adjustments to Comprehensive Macro-prudential Regulation Parameters for Cross-border Financing, further increasing outstanding cross-border financing for enterprises to 250% of its net assets, or Net Asset Limit. FIEs can choose to calculate their maximum amount of foreign debts based on either (i) the Total Investment and Registered Capital Balance, or (ii) the Net Asset Limits. In addition, a foreign debt with a term of or longer than one year must be filed with the NDRC before the debt issuance, and the issuer shall submit the foreign debt information to the NDRC within 10 business days from completion of each debt issuance according to the Circular on Promoting the Reform of Filing and Registration Administrative Regime for the Foreign Debt Issuance by the NDRC.

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

On July 4, 2014, SAFE issued the SAFE Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles

(《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**Circular 37**"), replacing the SAFE Circular on Issues Concerning the Regulation of Foreign Exchange in Equity Finance and Return Investments by Domestic Residents through Offshore Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) ("**Circular 75**"). Circular 37 regulates foreign exchange matters in relation to the use of special purpose vehicles by PRC residents or entities to seek offshore investment and financing or conduct round trip investment in China. Under Circular 13, a "special purpose vehicle" refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or offshore assets or interests, while "round trip investment" refers to direct investment in China by PRC residents or entities through special purpose vehicles, namely, establishing foreign-invested enterprises to obtain ownership, control rights and management rights. Circular 37 provides that, before making a contribution into a special purpose vehicle, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch.

On February 13, 2015, SAFE promulgated the Circular 13, which took into effective on February 13, 2015. Circular 13 has amended Circular 37 by requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. PRC residents or entities who had contributed legitimate onshore or offshore interests or assets to special purpose vehicles but had not registered as required before the implementation of the Circular 37 must register their ownership interests or control in the special purpose vehicles with qualified banks. An amendment to the registration is required if there is a material change with respect to the special purpose vehicle registered, such as any change of basic information (including change of the PRC residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, and mergers or divisions. Failure to comply with the registration procedures set forth in Circular 37 and the subsequent notice, or making misrepresentations or failing to disclose the control of the foreign-invested enterprise that is established through round-trip investment, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign invested enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.

On October 23, 2019, the SAFE promulgated the Circular on Further Promoting the Facilitation of Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) ("**Circular 28**"). Pursuant to Circular 28, on the basis of allowing investment-oriented foreign-invested enterprise (including foreign-invested investment companies, foreign-invested venture capital enterprises an foreign-invested equity investment enterprises) to use capital funds for domestic equity investment in accordance with laws and regulations, non-investment foreign-invested enterprises shall be allowed to use capital funds for domestic equity investment in accordance with the laws under the premise of not violating the Negative List and the authenticity and compliance of their domestic invested projects.

Regulations on Stock Incentive Plans

SAFE promulgated the Circular of the SAFE on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Overseas (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**Stock Option Rules**") on February 15, 2012, replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants in a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of the participants. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan or the PRC agent or any other material changes. The PRC agent must apply to SAFE or its local branches on behalf of the PRC residents who have the right to exercise the employee share options for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. Under the Circular of the State Administration of Taxation (the "**SAT**") on Issues Concerning Individual Income Tax in Relation to Equity Incentives (《國家稅務總局關於股權激勵有關個人所得稅問題的通知》) promulgated by the SAT, and effective from August 24, 2009 and amended in April 18, 2011, listed companies and their domestic organizations shall, according to the individual income tax calculation methods for "wage and salary income" and stock option income, lawfully withhold and pay individual income tax on such income.

REGULATIONS ON TAXATION

Enterprise Income Tax

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the "**EIT Law**") promulgated by NPC on March 16, 2007, which took into effect on January 1, 2008, amended on February 24, 2017 and December 29, 2018, and its implementing rules, enterprises are classified into resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% while non-PRC resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外注產中資控股企業依據實際管理機構標準認定產居民企業有關問題的通知》》) promulgated by the SAT on April 22, 2009, taking into effect on January 1, 2008 and most recently amended on December 29,

2017, sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of mainland China and controlled by mainland Chinese enterprises or mainland Chinese enterprise groups is located within mainland China.

On July 27, 2011, SAT issued a trial version of the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (《境外注產中資控股居民企業所得税管理辦法 (試行)》), which came into effect on September 1, 2011 and was last amended on June 15, 2018, to clarify certain issues in the areas of resident status determination, post-determination administration and competent tax authorities' procedures.

The EIT Law and the implementation rules provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are "non-resident enterprises," and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and other jurisdictions. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) (the "**Double Tax Avoidance Arrangement**") promulgated by the SAT on August 21, 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行税收協定股息條款有關問題的通知》) promulgated and taking into effect on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Pursuant to the Administrative Measures for Tax Agreements Treatment for Non-Resident Taxpayers (《非居民納税人享受税收協定待遇管理辦法》), which was issued on August 27, 2015 and revised on June 15, 2018 and October 14, 2019 by the SAT, and became effect on January 1, 2020, according to which, a non-resident taxpayer who make their own declaration shall make self-assessment regarding whether they are entitled to tax treaty benefits and submit the relevant reports, statements and material stipulated in Article 7 of the measures. Also, all levels of tax authorities shall, through strengthening follow-up administration for non-resident taxpayers' entitlement to tax treaty benefits, implement tax treaties and international transport agreements accurately, and prevent abuse of tax treaties and tax evasion and tax avoidance risks.

Based on the Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties (《國家税務總局關於税收協定中"受益所有人"有關問題的公告》), which was issued on February 3, 2018 by the SAT and took into effective on April 1, 2018, to determine the "beneficial owner" status of a resident of the treaty counterparty who needs to enjoy the tax treaty benefits, a comprehensive analysis shall be carried out in accordance with the factors set out in such announcement, taking into account actual conditions of the specific case.

According to the EIT Law, the EIT tax rate of a high and new technology enterprise is 15%. Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》) promulgated by Ministry of Science and Technology, Ministry of Finance ("**MOF**") and SAT on January 29, 2016, which took effect on January 1, 2016 the Certificate of a High and New Technology Enterprise is valid for three years. According to the Rules for the Implementation of the Law of the People's Republic of China on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法實施細則》) promulgated by the State Council on February 6, 2016 and came into effect on the same date, taxpayers who enjoy tax reduction or exemption incentives shall, upon expiry of the tax reduction or exemption period, resume tax payment from the day following the expiry date. In the event of changes to the criteria for tax reduction or exemption, the taxpayer shall submit a report to the tax authorities within the tax declaration period. Taxpayers who no longer satisfy the criteria for tax reduction or exemption shall perform tax payment obligation pursuant to the law.

Value-added Tax

According to the Provisional Regulations on Value-added Tax (《增值税暫行條例》) promulgated by the State Council on December 13, 1993 and amended on November 10, 2008, February 6, 2016, and November 19, 2017, and the Implementing Rules of the Provisional Regulations on Value-added Tax (《增值税暫行條例實施細則》) promulgated by the MOF on December 25, 1993 and amended on December 15, 2008 and October 28, 2011, the Decision of the State Council to Repeal the Interim Regulation of the People's Republic of China on Business Tax and Amend the Interim Regulation of the People's Republic of China on Value-Added Tax (《國務院關於廢止<中華人民共和國營業税暫行條例>和修改<中華人民共和國增值税暫行條例>的決定》) which was promulgated by the State Council and effective on November 19, 2017, the Circular on Adjustment of Value-added Tax Rates (《關於調整增值税税率的通知》) jointly promulgated by MOF and SAT on April 4, 2018 and taking into effect on May 1, 2018, and the Announcement on Relevant Policies for Deepening Value-added Tax Reform (《關於深化增值税改革有關政策的公告》) jointly promulgated by the MOF, the SAT and the General Administration of Customs on March 20, 2019 and taking into effect on April 1, 2019 (collectively, the "**VAT Law**"), all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax (the "**VAT**") and the VAT rates are further revised to 6%, 9% or 13%.

In accordance with the Notice of Ministry of Finance and State Administration of Taxation on Value-added Tax Policies for Software Products (《財政部、國家税務總局關於軟件產品增值税政策的通知》) which was promulgated by the Ministry of Finance and the State Administration of Taxation on October 13, 2011 and came into effect on January 1, 2011, a value-added tax general taxpayer selling software products developed and produced by itself shall be subject to levying and collection of value-added tax at the tax rate of 17%, and the policy of forthwith levy and forthwith refund shall be implemented for the portion of value-added tax actually paid which exceeds 3%.

Urban Maintenance and Construction Tax

In accordance with the Interim Regulation of the People's Republic of China on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設税暫行條例》) which was

promulgated by the State Council on February 8, 1985, and was latest effective on January 8, 2011, the Law of the People's Republic of China on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設税法》) which was promulgated by the Standing Committee of National People's Congress on August 11, 2020 and will come into effect on September 1, 2021, and the Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-funded Enterprises and Citizens (《國務院關於統一內外資企業和個人城市維護建設税和教育費附加制度的通知》) which was promulgated by the State Council on October 18, 2010 and latest effective on December 1, 2010, entities and individuals which are subject to consumption tax, VAT and business tax shall pay urban maintenance and construction tax. The tax rate is 7% for a taxpayer who is domiciled in a downtown area, and 5% for a taxpayer who is domiciled in a county or town, and 1% for a taxpayer who is domiciled outside a downtown area, county or town.

REGULATIONS ON M&A AND OVERSEAS LISTINGS

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the SAT, the State Administration for Market Regulation, China Securities Regulatory Commission ("**CSRC**") and the SAFE, issued the Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), which took into effect on September 8, 2006 and was amended on June 22, 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets and operate the assets. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of CSRC prior to publicly listing their securities on an overseas stock exchange. For further information, see "Risk Factors — Risks Relating to Doing Business in China — The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China."

On July 6, 2021, Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) was jointly issued by the General Office of the Communist Party of China Central Committee and the General Office of the State Council, which steps-up scrutiny of overseas listings by companies and calls for strengthening cooperation in cross-border regulation, improving relevant laws and regulations on cyber security, cross-border data transmission and confidential information management, including the confidentiality requirement and file management related to the issuance and listing of securities overseas, enforcing the primary responsibility of the enterprises for information security of China-based overseas listed companies and promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. As these opinions

are recently issued, official guidance and related implementation rules have not been issued yet and the interpretation of these opinions remains unclear at this stage. We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us.

REGULATIONS ON COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

The establishment, operation and management of companies in the PRC are governed by the PRC Company Law (《中華人民共和國公司法》) (the "**Company Law**"), as amended in 1999, 2004, 2005, 2013 and 2018. According to the PRC Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies. The PRC Company Law applies to both PRC domestic companies and foreign-invested companies. A company is an enterprise legal person with independent legal person property, and is entitled to legal person property rights. The company shall bear liabilities for its debts with all its assets. The shareholders of a limited liability company shall bear liabilities for the company to the extent of their respective subscribed capital contribution. The shareholders of a joint stock limited company shall bear liabilities for the company to the extent of their respective subscribed shares. The Company Law shall be applicable to foreign-invested limited liability companies and joint stock limited companies. The provisions otherwise prescribed by the laws on foreign investment shall prevail. The Regulation of the PRC on the Administrative of Company Registration was promulgated by the State Council on June 24, 1994 and was amended on February 6, 2016. The registration for a PRC company's establishment, modification, and termination shall comply with the provisions of the Regulation of the PRC on the Administration of Company Registration. The organizational form, organizational structure and their activities rules of a foreign-invested enterprise shall be governed by the provisions of the Company Law, the Partnership Enterprise Law of the PRC and other applicable laws.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**FIL**") was promulgated by the National People's Congress on March 15, 2019 and became effective on January 1, 2020. The PRC Sino-Foreign Equity Joint Ventures Law, the PRC Wholly Foreign-owned Enterprises Law (《中華人民共和國外資企業法》) and the PRC Sino-Foreign Cooperative Joint Ventures Law were repealed simultaneously. The FIL embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic invested enterprises in the PRC. The FIL establishes the basic framework for the access to, and the promotion, protection and administration of foreign investments in view of investment protection and fair competition.

According to the FIL, "foreign investments" refer to investment activities conducted by foreign investors directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment in other methods as specified in laws, administrative regulations, or as stipulated by the State Council. In addition, it is further provided in the FIL that the State Council will publish or approve to publish a catalog for special

administrative measures, or the "negative list." The FIL grants national treatment to foreign invested entities, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the "negative list." The FIL provides that foreign invested entities operating in foreign restricted or prohibited industries will require market entry clearance and other approvals from relevant PRC governmental authorities. For further information, see "Risk Factors — Risks Relating to Our Corporate Structure — Substantial uncertainties exist with respect to the interpretation and implementation of the newly adopted PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations."

Furthermore, the FIL provides that foreign-invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementing of the FIL. In addition, the FIL also provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall abide by their commitments to the foreign investors; foreign invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriation or requisition of the investment of foreign investors is prohibited; mandatory technology transfer is prohibited; and the capital contributions, profits, capital gains, proceeds out of asset disposal, licensing fees of intellectual property rights, indemnity or compensation legally obtained, or proceeds received upon settlement by foreign investors within the PRC, may be freely remitted inward and outward in RMB or a foreign currency. Also, foreign investors or the foreign-invested enterprises should be imposed legal liabilities for failing to report investment information in accordance with the requirements.

The Implementation Regulations of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**Implementation Regulations of the FIL**") was promulgated by the State Council on December 26, 2019 and became effective on January 1, 2020. The PRC Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the PRC Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》) and the PRC Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations were repealed simultaneously. The Implementation Regulations of the FIL further clarified that the State encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

In accordance with the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which was promulgated by the Ministry of Commerce and State Administration for Market Regulation on December 30, 2019 and came into effect on January 1, 2020, foreign investors or foreign investment enterprises shall submit investment information to the commerce administrative authorities through the Enterprise Registration System and the National Enterprise Credit Information Publicity System. Pursuant to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》), which was promulgated by the National Development and Reform Commission and the Ministry of Commerce on December 19, 2020 and came into effect on January 18, 2021, the office of the working mechanism for the security review of foreign

investments is set up under the National Development and Reform Commission, which is led by the National Development and Reform Commission and the Ministry of Commerce to undertake the routine work of the security review of foreign investments.

REGULATIONS ON GOVERNMENT PROCUREMENT AND BIDDING

The Government Procurement Law of the PRC (《中華人民共和國政府采購法》) (the "**Government Procurement Law**"), which was last amended on August 31, 2014, provides that public invitation for bids shall be taken as the main method of government procurement. Government procurement refers to the procurement of goods, projects and services within the centralized procurement catalog formulated in accordance with the law by state organs at all levels, public institutions and social organizations with fiscal funds or above the prescribed procurement threshold. The method of bidding, which is employed in government procurements, shall be subject to the bidding law. Furthermore, the parties involved in government procurement shall not collude with each other to damage the interests of the State or the public. Pursuant to the Bidding Law of the PRC (2017 Amendment) (《中華人民共和國招標投標法(2017修正)》) (the "**Bidding Law**"), which was promulgated on December 27, 2017 and effective on December 28, 2017, bidding shall be carried out for the following construction projects, including the survey, design, construction, supervision of the project, and the procurement of the important equipment, materials relevant to the construction of the project: (1) large projects of infrastructure facility or public utility that have a bearing on the social public interest and the safety of the general public; (2) projects entirely or partially using state-owned funds or loans by the state; (3) projects using loans of international organizations and foreign governments and aid funds. For a project concerned with national security, state secrets, emergency handling, disaster relief, or belonging to special occasions such as the use of poverty alleviation funds or the use of the labor of farmers and is not suitable for bidding, the method of bidding shall not be applied. As pertains to projects legally requiring bidding, no entity or individual evade bidding by any means including the dismembering of projects.

REGULATIONS ON THE INDUSTRY

Regulation and Classification of Medical Devices

Pursuant to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) (the "**Medical Device Regulations**") amended by the State Council and came into effect on June 1, 2021, the drug administration of the State Council shall be responsible for the supervision of medical devices of the PRC. All relevant departments of the State Council shall be responsible for the supervision of medical devices within their respective scope of duties. Drug supervision and administration departments of the local people's governments at the county level and above are responsible for the supervision of medical devices within their own administrative jurisdictions. The relevant departments of the local people's governments at the county level and above are responsible for the supervision of medical devices within their respective scope of duties.

In the PRC, medical devices have been classified into three categories based on the degree of risk. Class I medical devices shall refer to those devices with low risk and whose safety and

effectiveness can be ensured through routine administration. Class II medical devices shall refer to those devices with medium risk and whose safety and effectiveness should be strictly controlled. Class III medical devices shall refer to those devices with high risk and whose safety and effectiveness must be strictly controlled with special measures. The products we currently produce and sell in China are the Class II medical devices.

Registration and Filings of Medical Device Products

Pursuant to the Regulations of Medical Devices and the Administrative Measures for the Registration of Medical Devices (《醫療器械注產管理辦法》) promulgated by the National Medical Products Administration (the "**NMPA**") on July 30, 2014 and coming into effect on October 1, 2014, for the filings of the Class I medical devices, the parties undergoing the filings of medical devices shall submit the filing materials to the food and drug supervision and administration departments of the local people's government at the districted city level. In case of any amendment to matters stated in the filings, such amendment shall be filed with the original filing department. The Class II and Class III medical devices shall be subject to the product registration administration. Class II medical devices shall be examined by the food and drug supervision and administration departments of the people's governments of the provinces, autonomous regions or municipality where such applicants are located. A registration certificate for such medical device shall be issued upon approval. Class III medical devices shall be examined by the NMPA. A registration certificate for such medical device shall be issued upon approval. In case of any substantial change of the designs, raw materials, production technologies, scopes of application and application methods, etc., of the registered Class II or Class III medical devices, which may affect the safety and effectiveness of such medical devices, the registrants shall apply to the original registration departments for changing registration.

The registration certificate for a medical device is valid for five years and the registrant shall apply to the food and drug supervision and administration departments for renewal six months prior to its expiration date.

Production Permit of Medical Devices

Pursuant to the Regulations of Medical Devices and the Administrative Measures on the Production of Medical Devices (《醫療器械生產監督管理辦法》) (the "**Production Measures**") promulgated by the NMPA, amended and came into effect on November 17, 2017, given that a manufacturer of medical device shall satisfy all of the conditions as set forth in Production Measures, such enterprises, engaging in the production of Class II and Class III medical devices shall apply for production permits to the competent food and drug authorities at the local level, whereas those engaging in the production of Class I medical devices who may make filings with such competent governmental authorities.

A production permit for a medical device is valid for five years and the registrant shall apply to the original departments that issued such permit for renewal six months prior to its expiration date. We have obtained the Class II medical device production permits for the products we currently produce and sell in China, which are within the validity term.

On February 9, 2021, the State Council promulgated the Regulations on the Supervision and Administration of Medical Devices (2021) (《醫療器械監督管理條例（2021修訂）》) ("**Amendment to Medical Device Regulations**"), which came into effect on June 1, 2021. Compared with the Medical Device Regulations, the main changes are concentrated on the following aspects: (i) clarifying the system of "holders of medical device marketing license"; (ii) reforming the clinical trial management system; (iii) optimizing the approval process; and (iv) improving post-approval regulatory requirements. In terms of medical device marketing, the Amendment to Medical Device Regulations has clarified that the entity under either self-operating or authorized-operating model which shall be responsible for, among others, product quality and quality control system is the holder of medical device marketing license, and has added new requirements on online sales of medical devices. In terms of regulatory requirements, the Amendment to Medical Device Regulations has expanded the scope of supervision to all aspects of development, production, operation and use, and has added extended inspection and monitoring methods.

Productions and Quality Management of Medical Devices

Pursuant to the Production Measures and the Standards on Production and Quality Management of Medical Devices (《醫療器械生產質量管理規範》) (the "**Standards on Production and Quality Management**") promulgated by the NMPA on December 29, 2014 and coming into effect on March 1, 2015, an enterprise engaging in the production of medical devices shall establish and effectively maintain a quality control system in accordance to the requirements of the Standards on Production and Quality Management. The enterprise engaging in the production of medical devices shall regularly conduct comprehensive self-inspection on the operation of quality management system in accordance with the requirements of the Standards on Production and Quality Management and submit a self-inspection report to the food and drug supervision and administration departments of the local people's governments of the provinces, autonomous regions, municipalities or at the districted city level before the end of every year. The enterprise shall establish its procurement control procedure and assess its suppliers by establishing an examination system to ensure the purchased products are in compliance with the statutory requirements. The enterprise shall record the procurement, production and inspection of raw materials. Such records shall be true, accurate, complete and traceable. The enterprise shall apply risk management to the whole process of design and development, production, sales and after-sale services. The measures being adopted shall be applicable to risks associated with the related products.

Pursuant to The Notice of Four Guidelines including On-site Inspection Guidelines for the Standards on Production and Quality Management of Medical Devices (《關於印發〈醫療器械生產質量管理規範現場檢查指導原則〉等4個指導原則的通知》) promulgated by the NMPA on September 25, 2015 and coming into effect on September 25, 2015, during the course of on-site verification of the registration of medical devices and on-site inspection of production permit (including changing production permit), the inspection team shall, in accordance with the guidelines, issue recommended conclusions for on-site inspections, which shall be divided into "Passed," "Failed" or "Reassessment after rectification." During the supervision and inspection, if it is found that the requirements of the key items or ordinary items that may have direct impact on product quality are not satisfied, the enterprise shall suspend production and go through rectification. If it is found that the requirements of the ordinary items are not satisfied, and it does not directly affect product quality, the enterprise

shall rectify in a prescribed time. The regulatory authorities shall examine and verify the recommended conclusions and on-site inspection materials submitted by the inspection group, and issue the final inspection results.

Pursuant to the Administrative Measures for Medical Device Recalls (《醫療器械召回管理辦法》), which was promulgated by the NMPA on January 25, 2017 and came into effect on May 1, 2017, in light of the severity harm, medical device recalls are divided into: (i) class I recall where the circumstances leading to the recall may cause or have caused serious health hazards; (ii) class II recall where the circumstances leading to the recall may cause or have caused temporary or reversible health hazards; or (iii) class III recall where the circumstances leading to the recall are not likely to cause harm.

Medical device manufacturers shall determine the recall class based on the specific situation and properly design and implement the recall plan based on the recall class and the sale and use of the medical devices.

In terms of class I recall, the recall notice shall be published on the NMPA website and major media. In terms of class II and class III recalls, the recall notice shall be published on the website of the food and drug administrative authority of the provinces, autonomous regions or municipalities.

U.S. EXPORT CONTROL LAWS AND REGULATIONS

The U.S. government imposes export controls for national security, foreign policy, and other various policy reasons. One of the primary U.S. export control regimes is governed by the Export Administration Regulations ("**EAR**" 15 C.F.R. § 730.1 *et seq.*)**,** which are administered and enforced by the U.S. Department of Commerce, Bureau of Industry and Security ("**BIS**"). BIS is responsible for regulating the export, reexport, or transfer (in-country) of a diverse range of goods, software, and technology (collectively, "**items**") including most commercial items, "dual-use" items (i.e., those items having both commercial and military or proliferation applications), and less-sensitive military items.

BIS regulates the export, reexport, and in-country transfer of items that are **"subject to the EAR."** The following items are subject to the EAR: (i) all U.S.-origin items wherever they are located in the world; (ii) any item physically in or moving in transit through the United States or U.S. Foreign Trade Zone (including items of foreign origin); (iii) any foreign-made item containing more than a *de minimis* amount of certain controlled U.S.-origin content; and (iv) certain foreign-made items that are the "direct product" of certain highly-controlled U.S.-origin software or technology (or are the direct product of a plant or major plant component that is itself the direct product of such U.S.-origin software or technology). Generally, foreign-made items that incorporate controlled U.S.-origin content accounting for less than 25% of the value of such items are not subject to the EAR when exported, reexported, or transferred (in-country) to any country except for Cuba, Iran, North Korea, or Syria (for which the *de minimis* threshold is 10%), unless the controlled content is of a certain type for which there is no *de minimis* threshold. For purposes of the *de minimis* analysis, any item that by itself requires a destination-based license to be exported to,

reexported to, or transferred (in-country) within the country at issue is considered to be a controlled item.

Items that are subject to the EAR may require a license from the BIS prior to the export, reexport, or transfer (in-country) of the item. Violations of U.S. export controls may have serious consequences including, but not limited to, civil monetary penalties of up to $308,901 (as periodically adjusted for inflation) or twice the value of the transaction, whichever is greater; or criminal penalties of up to $1 million per violation and/or up to 20 years in prison; loss of access to items subject to the EAR; inclusion on one or more BIS lists of parties of concern; and/or reputational harm. To determine whether a license is required for the export, reexport, or transfer (in-country) of an item subject to the EAR, it is necessary to review the following:

- *Classification of the Item.* BIS maintains the Commerce Control List (**"CCL,"** Supplement 1 to 15 C.F.R. Part 744), which provides descriptions of items under Export Control Classification Numbers (**"ECCNs"**). Items that are not described under an ECCN on the CCL, but that are nevertheless subject to the EAR, are designated EAR99;

- *Country-based License Requirements.* Each ECCN identifies reasons for control, which indicate licensing requirements to certain destinations based on a review of the Commerce Country Chart (Supplement 1 to 15 C.F.R. Part 738). EAR99 items do not have specific reasons for control and do not require a license for most destinations, except for countries subject to comprehensive U.S. sanctions. Items on the CCL may also be subject to restrictions imposed by comprehensive U.S. sanctions;

- *Restricted Parties.* BIS maintains lists of companies, organizations, and individuals that may be subject to additional license requirements, regardless of the classification of the item; the Entity List is one of such lists; and

- *Prohibited End Uses.* BIS may also impose license requirements, regardless of an item's classification, if the item will be used in certain end uses, which are often related to certain proliferation activities.

Beijing SenseTime was added to the Entity List on October 9, 2019 (the "**Entity List Addition**"). *See* 84 Fed. Reg., 54,002 (Oct. 9, 2019). The addition of this subsidiary to the Entity List restricts Beijing SenseTime's ability to purchase or otherwise access certain goods, software and technology (collectively, "**items**") that are subject to the EAR. Pursuant to the Entity List Addition, license applications for items classified under ECCNs 1A004.c, 1A004.d, 1A995, 1A999.a, 1D003, 2A983, 2D983, and 2E983; for EAR99 items described in the Note to ECCN 1A995; and for "items necessary to detect, identify and treat infectious disease" are subject to a case-by-case review, while license applications for all other items subject to the EAR are subject to a presumption of denial. However, the Entity List restrictions do not apply to other entities within the Group that are legally distinct from Beijing SenseTime. Public guidance in the form of a Frequently Asked Question ("**FAQ**") No. 134 issued by BIS has clarified that "[s]ubsidiaries, parent companies, and sister companies are legally distinct from listed entities [and,] . . . [t]herefore, the licensing and

other obligations imposed on a listed entity by virtue of its being listed do not per se apply to its subsidiaries, parent companies, sister companies, or other legally distinct affiliates that are not listed on the Entity List." Similarly, BIS has advised that "[t]he Entity List license requirements do not extend to parent companies unless the applicable listing for the company so states" (see BIS FAQ 136). In order to address EAR-related risks after the Entity List Addition, we have put in place a series of export control compliance measures for the entire Group, in abundance of caution.

Pursuant to Section 744.16(a) of the EAR, a person "may not, without a license from the BIS, export, reexport, or transfer (in-country) any items included in the License Requirement column of an entity's entry on the Entity List . . . when that entity is a party to a transaction as described in §748.5(c) through (f) of the EAR," i.e., the purchaser, intermediate consignee, ultimate consignee, or end-user. As specified on the Entity List, the license requirement for exports, reexports, or transfers (in-country) to Beijing SenseTime applies to "all items subject to the EAR." A party (e.g., a supplier to Beijing SenseTime) that exports, reexports, or transfers (in-country) an item that is subject to the EAR is strictly liable for violations related to such activity. Any other party to a transaction, including the buyer (e.g., Beijing SenseTime), must also comply with the EAR. Specifically, the EAR provides a basis for liability for activities, including, but not limited to, the following: (i) causing, aiding, or abetting a violation; (ii) soliciting or attempting a violation; (iii) conspiring to bring about or engage in a violation; (iv) misrepresenting or concealing facts to the U.S. government in connection with activities subject to the EAR; (v) acting with the intent to evade the EAR; (vi) failing to comply with recordkeeping requirements of the EAR; and (vii) acting with "knowledge" that a violation has occurred or is about to occur. The EAR defines "knowledge" as including "positive knowledge that the circumstance exists or is substantially certain to occur," as well as "an awareness of a high probability of its existence or future occurrence," which is "inferred from evidence of the conscious disregard of facts known to a person and is also inferred from a person's willful avoidance of facts." 15 C.F.R. § 772.1.

OVERVIEW

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on October 15, 2014, and is the holding company of the Group with businesses conducted through its subsidiaries and the Consolidated Affiliated Entities.

Under the leadership of Dr. Xu Li, Prof. Tang, Dr. Wang and Mr. Xu Bing, our Group successfully developed into a leading AI software company serving a broad range of industries, and the largest in Asia in terms of revenue in 2020 according to Frost & Sullivan.

OUR KEY MILESTONES

The following is a summary of our Group's key business development milestones:

Date	Event
2014	Our Company was incorporated
2015	We started R&D on our deep learning training framework, SenseParrots. SenseParrots, which lies at the heart of SenseCore, is one of the earliest self-developed deep learning frameworks in China
	We won the first place in large scale video object detection in the ImageNet Large Scale Visual Recognition Challenge, with the world's largest AI model at that time
2016	We launched SenseME and SenseMARS, our software platforms for Smart Life, which have empowered over 450 million smart phones and over 200 mobile apps over the years, and has become one of the biggest Metaverse enabling platforms
	We started R&D on autonomous driving for Smart Auto and broke the world record in pedestrian and vehicle detection on KITTI 2016, one of the largest international autonomous driving datasets
2017	We started R&D on SenseFoundry for Smart City, which has supported city management in 11 megacities with over 10 million population over the years
	We started R&D collaboration with Honda Motor Company Ltd. for autonomous driving technologies
2018	We were designated as the National Open Innovation Platform for Next Generation AI on Intelligent Vision (智能視覺國家新一代人工智能開放創新平台)
	We started R&D on our specialized AI chip
2019	We co-founded China Augmented Reality Core Technology Industry Alliance (中國增強現實核心技術產業聯盟) which has approximately 300 members from the AR industry, of which we are the inaugural chairperson
	We started R&D on AI sensors

Date	Event
	We became the first company to provide face payment technology integrated to subways' ticketing systems in megacities with over 10 million population to support contactless swift subway entry
2020	We completed the tape-out of our first specialized AI chip, STPU
	We commenced construction of our Shanghai Lingang AIDC, which is expected to become one of the largest supercomputers in Asia designed to generate total computing capacity of 3.74 exaFLOPs
	We became the first AI company to receive all three ISO/IEC certifications for Privacy Information Management System, Information Security Management and Personally Identifiable Information Protection
2021	We became the only AI company in Asia to have our Code of Ethics for AI Sustainable Development selected by the United Nations as one of the key publication references in the United Nations Resource Guide on AI Strategies published in June 2021
	We built the world's largest computer vision model with over 30 billion parameters
	The number of our commercialized AI models reached over 22,000 and our patent and patent applications reached over 8,000

OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

As at the Latest Practicable Date, the following entities are the holding entities or operating entities which made a material contribution to our results of operation during the Track Record Period:

Name of subsidiary	Place of incorporation	Date of incorporation	Principal business activities
Shanghai SenseTime	PRC	December 15, 2017	Sales of software products and provision of related services
Shenzhen SenseTime	PRC	May 15, 2015	Sales of software products and provision of related services
Beijing SenseTime	PRC	November 14, 2014	Sales of software products and provision of related services
SenseTime HK	Hong Kong	October 30, 2014	Sales of software products and provision of related services
SenseTime Japan	Japan	January 13, 2016	Sales of software products and provision of related services
SenseTime Singapore	Singapore	January 17, 2018	Sales of software products and provision of related services
Chengdu SenseTime	PRC	June 13, 2018	Sales of software products and provision of related services

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated as an exempted company under the laws of Cayman Islands on October 15, 2014, with an authorized share capital of US$50,000 divided into 200,000,000 shares with a par value of US$0.00025 each.

2. Share transfer to Amind in 2015

On February 12, 2015, Amind became the then sole Shareholder of our Company through share transfer.

3. Share split of our Company in 2018

On April 9, 2018, we conducted a share split, pursuant to which every share of par value US$0.00025 each in our then issued and unissued share capital was split into 10,000 shares of par value US$0.000000025 each.

4. Pre-[REDACTED] Investments

Between May 26, 2015 and June 29, 2021, we conducted twelve rounds of Pre-**[REDACTED]** Investments. See "— Pre-**[REDACTED]** Investments" in this section for subsequent shareholding changes resulting from the Pre-**[REDACTED]** Investments.

5. Share incentive schemes

On November 1, 2016, we adopted the Pre-**[REDACTED]** RSU Plan and Pre-**[REDACTED]** ESOP, respectively, and issued 97,973 shares and 67,027 shares to Sense Talent Limited on December 30, 2016 and June 30, 2017 respectively. Such shares were subdivided on April 9, 2018 as described in the subparagraph "— 3. Share split of our Company in 2018" above.

On February 1, 2019, all the shares held by Sense Talent Limited were transferred to SenseTalent, and we further issued 1,056,840,000 shares to SenseTalent. On February 26, 2021, we further issued 1,504,720,000 shares to SenseTalent. For further details of our Pre-**[REDACTED]** RSU Plan and Pre-**[REDACTED]** ESOP, see "Statutory and General Information — D. Share Incentive Schemes — 1. Pre-**[REDACTED]** RSU Plan" and "Statutory and General Information — D. Share Incentive Schemes — 2. Pre-**[REDACTED]** ESOP," respectively, in Appendix IV to this Document.

6. Reclassification of shares into Class A Shares and Class B Shares

On [*], our shareholders resolved that, amongst other things, all the issued and unissued shares will be reclassified from the date of **[REDACTED]** as Class A Shares and Class B Shares of US$0.000000025 and US$0.000000025 par value each respectively.

The Ordinary Shares originally held by Amind, XWorld, Infinity Vision and Vision Worldwide shall be reclassified as Class A Shares and all the other Ordinary Shares shall be reclassified into Class B Shares, subject to the **[REDACTED]** becoming unconditional. In addition, our shareholders resolved that, subject to the **[REDACTED]** becoming unconditional, all the issued and unissued Preferred Shares shall be reclassified into Class B Shares. Upon the above changes becoming effective, the authorized share capital of the Company shall be US$50,000 divided into (i) [8,000,000,000] Class A Shares of US$0.000000025 par value each and (ii) [1,992,000,000,000] Class B Shares of US$0.000000025 par value each, and the issued share capital of our Company (including all the Ordinary Shares and Preferred Shares to be reclassified and redesignated, and assuming (i) the **[REDACTED]** is not exercised and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share immediately upon the completion of the **[REDACTED]**) shall be US$**[REDACTED]** divided into (i) **[REDACTED]** Class A Shares of US$0.000000025 par value each and (ii) **[REDACTED]** Class B Shares of US$0.000000025 par value each.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

1. Major Acquisitions, Disposals and Mergers

We have not conducted any acquisitions, disposals or mergers since our inception that we consider to be material to us.

2. Post-Track Record Period Acquisitions

We have made and propose to make a number of acquisitions after the Track Record Period and up to the Latest Practicable Date, none of which we consider to be material. We have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in relation to these proposed acquisitions. See "Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver in respect of Companies and Business to be Acquired after the Track Record Period" for alternative disclosure of these acquisitions.

PRE-[REDACTED] INVESTMENTS

1. Overview

We have received twelve rounds of Pre-**[REDACTED]** Investments since our establishment and our Pre-**[REDACTED]** Investors were issued Preferred Shares in our Company pursuant to the below:

	Pre-[REDACTED] Investment	Date of initial subscription agreement	Date of last payment of consideration	Total number of shares under the subscription agreement (*Note 1*)	Cost per share paid to the Company (*Note 1*)	Implied valuation of the Company (*Note 2*)	Discount to the [REDACTED] (*Note 3*)	Total funds raised by the Company
1.	Series A-1	May 26, 2015	December 3, 2015	550,000,000 Series A-1 Preferred Shares	US$0.02	US$206 million	**[REDACTED]**	US$11,000,000.00
2.	Series A-2	July 12, 2017	August 17, 2017	100,590,000 Series A-2 Preferred Shares	US$0.0768932	US$808 million	**[REDACTED]**	US$7,734,686.99
3.	Series B-1	October 3, 2016	February 1, 2019	600,720,000 Series B-1 Preferred Shares	US$0.0998799	US$1,109 million	**[REDACTED]**	US$59,999,853.53
4.	Series B-2	December 30, 2016	June 11, 2021	2,908,420,000 Series B-2 Preferred Shares	US$0.1151768	US$1,614 million	**[REDACTED]**	US$334,982,508.67
5.	Series B-3	September 30, 2017	September 30, 2020	243,320,000 Series B-3 Preferred Shares	US$0.12124	US$1,729 million	**[REDACTED]**	US$29,500,116.80
6.	Series C-1	April 3, 2018	April 12, 2018	602,550,000 Series C-1 Preferred Shares	US$0.12124	US$1,802 million	**[REDACTED]**	US$73,053,162.00
7.	Series C-2	April 16, 2018	July 17, 2019	2,895,440,000 Series C-2 Preferred Shares	US$0.184	US$3,156 million	**[REDACTED]**	US$532,760,960.00
8.	Series C+	May 25, 2018	June 23, 2021	2,761,100,000 Series C+ Preferred Shares	US$0.2331	US$4,518 million	**[REDACTED]**	US$643,612,410.00
9.	Series C++	September 11, 2018	April 1, 2019	2,307,091,397 Series C++ Preferred Shares	US$0.2836	US$6,299 million	**[REDACTED]**	US$654,291,120.19

	Pre-[REDACTED] Investment	Date of initial subscription agreement	Date of last payment of consideration	Total number of shares under the subscription agreement (*Note 1*)	Cost per share paid to the Company (*Note 1*)	Implied valuation of the Company (*Note 2*)	Discount to the [REDACTED] (*Note 3*)	Total funds raised by the Company
10.	Series C-prime	March 27, 2019	June 29, 2021	1,825,210,000 Series C-prime Preferred Shares	US$0.3150	US$7,571 million	**[REDACTED]**	US$574,941,150.00
11.	Series D	July 31, 2020	April 13, 2021	4,524,880,000 Series D Preferred Shares	US$0.3536	US$10,099 million	**[REDACTED]**	US$1,599,997,568.00
12.	Series D+	September 10, 2020	June 30, 2021	1,716,620,000 Series D+ Preferred Shares	US$0.4094	US$13,012 million	**[REDACTED]**	US$702,784,228.00

Notes:

(1) Adjusted to reflect subsequent share splits and other capital reorganizations, as applicable.

(2) The implied valuation is calculated based on (i) the cost per share paid to the Company and (ii) the then enlarged issued share capital of the Company after each round of Pre-**[REDACTED]** Investment.

(3) The discount to the **[REDACTED]** is calculated based on the assumption that (i) the **[REDACTED]** is HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the indicative **[REDACTED]** range of HK$**[REDACTED]** and HK$**[REDACTED]**; and (ii) the Preferred Shares are reclassified as Class B Shares on a one-to-one basis.

2. Principal terms of the Pre-[REDACTED] Investments and Pre-[REDACTED] Investors' rights

Use of proceeds from the Pre-**[REDACTED]** Investments	All of the proceeds from the Pre-**[REDACTED]** Investments were utilized for the development and operation of our business, including but not limited to personnel recruitment, new business and product development, technology infrastructure, office utilities and marketing. As at the Latest Practicable Date, 45% of the funds raised from the Pre-**[REDACTED]** Investments had been utilized.
Strategic benefits the Pre-**[REDACTED]** Investments brought to our Company	At the time of the Pre-**[REDACTED]** Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-**[REDACTED]** Investors' investments in our Company and their knowledge and experience.
Basis of determining the consideration paid	The consideration for the Pre-**[REDACTED]** investments were determined based on arm's length negotiations between the Company and the Pre-**[REDACTED]** Investors, taking into account the timing of the investments and the respective business operations and financial performance of our Group.
Lock-up period	All the principal Pre-**[REDACTED]** Investors will retain at least an aggregate of 50% of their investments at the time of **[REDACTED]** for a period of at least six months following the **[REDACTED]**, in accordance with the Guidance Letter HKEX-GL93-18.

3. Special rights of the Pre-[REDACTED] Investors

All of our Pre-**[REDACTED]** Investors are bound by the terms of the currently effective articles of association of the Company (the "**Current Articles**"), which will be replaced by our Articles effective upon the completion of the **[REDACTED]**. Pursuant to the Pre-**[REDACTED]** Shareholders' Agreement and the Current Articles, the Pre-**[REDACTED]** Investors were granted certain special rights in relation to our Company, including, certain redemption rights which are only exercisable if the **[REDACTED]** does not take place by the long stop date as amended from time to time, and certain redemption rights which are minority protection rights exercisable where there is a material breach of the relevant transaction documents in connection with their respective investments and which the Pre-**[REDACTED]** Investors have resolved not to exercise unless **[REDACTED]** does not take place by the long stop date as amended from time to time. The Pre-**[REDACTED]** Shareholders' Agreement and all such special rights will terminate upon completion of the **[REDACTED]**.

All of the Preferred Shares will be converted into Class B Shares upon completion of the **[REDACTED]**, at which time our share capital will comprise of two classes of Shares, namely Class A Shares and Class B Shares. For further information on the rights attached to our Class A Shares and Class B Shares, see "Share Capital."

4. Compliance with interim guidance and guidance letter

Based on the documents provided by the Company relating to the Pre-**[REDACTED]** Investments, relevant legal advice and the above disclosures, the Joint Sponsors confirm that the Pre-**[REDACTED]** Investments are in compliance with Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 and updated in March 2017, Guidance Letter HKEX-G43-12 issued by the Stock Exchange in October 2012 and updated in July 2013 and March 2017 and Guidance Letter HKEX-44-12 issued by the Stock Exchange in October 2012 and updated in March 2017.

5. Information relating to our principal Pre-[REDACTED] Investors

Set out below is a description of our principal Pre-**[REDACTED]** Investors, being private equity funds and strategic investment corporations, and which have made meaningful investments in our Company (each holding between 1.00% to 14.88% of the total issued and outstanding Shares immediately prior to the **[REDACTED]**).

(a) SVF Sense (Singapore) Pte. Ltd. ("**SVF Sense**") is a private company limited by shares incorporated in Singapore. SVF Sense is indirectly wholly owned by SVF Holdings (UK) LLP. SoftBank Vision Fund L.P. is the managing member of SVF Holdings (UK) LLP. The general partner of SoftBank Vision Fund L.P. is SVF GP (Jersey) Limited, which is ultimately wholly owned by SoftBank Group Corp. (TYO: 9984). SVF GP (Jersey) Limited appointed SB Investment Advisers (UK) Limited, ultimately wholly owned by SoftBank Group Corp. (TYO: 9984), as the manager of SoftBank Vision Fund L.P.. SB Investment Advisers (UK) Limited is exclusively responsible for making all decisions

related to the acquisition, structuring, financing, voting, and disposal of investments held by SoftBank Vision Fund L.P.. As at the date of this Document, SVF Sense (Singapore) Pte. Ltd. holds approximately 14.88% of the total issued and outstanding shares of the Company.

(b) Guildford Investment One Limited ("**Guildford**") and Smithfield Investment Holdings Limited ("**Smithfield**") are limited liability companies incorporated in the British Virgin Islands. Qiushi Xingde (Tianjin) Investment Center (Limited Partnership) is a limited partnership established under the laws of the PRC (together with Guildford and Smithfield are collectively referred to as the "**Primavera Shareholders**"). Primavera Shareholders are ultimately controlled by Primavera Capital Group. Primavera is a premier China-based global investment firm. As at the date of this Document, the Primavera Shareholders collectively hold approximately 3.08% of the total issued and outstanding shares of the Company.

(c) SL Hourglass Holdco Limited is an exempted company with limited liability incorporated in Cayman Islands. It is controlled by Silver Lake Partners IV Cayman, L.P., which is controlled by its general partner, Silver Lake Technology Associates IV Cayman, L.P., which is in turn controlled by its general partner, Silver Lake (Offshore) AIV GP IV, Ltd., which is advised by Silver Lake Group, L.L.C., which is a global technology investment firm. As at the date of this Document, SL Hourglass Holdco Limited holds approximately 3.05% of the total issued and outstanding shares of the Company.

(d) Each of IDG China Venture Capital Fund IV, L.P. (the "**IDG Main Fund**") and IDG China IV Investors L.P. (the "**IDG Side Fund**") is an exempted limited partnership organized and existing under the laws of Cayman Islands (IDG Main Fund and IDG Side Fund, collectively the "**IDG Shareholders**"), and is primarily engaged in equity investment. IDG China Venture Capital Fund IV Associates L.P., a limited partnership established in Cayman Islands, acts as the sole general partner of the IDG Main Fund. IDG China Venture Capital Fund GP IV Associates Ltd (the "**IDG Ultimate General Partner**") is the sole general partner of IDG China Venture Capital Fund IV Associates L.P.. The IDG Ultimate General Partner is also the direct and sole general partner of the IDG Side Fund. The directors of IDG Ultimate General Partner are Chi Sing Ho and Quan Zhou. As at the date of this Document, the IDG Shareholders collectively hold approximately 1.42% of the total issued and outstanding shares of the Company.

(e) EverestLu Holding Limited is a company incorporated under the laws of Hong Kong with limited liability. It is ultimately controlled by China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) ("**China Structural Reform Fund**") a company incorporated in the PRC and the shares of which are held by several state-owned enterprises and ultimately indirectly held by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. It is mainly engaged in business activities including non-public fund raising, equity investment, project investment, capital management, investment consulting and enterprise management consulting. As at the date of this Document, EverestLu Holding Limited holds approximately 1.39% of the total issued and outstanding shares of the Company.

(f) Shanghai International Group Co., Ltd and Shanghai State-owned Assets Management Co., Ltd. are limited liability company incorporated in the PRC (Shanghai International Group Co., Ltd and Shanghai State-owned Assets Management Co., Ltd. are collectively referred to as the "**Shanghai International Group Shareholders**"). Shanghai International Group Shareholders are ultimately controlled by Shanghai State-owned Assets Supervision and Administration Commission. Shanghai International Group Co., Ltd functions as an important financial state-owned platform and a professional market-based platform for operating state-owned capital. As at the date of this Document, the Shanghai International Group Shareholders collectively hold approximately 1.33% of the total issued and outstanding shares of the Company.

(g) Silk Road Inv Ltd. and Splendid Future Investment Ltd. are BVI business companies incorporated in the British Virgin Islands (Silk Road Inv Ltd. and Splendid Future Investment Ltd. are collectively referred to as the "**Sailing Shareholders**"). Sailing Shareholders are ultimately controlled by Sailing Capital. Sailing Capital engages in direct private equity investments and also invests throughout the capital structure—equity, equity-linked, structured, leveraged, mezzanine and/or debt for buy-out, control or significant minority positions and it has the flexibility to invest outside China in a wide range of geographies and industry verticals. As at the date of this Document, Sailing Shareholders collectively hold approximately 1.29% of the total issued and outstanding shares of the Company.

(h) Vision Sense Limited is an exempted company with limited liability incorporated in the Cayman Islands and ESP Intelligence Limited is a BVI business company incorporated in the British Virgin Islands (Vision Sense Limited and ESP Intelligence Limited are collectively referred to as the "**CDH Shareholders**"). CDH Shareholders are ultimately controlled by CDH Investments. Established in 2002, CDH Investments is one of the leading alternative investment fund managers focused on China. From its roots in private equity, CDH Investments has expanded to become a diversified alternative asset management platform covering: Private Equity, Real Assets, Venture and Growth Capital, Mezzanine & Credit, Public Equities and Wealth Management. As at the date of this Document, CDH Shareholders collectively hold approximately 1.00% of the total issued and outstanding shares of the Company.

CAPITALIZATION OF OUR COMPANY

The following table sets out our shareholding structure (a) as at the date of this Document and (b) immediately upon the completion of the **[REDACTED]**, assuming (i) the **[REDACTED]** is not exercised; and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share immediately upon the completion of the **[REDACTED]**:

Shareholders	Ordinary Shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B-1 Preferred Shares	Series B-2 Preferred Shares	Series B-3 Preferred Shares	Series C-1 Preferred Shares	Series C-2 Preferred Shares	Series C+ Preferred Shares	Series C++ Preferred Shares	Series C- prime Preferred Shares	Series D Preferred Shares	Series D+ Preferred Shares	Aggregate number of Shares of US$0.000000025 par value each as at the date of this Document	Aggregate ownership percentage as at the date of this Document (Note 1)	Aggregate number of Shares of US$0.000000025 par value each upon completion of the [REDACTED]	Aggregate ownership percentage upon the completion of the [REDACTED] (Note 2)
Amind	6,906,080,602	—	—	—	—	—	—	—	—	—	—	—	—	6,906,080,602	21.73%	6,906,080,602	**[REDACTED]**
XWorld	286,317,668	—	—	—	—	—	—	—	—	—	—	—	—	286,317,668	0.90%	286,317,668	**[REDACTED]**
Infinity Vision	232,171,633	—	—	—	—	—	—	—	—	—	—	—	—	232,171,633	0.73%	232,171,633	**[REDACTED]**
Vision Worldwide	104,190,097	—	—	—	—	—	—	—	—	—	—	—	—	104,190,097	0.33%	104,190,097	**[REDACTED]**
SenseTalent	3,869,258,603	—	—	—	—	—	—	—	—	—	—	—	—	3,869,258,603	12.17%	3,869,258,603	**[REDACTED]**
SCP AIV II, L.P.	63,640,000	—	—	—	—	—	—	—	—	—	—	—	—	63,640,000	0.20%	63,640,000	**[REDACTED]**
Mason Stevens Limited	48,860,000	—	—	—	122,500,000	—	—	—	—	—	—	—	73,270,000	244,630,000	0.77%	244,630,000	**[REDACTED]**
3W Global Fund	48,860,000	—	—	—	—	—	—	—	—	—	—	—	24,420,000	73,280,000	0.23%	73,280,000	**[REDACTED]**
AMF-5 Holdings Limited	48,860,000	—	—	—	—	—	—	—	—	—	—	—	—	48,860,000	0.15%	48,860,000	**[REDACTED]**
Hermitage Galaxy Fund SPC acting for and on behalf of Hermitage Fund Five SP	48,840,000	—	—	—	—	—	—	—	53,340,000	—	—	—	—	102,180,000	0.32%	102,180,000	**[REDACTED]**
GOME Retail Holdings Limited	26,670,000	—	—	—	—	—	—	—	—	—	—	—	—	26,670,000	0.08%	26,670,000	**[REDACTED]**
Ericsenz AI Pte. Ltd.	24,420,000	—	—	11,000,028	—	—	—	—	—	—	—	—	—	35,420,028	0.11%	35,420,028	**[REDACTED]**
Desire Perfect Limited	9,090,000	—	—	—	—	—	—	—	—	—	—	—	—	9,090,000	0.03%	9,090,000	**[REDACTED]**
IDG China Venture Capital Fund IV L.P. (*Note 3*)	—	398,920,000	—	—	—	—	—	—	—	—	—	—	—	398,920,000	1.26%	398,920,000	**[REDACTED]**
IDG China IV Investors L.P. (*Note 3*)	—	51,080,000	—	—	—	—	—	—	—	—	—	—	—	51,080,000	0.16%	51,080,000	**[REDACTED]**
Iflytek Co., Ltd.	—	25,000,000	—	—	—	—	—	—	—	—	—	—	—	25,000,000	0.08%	25,000,000	**[REDACTED]**

Shareholders	Ordinary Shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B-1 Preferred Shares	Series B-2 Preferred Shares	Series B-3 Preferred Shares	Series C-1 Preferred Shares	Series C-2 Preferred Shares	Series C+ Preferred Shares	Series C++ Preferred Shares	Series C- prime Preferred Shares	Series D Preferred Shares	Series D- Preferred Shares	Aggregate number of Shares of US$0.0000000025 par value each as at the date of this Document	Aggregate ownership percentage as at the date of this Document (Note 1)	Aggregate number of Shares of US$0.0000000025 par value each upon completion of the [REDACTED]	Aggregate ownership percentage upon the completion of the [REDACTED] (Note 2)
Dingtai Capital Limited	—	—	40,280,000	—	—	—	—	—	—	—	—	—	—	40,280,000	0.13%	40,280,000	[REDACTED]
Best Step Global Limited	—	—	15,080,000	—	—	—	—	—	—	—	—	—	—	15,080,000	0.05%	15,080,000	[REDACTED]
Star VC Investment Co., Limited	—	—	—	—	25,280,000	—	—	—	—	—	—	—	—	25,280,000	0.08%	25,280,000	[REDACTED]
Vision Sense Limited (*Note 4*)	—	—	—	125,300,000	73,160,000	—	—	—	—	—	—	—	—	198,460,000	0.62%	198,460,000	[REDACTED]
ESP Intelligence Limited (*Note 4*)	—	—	—	75,180,000	43,890,000	—	—	—	—	—	—	—	—	119,070,000	0.37%	119,070,000	[REDACTED]
Jiaxing Shenmao NO.5 Equity Investment Partnership (Limited Partnership)	—	—	—	38,090,000	—	—	—	—	—	—	—	79,180,000	—	117,270,000	0.37%	117,270,000	[REDACTED]
Clouse S.A., acting for the account of its Compartment 39 (*Note 5*)	—	—	—	26,750,000	—	14,870,000	—	—	—	—	—	118,460,000	—	160,080,000	0.50%	160,080,000	[REDACTED]
Clouse S.A., acting for the account of its Compartment 49 (*Note 5*)	—	—	—	—	—	—	—	—	—	—	—	—	29,310,000	29,310,000	0.09%	29,310,000	[REDACTED]
Multitude Chance Limited	—	—	—	24,279,972	—	—	—	—	—	—	—	113,120,000	—	137,399,972	0.42%	137,399,972	[REDACTED]
Silk Road Inv Ltd. (*Note 6*)	—	—	—	—	186,854,228	—	—	—	60,060,000	—	—	—	—	246,914,228	0.78%	246,914,228	[REDACTED]
Splendid Future Investment Limited (*Note 6*)	—	—	—	—	137,399,873	—	—	—	25,740,000	—	—	—	—	163,139,873	0.51%	163,139,873	[REDACTED]
Revenue Growth Holdings Limited	—	—	—	291,690,000	—	—	—	—	—	—	—	—	—	291,690,000	0.92%	291,690,000	[REDACTED]
Cayman Co-Stone AI Equity Investment Fund L.P. (*Note 7*)	—	—	—	—	256,120,000	—	—	—	—	—	—	—	—	256,120,000	0.81%	256,120,000	[REDACTED]
Yangtze Global Growth Fund SPC (*Note 7*)	—	—	—	—	64,350,000	—	—	—	—	—	—	—	—	64,350,000	0.20%	64,350,000	[REDACTED]
Glory Best Holding Limited	—	—	—	—	173,640,000	—	—	—	21,450,000	—	—	—	—	195,090,000	0.61%	195,090,000	[REDACTED]

Shareholders	Ordinary Shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B-1 Preferred Shares	Series B-2 Preferred Shares	Series B-3 Preferred Shares	Series C-1 Preferred Shares	Series C-2 Preferred Shares	Series C+ Preferred Shares	Series C++ Preferred Shares	Series C- prime Preferred Shares	Series D Preferred Shares	Series D+ Preferred Shares	Aggregate number of Shares of US$0.000000025 par value each as at the date of this Document	Aggregate ownership percentage as at the date of this Document (Note 1)	Aggregate number of Shares of US$0.000000025 par value each upon completion of the [REDACTED]	Aggregate ownership percentage upon the completion of the [REDACTED] (Note 2)
Zhong Ping Intelligence Holding	—	—	—	—	173,640,000	—	—	—	—	—	—	—	—	173,640,000	0.55%	173,640,000	**[REDACTED]**
CICC Zhide Two Investment Co., Limited (*Note 8*)	—	—	—	—	172,920,000	—	—	—	—	—	—	—	—	172,920,000	0.54%	172,920,000	**[REDACTED]**
CICC Pucheng Investment Co., Ltd. (*Note 8*)	—	—	—	—	—	—	—	—	—	—	—	6,590,000	—	6,590,000	0.02%	6,590,000	**[REDACTED]**
EverestLu Holding Limited	—	—	—	—	158,730,159	—	—	—	—	—	—	282,800,000	—	441,530,159	1.39%	441,530,159	**[REDACTED]**
Ray Union Limited	—	—	—	—	112,860,000	—	—	—	21,450,000	—	—	—	—	134,310,000	0.43%	134,310,000	**[REDACTED]**
Topson Limited	—	—	—	—	87,970,000	—	—	—	—	—	—	—	—	87,970,000	0.28%	87,970,000	**[REDACTED]**
Morningside China TMT Fund IV, L.P. (*Note 9*)	—	—	—	—	78,930,000	—	—	—	19,500,000	—	—	—	—	98,430,000	0.31%	98,430,000	**[REDACTED]**
Morningside China TMT Fund IV Co-Investment L.P. (*Note 9*)	—	—	—	—	7,890,000	—	—	—	1,950,000	—	—	—	—	9,840,000	0.03%	9,840,000	**[REDACTED]**
Guildford (*Note 10*)	—	—	—	—	67,940,000	63,490,000	—	—	—	—	—	585,400,000	—	716,830,000	2.26%	716,830,000	**[REDACTED]**
Smithfield (*Note 10*)	—	—	—	—	—	—	—	—	—	—	—	141,400,000	—	141,400,000	0.44%	141,400,000	**[REDACTED]**
Qiushi Xingde (Tianjin) Investment Center (Limited Partnership) (*Note 10*)	—	—	—	—	—	—	—	—	—	—	—	121,600,000	—	121,600,000	0.38%	121,600,000	**[REDACTED]**
Grandwin Enterprises Limited	—	—	—	—	56,835,740	—	—	—	—	—	—	—	—	56,835,740	0.18%	56,835,740	**[REDACTED]**
Orient Ruide Tenghui Hong Kong Limited	—	—	—	—	43,410,000	—	—	—	—	—	—	—	—	43,410,000	0.14%	43,410,000	**[REDACTED]**
Pure Talent Corporation	—	—	—	—	21,960,000	—	—	—	—	—	—	—	—	21,960,000	0.07%	21,960,000	**[REDACTED]**
Shenzhen Songheshang Investment Partnership Enterprise (Limited Liability Partnership)	—	—	—	—	—	164,960,000	—	—	21,450,000	—	—	65,040,000	—	251,450,000	0.79%	251,450,000	**[REDACTED]**
Taobao China Holding Limited	—	—	—	—	—	—	602,550,000	1,808,480,000	—	—	—	—	—	2,411,030,000	7.59%	2,411,030,000	**[REDACTED]**
SL Hourglass Holdco Limited	—	—	—	—	—	—	—	326,090,000	643,500,000	—	—	—	—	969,590,000	3.05%	969,590,000	**[REDACTED]**

Shareholders	Ordinary Shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B-1 Preferred Shares	Series B-2 Preferred Shares	Series B-3 Preferred Shares	Series C-1 Preferred Shares	Series C-2 Preferred Shares	Series C+ Preferred Shares	Series C++ Preferred Shares	Series C- prime Preferred Shares	Series D Preferred Shares	Series D+ Preferred Shares	Aggregate number of Shares of US$0.0000000025 par value each as at the date of this Document	Aggregate ownership percentage as at the date of this Document (Note 1)	Aggregate number of Shares of US$0.0000000025 par value each upon completion of the [REDACTED]	Aggregate ownership percentage upon the completion of the [REDACTED] (Note 2)
China Internet Investment Fund (Limited Partnership)	—	—	—	—	—	—	—	271,740,000	—	—	—	—	—	271,740,000	0.86%	271,740,000	[REDACTED]
Titan Management L.P.	—	—	—	—	—	—	—	271,740,000	—	—	—	—	—	271,740,000	0.86%	271,740,000	[REDACTED]
Anderson Investments Pte. Ltd.	—	—	—	—	—	—	—	163,040,000	—	—	—	—	—	163,040,000	0.51%	163,040,000	[REDACTED]
Shenzhen Capital (Hong Kong) Company Limited	—	—	—	—	—	—	54,350,000	—	—	—	—	—	—	54,350,000	0.17%	54,350,000	[REDACTED]
SVF Sense (Singapore) Pte. Ltd.	—	—	—	—	—	—	—	—	429,000,000	2,307,091,397	1,396,640,000	177,960,000	419,830,000	4,730,521,397	14.88%	4,730,521,397	[REDACTED]
Saturn Global Investment Limited	—	—	—	—	—	—	—	—	204,060,000	—	—	—	—	204,060,000	0.64%	204,060,000	[REDACTED]
Internet Fund IV Pte. Ltd.	—	—	—	—	—	—	—	—	107,250,000	—	—	—	—	107,250,000	0.34%	107,250,000	[REDACTED]
Fortune Arise Fund LP	—	—	—	—	—	—	—	—	85,800,000	—	—	—	—	85,800,000	0.27%	85,800,000	[REDACTED]
Qualcomm Incorporated	—	—	—	—	—	—	—	—	40,750,000	—	—	—	—	40,750,000	0.13%	40,750,000	[REDACTED]
Fidelity China Special Situations plc (*Note 11*)	—	—	—	—	—	—	—	—	31,242,000	—	33,460,000	—	—	64,702,000	0.20%	64,702,000	[REDACTED]
Fidelity Investment Funds (*Note 11*)	—	—	—	—	—	—	—	—	28,175,000	—	—	—	—	28,175,000	0.09%	28,175,000	[REDACTED]
Fidelity Funds (*Note 11*)	—	—	—	—	—	—	—	—	24,639,000	—	13,060,000	—	—	37,699,000	0.12%	37,699,000	[REDACTED]
Fidelity Institutional Funds (*Note 11*)	—	—	—	—	—	—	—	—	855,000	—	—	—	—	855,000	0.00%	855,000	[REDACTED]
UT Capital Limited	—	—	—	—	—	—	—	—	28,981,000	—	1,100,000	—	—	30,081,000	0.09%	30,081,000	[REDACTED]
Mega Prime Development Limited	—	—	—	—	—	—	—	—	8,897,000	—	—	—	—	8,897,000	0.03%	8,897,000	[REDACTED]
Sitec Asia Limited	—	—	—	—	—	—	—	—	5,911,000	—	—	—	—	5,911,000	0.02%	5,911,000	[REDACTED]
SenseVision (*Note 12*)	—	—	—	—	—	—	—	—	690,440,000	—	—	—	—	690,440,000	2.17%	690,440,000	[REDACTED]
SenseSmart (*Note 12*)	—	—	—	—	—	—	—	—	206,660,000	—	—	—	—	206,660,000	0.65%	206,660,000	[REDACTED]
Mirae Asset-Naver Asia Growth Investment Pte. Ltd. (*Note 13*)	—	—	—	—	—	—	—	—	—	—	63,500,000	56,560,000	—	120,060,000	0.38%	120,060,000	[REDACTED]
Mirae Asset Securities (HK) Limited (*Note 13*)	—	—	—	—	—	—	—	—	—	—	22,220,000	—	—	22,220,000	0.07%	22,220,000	[REDACTED]
Mirae Asset Capital Co., Ltd. (*Note 13*)	—	—	—	—	—	—	—	—	—	—	15,870,000	—	—	15,870,000	0.05%	15,870,000	[REDACTED]
Mirae Asset Consulting Co., Ltd. (*Note 13*)	—	—	—	—	—	—	—	—	—	—	3,170,000	—	—	3,170,000	0.01%	3,170,000	[REDACTED]
Mirae Asset Good Company Investment Fund #19-1 (*Note 13*)	—	—	—	—	—	—	—	—	—	—	3,170,000	—	—	3,170,000	0.01%	3,170,000	[REDACTED]
Mirae Asset Venture Investment Co., Ltd. (*Note 13*)	—	—	—	—	—	—	—	—	—	—	3,170,000	—	—	3,170,000	0.01%	3,170,000	[REDACTED]
SenseForest (*Note 12*)	—	—	—	—	—	—	—	—	—	—	269,850,000	—	—	269,850,000	0.85%	269,850,000	[REDACTED]
Shanghai International Group Co., Ltd. (*Note 14*)	—	—	—	—	—	—	—	—	—	—	—	282,800,000	—	282,800,000	0.89%	282,800,000	[REDACTED]
Shanghai State-owned Assets Management Co., Ltd. (*Note 14*)	—	—	—	—	—	—	—	—	—	—	—	141,400,000	—	141,400,000	0.44%	141,400,000	[REDACTED]
Abadi Limited	—	—	—	—	—	—	—	—	—	—	—	282,805,430	—	282,805,430	0.89%	282,805,430	[REDACTED]
Guangdong Hengjian Assets Management Co., Ltd.	—	—	—	—	—	—	—	—	—	—	—	282,800,000	—	282,800,000	0.89%	282,800,000	[REDACTED]

Shareholders	Ordinary Shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B-1 Preferred Shares	Series B-2 Preferred Shares	Series B-3 Preferred Shares	Series C-1 Preferred Shares	Series C-2 Preferred Shares	Series C+ Preferred Shares	Series C++ Preferred Shares	Series C- prime Preferred Shares	Series D Preferred Shares	Series D+ Preferred Shares	Aggregate number of Shares of US$0.0000000025 par value each as at the date of this Document	Aggregate ownership percentage as at the date of this Document (Note 1)	Aggregate number of Shares of US$0.0000000025 par value each upon completion of the [REDACTED]	Aggregate ownership percentage upon the completion of the [REDACTED] (Note 2)
Irises Information Technology (Shanghai) Co., Ltd.	—	—	—	—	—	—	—	—	—	—	—	197,960,000	—	197,960,000	0.62%	197,960,000	**[REDACTED]**
Suzhou Industrial Park Oriza ST Venture Fund (Limited Partnership)	—	—	—	—	—	—	—	—	—	—	—	164,020,000	—	164,020,000	0.52%	164,020,000	**[REDACTED]**
Shanghai Electric STVC Co., Ltd.	—	—	—	—	—	—	—	—	—	—	—	141,402,714	—	141,402,714	0.44%	141,402,714	**[REDACTED]**
Classic GEM Limited (*Note 15*)	—	—	—	—	—	—	—	—	—	—	—	141,400,000	—	141,400,000	0.44%	141,400,000	**[REDACTED]**
Eternal Easy Limited (*Note 15*)	—	—	—	—	—	—	—	—	—	—	—	—	24,420,000	24,420,000	0.08%	24,420,000	**[REDACTED]**
Dajia Life Insurance Co., Ltd.	—	—	—	—	—	—	—	—	—	—	—	141,400,000	—	141,400,000	0.44%	141,400,000	**[REDACTED]**
GoodByte Company Limited	—	—	—	—	—	—	—	—	—	—	—	141,400,000	—	141,400,000	0.44%	141,400,000	**[REDACTED]**
Zunyi Hengxin Equity Investment Management Center (Limited Partnership)	—	—	—	—	—	—	—	—	—	—	—	141,400,000	—	141,400,000	0.44%	141,400,000	**[REDACTED]**
CDBC Manufacturing Transformation and Upgrading Fund (Limited Partnership)	—	—	—	—	—	—	—	—	—	—	—	113,121,856	—	113,121,856	0.36%	113,121,856	**[REDACTED]**
Shanghai Guofang Gouzhu Enterprise Service Center (Limited Partnership) (*Note 16*)	—	—	—	—	—	—	—	—	—	—	—	40,400,000		40,400,000	0.13%	40,400,000	**[REDACTED]**
Shanghai Guofang Zouzhen Enterprise Service Center (Limited Partnership) (*Note 16*)	—	—	—	—	—	—	—	—	—	—	—	20,200,000	—	20,200,000	0.06%	20,200,000	**[REDACTED]**
Haitong Innovation Securities Investment Co., Ltd.	—	—	—	—	—	—	—	—	—	—	—	28,280,000	—	28,280,000	0.09%	28,280,000	**[REDACTED]**
SenseLight (*Note 12*)	—	—	—	—	—	—	—	—	—	—	—	239,150,000	—	239,150,000	0.75%	239,150,000	**[REDACTED]**
SensePoint (*Note 12*)	—	—	—	—	—	—	—	—	—	—	—	283,420,000	—	283,420,000	0.89%	283,420,000	**[REDACTED]**
Zhuhai Xunjia International Trade Co., Ltd. (*Note 17*)	—	—	—	—	—	—	—	—	—	—	—	—	366,380,000	366,380,000	1.15%	366,380,000	**[REDACTED]**
Zhuhai Yingfan International Trade Co., Ltd. (*Note 17*)	—	—	—	—	—	—	—	—	—	—	—	—	366,380,000	366,380,000	1.15%	366,380,000	**[REDACTED]**
EON Capital Group Limited	—	—	—	—	—	—	—	—	—	—	—	—	73,270,000	73,270,000	0.23%	73,270,000	**[REDACTED]**
Delta Ville International Limited	—	—	—	—	—	—	—	—	—	—	—	—	58,620,000	58,620,000	0.18%	58,620,000	**[REDACTED]**
Cinda Sino-Rock Investment Limited	—	—	—	—	—	—	—	—	—	—	—	—	36,630,000	36,630,000	0.12%	36,630,000	**[REDACTED]**
Beijing Hai Guo He Chuang Gong Xiang Equity Investment Fund Management Center (Limited Partnership)	—	—	—	—	—	—	—	—	—	—	—	—	35,200,000	35,200,000	0.11%	35,200,000	**[REDACTED]**
SenseSpace (*Note 12*)	—	—	—	—	—	—	—	—	—	—	—	—	191,890,000	191,890,000	0.60%	191,890,000	**[REDACTED]**
SenseBlue (*Note 12*)	—	—	—	—	—	—	—	—	—	—	—	—	10,410,000	10,410,000	0.03%	10,410,000	**[REDACTED]**
Other Shareholders from the **[REDACTED]**	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	**[REDACTED]**	**[REDACTED]**

Shareholders	Ordinary Shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B-1 Preferred Shares	Series B-2 Preferred Shares	Series B-3 Preferred Shares	Series C-1 Preferred Shares	Series C-2 Preferred Shares	Series C+ Preferred Shares	Series C++ Preferred Shares	Series C- prime Preferred Shares	Series D Preferred Shares	Series D+ Preferred Shares	Aggregate number of Shares of US$0.000000025 par value each as at the date of this Document	Aggregate ownership percentage as at the date of this Document (Note 1)	Aggregate number of Shares of US$0.000000025 par value each upon completion of the [REDACTED]	Aggregate ownership percentage upon the completion of the [REDACTED] (Note 2)
Total . . .	11,717,258,603	475,000,000	55,360,000	300,600,000	2,357,970,000	243,320,000	602,550,000	2,895,440,000	2,761,100,000	2,307,091,397	1,825,210,000	4,524,880,000	1,716,620,000	31,782,400,000	100%	**[REDACTED]**	100%

Notes:

(1) Our Company will adopt a WVR structure upon completion of the **[REDACTED]**, through two classes of Shares, Class A Shares and Class B Shares. Class A Shares entitle the Shareholder to 10 votes per share (save for the Reserved Matters) and Class B Shares entitle the Shareholder to one vote per share. In all other respects the Class A Shares and Class B Shares rank pari passu. Each Preferred Shares will automatically convert into one Class B Share upon completion of the **[REDACTED]**.

(2) Assuming (i) the **[REDACTED]** is not exercised and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share immediately upon the completion of the **[REDACTED]**.

(3) Each of IDG China IV Investors L.P. and IDG China Venture Capital Fund L.P. are funds controlled by IDG Ultimate General Partner.

(4) Each of Vision Sense Limited and ESP Intelligence Limited are ultimately controlled by CDH Investments.

(5) The voting and investment power of each of Clouse S.A. acting for the account of its Compartment 39 and Clouse S.A. acting for the account of its Compartment 49 is held by Citadel Mainstay Investments S.à r.l.

(6) Each of Silk Road Inv Ltd. and Splendid Future Investment Ltd. are ultimately controlled by Sailing Capital.

(7) Each of Cayman Co-Stone AI Equity Investment Fund L.P. and Yangtze Global Growth Fund SPC are funds controlled by CoStone Capital.

(8) Each of CICC Zhide Two Investment Co., Limited and CICC Pucheng Investment Co., Ltd. is ultimately controlled by China International Capital Corporation Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 3908) and the Shanghai Stock Exchange (Stock Code: 601995).

(9) The general partner of each of Morningside China TMT Fund IV, L.P. and Morningside China TMT Fund IV Co-Investment L.P. is Morningside China TMT GP IV, L.P., whose general partner is TMT General Partner Ltd..

(10) Each of Guildford, Smithfield and Qiushi Xingde (Tianjin) Investment Center (Limited Partnership) are ultimately controlled by Primavera Capital Group.

(11) Each of Fidelity China Special Situations plc, Fidelity Funds, Fidelity Investment Funds and Fidelity Institutional Funds are advised or sub-advised by FIL Investment Management (Hong Kong) Limited and its related group of companies collectively known as Fidelity International.

(12) The general partner of each of SenseSmart, SenseVision, SenseForest, SenseLight, SensePoint, SenseSpace and SenseBlue is SenseFancy. SenseFancy is indirectly wholly-owned by Amind.

(13) Each of Mirae Asset Naver Asia Growth Investment Pte. Ltd., Mirae Asset Securities (HK) Limited, Mirae Asset Venture Investment Co., Ltd. and Mirae Asset Good Company Investment Fund #19-1 is ultimately controlled by Mirae Asset Securities Co., Ltd., and each of Mirae Asset Capital Co., Ltd. and Mirae Asset Consulting Co., Ltd. is controlled by Hyun Joo Park.

(14) Each of Shanghai International Group Co., Ltd. and Shanghai State-owned Assets Management Co., Ltd. is ultimately controlled by Shanghai State-owned Assets Supervision and Administration Commission.

(15) Classic Gem Limited and Eternal Easy Limited are investment holding companies incorporated in the BVI, and indirect wholly-owned subsidiary of VMS Holdings Limited (collectively, "VMS Group"), which are majority-owned and controlled by Ms. Mak Siu Hang Viola.

(16) Each of Shanghai Guofang Gouzhu Enterprise Service Centre (Limited Partnership) and Shanghai Guofang Zouzhen Enterprise Service Centre (Limited Partnership) are funds controlled by Shanghai Guofang Private Equity Fund Management Co., Ltd. (上海國方私募基金管理有限公司).

(17) Each of Zhuhai Xunjia International Trade Co., Ltd. and Zhuhai Yingfan International Trade Co., Ltd. is ultimately controlled by Guangdong Daoheng Equity Investment Fund (Limited Partnership).

PUBLIC FLOAT

Upon completion of the **[REDACTED]**, the Shares held by certain of our Shareholders who are, or are indirectly controlled by, our core connected persons, will not be counted towards the public float. Details of these Shareholders and their controllers are set out below:

Shareholders (and their controllers) that will not be counted towards the public float	**Shareholding % of the issued share capital of the Company immediately upon the completion of the [REDACTED] on a one share, one vote basis (*Note 1*)**
Amind	**[REDACTED]**
SenseSmart, SenseVision, SenseForest, SenseLight, SensePoint, SenseSpace and SenseBlue. The general partner of the aforesaid is SenseFancy, which is indirectly wholly-owned by Amind.	**[REDACTED]**
XWorld	**[REDACTED]**
Infinity Vision	**[REDACTED]**
Vision Worldwide	**[REDACTED]**
SenseTalent (including the Class B Shares held by Dr. Xu Li, Dr. Wang and Mr. Xu Bing through SenseTalent)	**[REDACTED]**
SVF Sense (Singapore) Pte. Ltd.	**[REDACTED]**

Note:

1. Assuming (i) the **[REDACTED]** is not exercised and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share immediately upon the completion of the **[REDACTED]**.

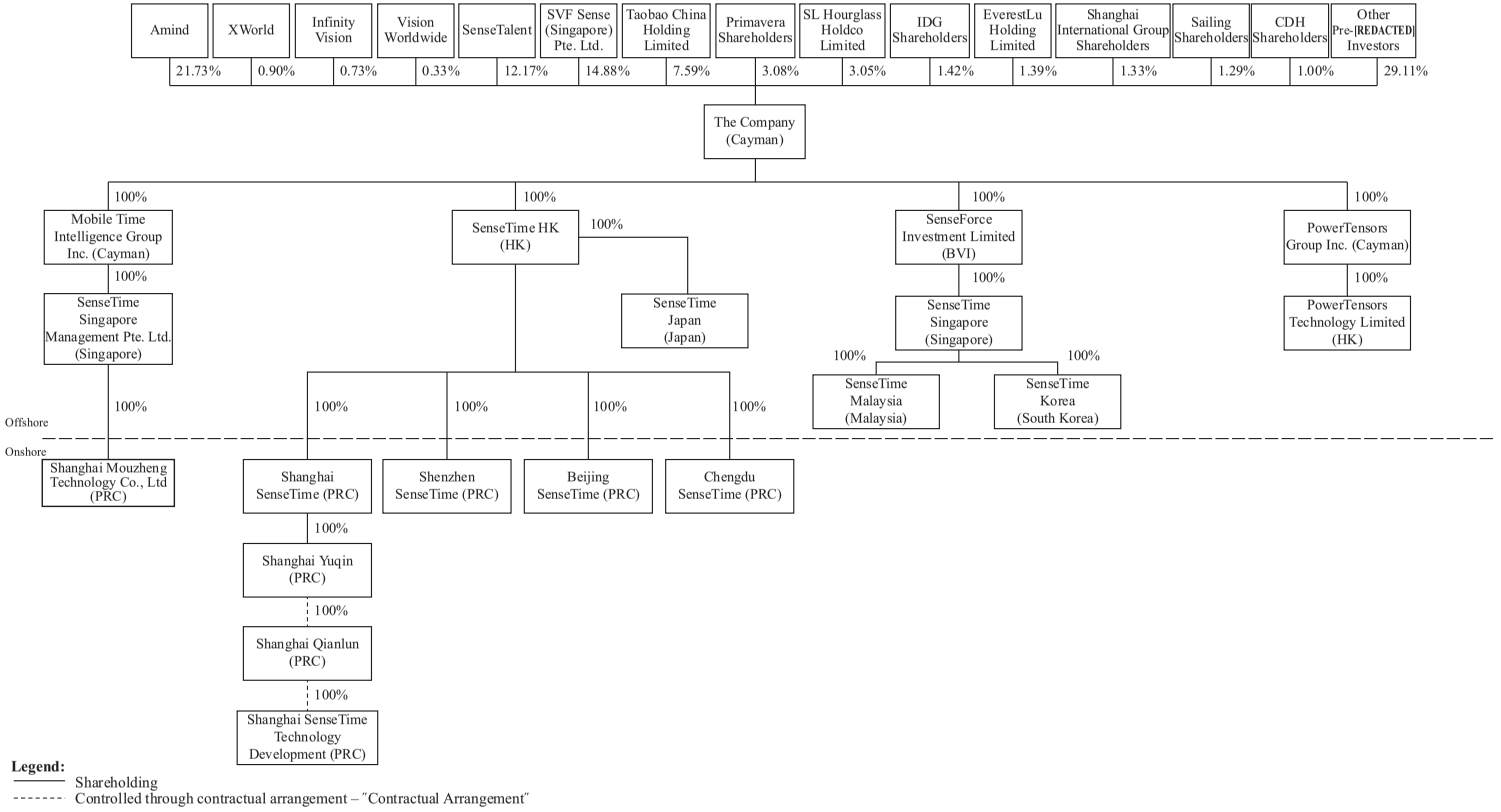
Save as provided above, upon the completion of the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share immediately upon the completion of the **[REDACTED]**), the other Pre-**[REDACTED]** Investors will collectively hold 13,762,040,000 Class B Shares (representing approximately **[REDACTED]**% of the issued share capital of the Company on a one share, one vote basis).

Save as disclosed above, no other Pre-**[REDACTED]** Investor is a core connected person of the Company (as defined in the Listing Rules). Therefore, the Shares held by the other Pre-**[REDACTED]** Investors will count towards the public float.

CORPORATE STRUCTURE

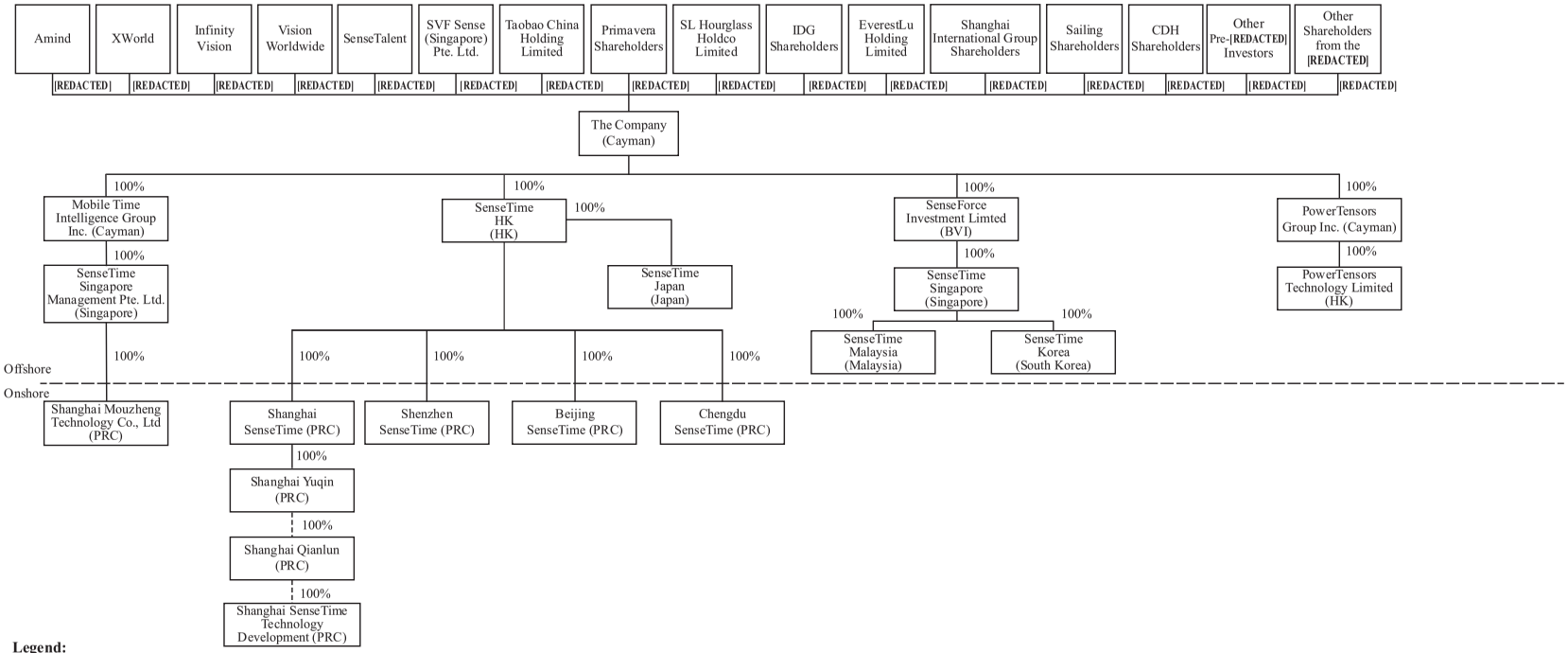
Corporate Structure before the [REDACTED]

The following diagram illustrates the simplified corporate and shareholding structure of our Company immediately prior to the completion of the **[REDACTED]**:



Corporate Structure immediately following the [REDACTED]

The following diagram illustrates the simplified corporate and shareholding structure of our Company immediately following the completion of the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share immediately upon the completion of the **[REDACTED]**):



Notes:

1. The Company is controlled through a WVR Structure. Under this structure, the Company's share capital will comprise Class A Shares and Class B Shares. Each Class A Share will entitle the holder thereof to exercise 10 votes, and each Class B Share will entitle the holder thereof to exercise one vote, on any resolution tabled at the Company's 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. For resolutions with respect to matters other than the Reserved Matters, immediately following the **[REDACTED]**, the percentage of voting rights that the WVR Beneficiaries, Prof. Tang, Dr. Xu Li, Dr. Wang and Mr. Xu Bing can exercise through shares beneficially owned by them are **[REDACTED]**%, **[REDACTED]**%, **[REDACTED]**% and **[REDACTED]**%, respectively. For further details, see "Share Capital — Weighted Voting Rights Structure."

PRC REGULATORY REQUIREMENTS

M&A Rules

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, merger and acquisition of domestic enterprises by foreign investors means (1) acquiring the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (2) subscribing the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (3) establishing a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (4) purchasing the assets of a domestic enterprise, and then investing such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special purpose vehicle, formed for purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

Our PRC Legal Advisor is of the opinion that, based on its understanding of the current PRC laws and regulations, each of the prior CSRC approval for the **[REDACTED]** and MOFCOM approval is not required because (i) Beijing SenseTime, was incorporated as a domestic company in November 2014 and became a wholly foreign owned enterprise since August 2015 in accordance with M&A rules, by SenseTime HK that was not being controlled directly or indirectly by PRC companies or individuals, (ii) our wholly foreign-owned enterprises other than Beijing Sensetime, such as Shanghai Sensetime and Shenzhen Sensetime and its wholly-owned PRC subsidiaries were not established through a merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company, and (iii) no provision in the M&A Rules clearly classifies contractual arrangement as a type of transaction subject to the M&A Rules. However, uncertainties still exist as to how the M&A Rules and other PRC laws and regulations, government policies will be interpreted and implemented or whether the relevant authorities would promulgate further requirements. For further information on the M&A Rules, see "Risk Factors — Risks Relating to Doing Business in China — The M&A Rules and certain other PRC regulations establish complex

procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China."

SAFE Registration in the PRC

Pursuant to the Circular 37, promulgated by SAFE and which became effective on July 14, 2014 and replaced the Circular of the SAFE on Foreign Exchange Administration of Equity Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), (i) a PRC resident must register with the local SAFE branch in connection with their contribution of offshore or domestic assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting overseas investment or financing, and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to Circular 37, failure to comply with these registration procedures may result in penalties. In addition, due to such failure to comply with the registration procedures, the PRC subsidiaries of that Overseas SPV may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the Overseas SPV and its offshore subsidiary may be restricted in their ability to contribute additional capital to their PRC subsidiaries.

Pursuant to the Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment 《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), promulgated by SAFE and effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to qualified banks.

As advised by our PRC Legal Advisor, as at the Latest Practicable Date, the shareholders who we are aware of being subject to Circular 37 have, in material aspects complied with the requirements as regulated under Circular 37.

OUR MISSION

To create a better AI-empowered future through innovation.

OUR VISION

To advance the interconnection of the physical and digital worlds with artificial intelligence, driving sustainable productivity growth and seamless interactive experiences.

We aim to:

- advance the state of the art in AI research
- develop scalable and affordable AI software platforms that benefit businesses, people and society
- attract and nurture top talents, shaping the future together

WHO WE ARE

We are a leading AI software company serving a broad range of industries, with a focus on computer vision software. We are the largest AI software company in Asia in terms of revenue in 2020, and the largest computer vision software provider in China in terms of revenue in 2020 with a market share of 11%, according to Frost & Sullivan. We have built market leadership by helping customers drive productivity, creativity and efficiency with our AI software platforms. As of June 30, 2021, our software platforms had been used by a total of over 2,400 customers, including over 250 Fortune 500 and other publicly-listed companies, 119 cities and over 30 automobile companies, while empowering over 450 million mobile phones and over 200 mobile apps, five of which are super apps with over 500 million monthly active users each.

Our business is underpinned by our original and cutting-edge research, recognized by over 70 first-prize awards in global academic competitions, more than 600 top-tier academic paper publications and over 8,000 AI patents and patent applications. We have built a first-of-its-kind universal AI infrastructure to achieve mass production of a diverse and growing portfolio of AI models with rich functionality and superior accuracy. We develop scalable AI software platforms to facilitate the rapid deployment of AI models and applications in numerous scenarios. Fueled by technological excellence and scale effects, we have achieved leading market positions in smart business, smart city, smart life and smart auto, serving a wide spectrum of industries across commercial space management, residential property management, urban management, manufacturing, infrastructure, transportation, mobile devices and applications, healthcare and automobiles, according to Frost & Sullivan.

Our culture is deep-rooted in academic excellence. In 2014, Professor Tang Xiao'ou, who founded the CUHK Multimedia Lab in Hong Kong in 2001, and other core members of the lab jointly started our company. As of June 30, 2021, 40 professors led our research efforts, and approximately

two-thirds of our over 5,000 employees were scientists and engineers. This vast intellectual capital lays the foundation for a comprehensive and integrated innovation system from AI research to production, covering key fields across perception intelligence, decision intelligence, AI-enabled content generation and AI-enabled content enhancement, as well as key capabilities in AI chips, sensors and computing infrastructure. Our systematic research efforts in these interdependent AI areas allow us to offer and continuously improve industry-leading, full-stack AI capabilities, cementing our commercialization success.

AI Models are the Building Blocks for AI Software, Underpinning Digital Transformation

According to Frost & Sullivan, AI software is expected to be one of the fastest-growing business areas in this decade. The global AI software market size is expected to reach USD121.8 billion in 2025, growing at a CAGR of 31.9% from 2020. The AI software market in China is expected to grow at a CAGR of 41.5% from RMB29.5 billion in 2020 to RMB167.1 billion in 2025, which would make it the fastest-growing among major markets globally. AI software will continue to be seamlessly integrated into various industries and create massive business value. Global AI-enabled business opportunities are expected to reach USD10.0 trillion in 2025, growing at a CAGR of 27.2% from 2020 and accounting for 8.6% of estimated global nominal GDP in 2025.

The value of AI software lies in its key role in digital transformation, profoundly reshaping industries, communities and everyday lives by connecting the physical and the digital worlds. This revolutionary process is also catalyzed by the prevalence of IoT devices, such as automobiles, smartphones and sensors in physical spaces. According to Frost & Sullivan, there will be over 63 billion IoT devices in use globally by 2025. The data constantly generated and transmitted from such devices serves as the key bridge between the two realms.

However, the huge quantity of data, most of which is unstructured, such as in the form of images, videos, 3D point clouds and speech, poses the most important challenge in the digital era. The difficulties mainly lie in effectively extracting useful information from the data and leveraging it to make predictions and guide decisions. AI software products capable of transforming unstructured data into valuable information and insights are developed to meet this challenge.

As the core building blocks of AI software, AI models are algorithms which can take unstructured data as an input and transform it into informative output through their "intelligence", namely their capabilities to perceive the world, transcribe and organize information, enhance or generate content, or make decisions. Each AI model is an independent program or an algorithm that utilizes a set of data to recognize specific patterns, and reach a conclusion, make a prediction or decision when provided with sufficient information. AI models are produced by a training process that typically consumes a large amount of computing power and data. An AI application, which is developed to increase efficiency, improve productivity or enhance life experience, is a software product that integrates a group of AI models.

As digital transformation accelerates, AI models are being widely deployed at customer locations, over the cloud and on an increasingly large number of devices, across multiple industry verticals. In this new era, AI models are the "new electricity" that powers digital transformation, and demand for AI models will be ubiquitous. Hence, the ability to produce high-performance AI models with high accuracy, high speed and low power consumption at scale and in a cost-effective way is crucial and represents a major technology entry barrier in the AI industry.

Based on our innovations and technology breakthroughs, we have built a first-of-its-kind AI infrastructure capable of mass production of high-performance AI models. We have also enabled rapid and code-free deployment of AI models and applications in numerous scenarios through our software platforms. The rapid increase in the volume of available training data generated by automobiles, mobile phones and sensors across industries allows us to quickly increase the competency, accuracy and quantity of our AI models. As our AI models become more sophisticated and accurate in processing real-world data and driving various AI applications, they become the building blocks to advance digital transformation across industries.

Centralized Mass Production of AI Models with our Proprietary AI Infrastructure — SenseCore

We believe our centralized mass production of AI models is the approach of choice to improve the availability and productivity of AI models. This strategy has effectively addressed the following challenges that have constrained the deployment of AI applications at large scale:

- ***Most industrial-grade applications require high performance AI models that are expensive to produce:*** The process of designing and training state-of-the-art, high-performance AI models that are competitive in industrial-grade applications is expensive and relies on deep technical know-how, as it requires (a) massive data aggregated from numerous scenarios, (b) complex design of models and training algorithms, and (c) extensive computation supported by large-scale computing infrastructure with a sophisticated software framework and hardware systems. With data volumes increasing rapidly and algorithms becoming more complex, the computing power required to train state-of-the-art large AI models has increased cumulatively by one million times in the past ten years, according to Frost & Sullivan. For example, the training of the well-known GPT-3 language model developed by OpenAI consumed 570 GB of text data and 355 GPU-years, and cost approximately USD12 million, according to Frost & Sullivan.

- ***Low development efficiency in meeting market demand for large quantities of AI models:*** As digital transformation accelerates in all industries, there has been a sharp increase of demand in the scale and diversity of AI applications, which requires a large number of AI models. However, the research-to-product cycle for building AI models is complicated and costly, featuring fragmented processes as well as lack of standardization across different industries. Because production of each model requires extensive computing and manpower, it becomes increasingly labor and resource intensive.

- ***"No data for training?" — The long-tail problem is common for many industries:*** In real-world AI applications, long-tail scenarios have low frequency of occurrence but in aggregate account for the majority of all scenarios. Urban management, for example, has many long-tail scenarios, such as certain traffic accidents, road cave-in and outbreak of fire. Due to the low-frequency nature of the long-tail scenarios, there is insufficient data available to train high-performance AI models, and, as a result, in many industries, significant numbers of long-tail scenarios have not been satisfactorily dealt with.

Facing these constraints and challenges, many AI companies can only develop narrowly focused AI models in a costly and time-consuming way, covering only a limited number of scenarios. The key to the large-scale industrial application of AI is to achieve industrial-grade AI

model production which refers to cross-industry, large-scale, high-efficiency and low-cost production of high-performance AI models. Industrial-grade AI model production requires comprehensive technical strengths and large investment.

Our proprietary AI infrastructure, SenseCore, makes industrial-grade AI model production feasible, achieving economies of scale and solidifying our technology leadership. SenseCore is built on three pillars: (i) large-scale supercomputing power; (ii) massive data processing and desensitization; and (iii) shared platforms and production tools for developers.

SenseCore offers a smooth, standardized and end-to-end automatic production flow of AI models. In addition to using SenseCore for our own AI model production, we also provide its capabilities to customers, enabling them to produce AI models specific to their business needs with minimal expertise, effort and investment. We believe SenseCore distinguishes us through the following features:

- ***Training of large, state-of-the-art base models***: Large AI models with significant numbers of parameters, trained using massive and diverse data, can achieve a richer and more general understanding of the world. We refer to them as base models. For example, SenseCore allows our experts to design and train base models with over 30 billion parameters, currently representing the world's largest in the field of computer vision, according to Frost & Sullivan. Base models ensure high accuracy and demonstrate significant advantages in handling complex and corner cases in diversified scenarios.

- ***Low-cost production of scenario-specific models efficiently addressing "long-tail" problems***: SenseCore allows developers to leverage base models to produce scenario-specific models through a further round of training with a small amount of scenario-specific data. Scenario-specific models are widely used in real-world applications, as they are faster and smaller in size, achieving a balance between high accuracy and low power consumption. The approach of deriving scenario-specific models from base models brings three advantages, namely, (i) quick, low-cost production of scenario-specific models with much less scenario-specific training data and minimal computing power; (ii) effective handling of long-tail scenarios with little training data; and (iii) the performance of all scenario-specific models benefiting from the improvement of base models, generating economies of scale for model improvement.

- ***Industry-leading automatic machine learning (AutoML)***: SenseCore offers a comprehensive set of software tools to achieve fully automated model production with minimal human intervention and supervision. We are one of the pioneers in AutoML techniques. Our development of AutoML techniques and platforms effectively frees our experts from the tedious model design process, thus allowing them to focus more on fundamental algorithm innovations and product design. It also lowers the technical entry barrier and allows developers with limited machine learning expertise to train high-performance models.

- ***Industry-leading privacy computing and data desensitization***: SenseCore integrates cutting-edge privacy computing technology to allow model training with customers' data stored at the customer side without transmission of raw data samples, via the combination of a series of encryption computing technologies. This ensures data security, data privacy

and regulatory compliance throughout the production process. SenseCore also provides data desensitization and encryption tools, including data masking to hide personal information and blur out characters, numbers and faces. These tools add an extra layer of privacy and security protection to all data processed.

- ***Cross-chip, cross-device, and cross-cloud-platform adaptability***: SenseCore incorporates industry-leading model compression into the model production pipeline. Such techniques transform a large trained model into a lighter-weight one that runs faster on chips and requires significantly less memory capacity, while maintaining comparable accuracy. SenseCore incorporates a cross-platform model deployment tool to adapt the compressed models to more than 100 types of chips on the market, making our AI models easily deployable across diverse devices and cloud platforms.

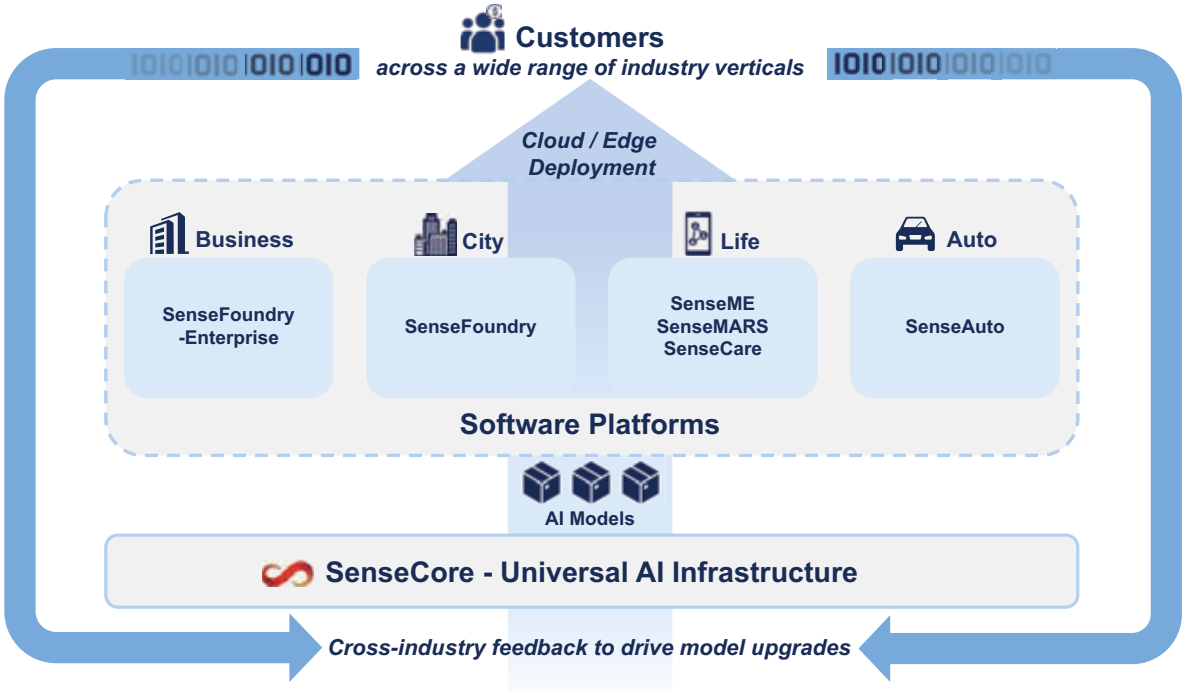
- ***Comprehensive portfolio of AI applications across industry verticals***: While many AI companies focus on individual industries and provide solutions to narrowly defined scenarios, we have broadened our offerings with our mass production capabilities covering AI models and applications capable of perception intelligence, decision intelligence, AI-enabled content generation and AI-enabled content enhancement. Such comprehensive coverage enables us to deliver full-suite offerings of diversified AI applications across a wide range of industry verticals.

By using SenseCore to power all AI workloads, our researchers and engineers can develop AI models in hours rather than in weeks. As we continuously enhance SenseCore's capabilities and capacity, our R&D staff developed an aggregate of 1,152, 9,673 and 8,377 commercial AI models in 2019, 2020 and the first half of 2021, respectively, representing an annual average of 0.44, 3.45 and 5.24 AI models per person in the same periods, respectively. As of June 30, 2021, we had developed over 22,000 commercialized AI models to power varied applications across industry verticals.

Rapid Deployment and Commercialization of AI Models through Software Platforms

To achieve economies of scale and shorten time-to-market in AI model deployment and commercialization, we develop and offer standard software platforms with modular flexibility to customers empowered by SenseCore. Our software platforms can be seamlessly integrated with customers' devices or IT infrastructure, and our AI models can be deployed both on edge devices and on the cloud through our software platforms. When we upgrade the existing models and introduce new models to empower AI applications, customers can preview and integrate the models and applications through our software platforms to enjoy a standard and code-free experience.

Our software platforms empower hundreds of millions of devices, perceiving and transcribing information, enabling automated decisions and processes and generating or enhancing virtual content to connect the physical and the digital worlds. The following diagram illustrates the rapid deployment and commercialization of AI models through our software platforms:



SenseFoundry-Enterprise for Smart Business

We work with enterprises to build future-oriented enterprise management operation systems to digitalize and automate their workflow processes in order to streamline tasks and enhance user experiences. SenseFoundry-Enterprise is used to create interconnected, efficient and scalable operations that drive better business outcomes for customers. It is a one-stop software platform embedded with more than 9,300 AI models and enables applications which meet various industry needs for real-world data perception and process automation across industries. SenseFoundry-Enterprise enables customers to build AI-integrated workflows and operations in a code-free, modular, flexible and scalable manner. SenseFoundry-Enterprise has been widely adopted across industrial verticals, including commercial space management, residential property management, manufacturing, infrastructure, transportation and financial services.

SenseFoundry for Smart City

We work with city administrators to build future-oriented urban management platforms. Integrated with the IT infrastructure of cities, our SenseFoundry software platform, powered by more than 14,000 AI models, transcribes raw and real-time city data into insights, alerts and actions. SenseFoundry is used to monitor the conditions of public facilities such as fire hydrants, manhole covers, power poles and road signs. It is also used to track incidents, such as traffic accidents, fire

and smoke, emergency exit obstructions, exposed garbage, road damage and unauthorized parking. It also tracks the impact of natural disasters such as flooding and typhoons and the progress of damage control measures. SenseFoundry is also equipped with an online incremental training engine derived from SenseCore, through which it provides AI-as-a-Service to cities. SenseFoundry facilitates the transformation of urban administration from human-intensive to human-computer interactive, from empirical judgment-based to data-driven, and from passive response to early detection. SenseFoundry has become the operating system for digital city operations and improved the safety, efficiency, convenience and environmental quality of cities. As of June 30, 2021, it had been deployed in 119 cities in China and overseas.

SenseME, SenseMARS and SenseCare for Smart Life

We work with IoT device, semiconductor, mobile app and gaming companies to jointly build a multi-layer infrastructure to empower IoT devices and the Metaverse, enriching user experiences.

With a full stack of offerings including SDKs, AI sensors and ISP chips, our SenseME software platform, powered by over 3,500 AI models, enables a broad range of IoT devices to facilitate perception intelligence and content enhancement. Our AI sensor offerings, with AI models embedded into CMOS image sensors, improve user experience by enhancing visual signal quality and real-world image perception, minimizing device power consumption and enhancing data security.

Metaverse refers to the convergence of physical, augmented and virtual reality in a shared digital world. Our SenseMARS software platform supports the development of Metaverse to create exciting new life experiences. SenseMARS is powered by over 3,500 AI models, supporting perception intelligence and the Mixed and Augmented Reality System (MARS).

SenseME and SenseMARS create the interface connecting the physical and digital worlds by empowering more than 200 types of mobile phones, AR and VR glasses, smart screens and consumer drones. As of June 30, 2021, SenseME and SenseMARS had empowered over 450 million mobile phones and over 200 mobile apps, five of which are super apps with over 500 million monthly active users each.

Our AI software platform for smart healthcare, SenseCare, provides AI tools in diagnosis, treatment planning and rehabilitation. We have obtained three NMPA certifications and two CE marks for five SenseCare modules.

SenseAuto for Smart Auto

Our SenseAuto software platform, powered by around 1,400 AI models, provides automobile companies with ADAS systems, smart cabin systems as well as AI-as-a-Service which enables them to develop and enhance their autonomous driving capabilities. In addition, we have launched SenseAuto Robobus, an L4 autonomous driving product for bus operating companies. We also developed SenseAuto Connect, our V2X product, that enables smart interactions among vehicles and their surroundings such as roads, traffic lights and roadside units.

Since 2017, we have been a strategic partner with Honda to provide it with our autonomous driving-related AI technologies. As of June 30, 2021, we had collaborated with over 30 automobile companies, including leading domestic and global brands, and had been selected as the supplier for more than 20 million automobiles across over 50 vehicle models in the next several years. We were recognized by CB Insights Research as The Most Valuable Private Auto Tech Company in 2021.

AI-as-a-Service to More Industry Verticals through AIDCs

We provide SenseCore's capabilities as a versatile AI-as-a-Service offering to customers through our software platforms, enabling them to produce AI models tailored to their business needs with minimal effort, expertise and investment. SenseCore interoperates with customers' IT infrastructure via a set of standard interfaces and allows users to utilize their own data for continuous model training and upgrades. For many customers, compared with building in-house AI infrastructure which may take years and a tremendous amount of investment, using SenseCore through our AI-as-a-Service offering to develop AI models is much more cost-effective and can substantially reduce the time to market.

To further enhance SenseCore's production capabilities and expand our AI-as-a-Service offering to more industry verticals, we are constructing a large-scale AI computing and empowerment data center (AIDC) in Lingang, Shanghai, which is expected to be launched in early 2022 to support cloud-based, full-stack AI model production and deployment services. Our Shanghai Lingang AIDC is an open, large-scale, low-carbon and energy-efficient advanced computing infrastructure with a designed computing capacity of 3.74 exaFLOPS, which will bring our total computing capacity to 4.91 exaFLOPS. Our AI-as-a-Service offering supported by AIDCs allows users to (i) flexibly subscribe for pre-trained AI models to deploy AI applications and (ii) utilize their own data to produce and deploy new AI models, through cloud computing services with a complete set of tools and APIs. Our AIDCs also allow customers to collaborate with our experts via cloud to co-design and develop customized AI models and applications in a cost-effective way. We believe that our AIDCs will not only accelerate our innovations and enhance our competitiveness, but also cultivate an open and rapidly growing ecosystem that further strengthens the connections with our customers and the community. We expect it to make the production of AI models and the development of AI capabilities more efficient and affordable across industries, thus extending the boundary of AI industrialization.

Platform-based Approach Drives Sustainable Revenue Growth

As we expand to more scenarios in more industry verticals, we produce AI models in greater quantity and quality that meet customer needs. When we first expand to new scenarios for a specific industry vertical, we usually work with launch customers to develop an in-depth understanding of industry verticals and customers' specific needs. Launch customers are generally market leaders, with deep industry knowledge and abundant scenario data to support model production. We use SenseCore to quickly and cost-effectively configure our products for customers by assembling existing models in our model library and training new models for missing features. Such products can be made available to other customers through our software platforms.

We take a platform-based approach when engaging with customers by selling our software platforms to integrate with customers' devices or IT infrastructure. Customers can access a shared and ever-growing pool of AI models and applications, and preview and integrate AI models code-free. The delivered software platform includes selected AI models and applications, and may also be provided with AI software-embedded hardware integrated with AI chips or AI sensors to effectively run our AI models.

Pricing of our software platforms is primarily based on (i) the number and complexity of AI models provided, (ii) the number and types of IoT devices supported, (iii) the hardware and computing resources to run the AI models, and (iv) services for deployment and maintenance. Through our software platforms, we also provide SenseCore's capabilities as a versatile AI-as-a-Service offering to customers for customized model production. As customers expand the scale and diversity of AI applications, they are expected to purchase additional product and service offerings from us, which will generate additional and potential recurring revenue for us.

We have achieved strong growth since our inception in 2014. Our revenues grew from RMB1,853.4 million in 2018 to RMB3,026.6 million in 2019 and further to RMB3,446.2 million in 2020, and from RMB861.2 million in the first half of 2020 to RMB1,651.8 million in the first half of 2021. Our gross profit margin grew from 56.5% in 2018 to 56.8% in 2019 and further to 70.6% in 2020, and from 72.1% in the first half of 2020 to 73.0% in the first half of 2021. Our research and development expenses in 2018, 2019, 2020 and the first half of 2021 were RMB848.7 million, RMB1,916.0 million, RMB2,453.9 million and RMB1,771.7 million, respectively. Our net losses in 2018, 2019, 2020 and the first half of 2021 were RMB3,432.7 million, RMB4,967.7 million, RMB12,158.3 million and RMB3,712.9 million, respectively. Our historical net losses were also largely attributable to the fair value losses of our preferred shares.

Eliminating the impact of items that our management does not consider to be indicative of our operating performance, we had adjusted net losses (non-IFRS measure) of RMB150.0 million, RMB1,155.2 million, RMB707.7 million and RMB578.3 million in 2018, 2019, 2020 and the first half of 2021, respectively.

OUR STRENGTHS

Technology Pioneer and Industry Leader in AI

We are the largest AI software company in Asia in terms of revenue in 2020, according to Frost & Sullivan. Our industry leadership is built on our pioneering research, advanced AI infrastructure and platform approach for commercializing AI technology.

We pioneer and lead research in AI

- In 2015, our founders won the first place in large scale video object detection in the ImageNet Large Scale Visual Recognition Challenge to recognize 1,000 object categories covering many long-tail scenarios, with the world's largest AI model at that time.

- We built the world's largest computer vision model, with over 30 billion parameters, as of June 30, 2021.

- Our researchers broke the record of training AlexNet on ImageNet by reducing the training time to 90 seconds in 2019, a significant improvement over the previous record of four minutes.

- We ranked number one in terms of the number of research papers published in the top three Computer Vision conferences, namely, CVPR, ICCV and ECCV, during the period from 2015 to June 30, 2021.

- We had won over 70 first-prize awards in global competitions in AI as of June 30, 2021.

We have built state-of-the-art AI infrastructure

- Our proprietary AI infrastructure, SenseCore, supports industrial-grade production of AI models and is our key differentiator and the cornerstone of our business scalability.

- As of June 30, 2021, we had built 23 AI supercomputing clusters strategically located in our major geographic markets, with over 20,000 GPUs sustaining an aggregate computing capacity of 1.17 exaFLOPS to support SenseCore's model production.

- We are building our Shanghai Lingang AIDC with a designed computing capacity of 3.74 exaFLOPS, which is expected to become one of the largest supercomputers in Asia upon launch in early 2022.

- We have developed our specialized AI chip, STPU, which effectively adapts to our AI models, significantly accelerates AI inference operations and reduces the cost for AI deployment.

- We have developed AI technology for next-generation AI CMOS image sensors in collaboration with a world-leading semiconductor company.

We lead in commercializing AI technology

- We were the first company to provide face payment technology integrated to subways' ticketing systems in megacities with populations of over ten million to support contactless swift subway entry.

- Our SenseFoundry was one of the first AI-empowered human-computer interactive digital operating platforms to support city management in 11 megacities with populations of over ten million.

- Through SenseMARS, we were the first AI company to apply interactive AR and MR effects on mobile apps, which product has become one of the biggest Metaverse enabling platforms.

- We were the first AI company in Asia to collaborate with a global top-five automobile brand to co-develop advanced autonomous driving solutions and were recognized by CB Insights Research as The Most Valuable Private Auto Tech Company in 2021.

Powerful AI Infrastructure

Our proprietary AI infrastructure, SenseCore, makes industrial-grade AI model production feasible, enabling economies of scale and solidifying our technology leadership. We believe that SenseCore is our key differentiator and the cornerstone of our business scalability. It features the following:

- Supporting the training of state-of-the-art base models for high performance and accuracy
- Low-cost production of scenario-specific models, effectively addressing "long-tail" problems, and achieving economies of scale for model improvement
- Industry-leading automatic machine learning (AutoML) for efficiency and easy use
- Industry-leading privacy computing and data desensitization for high privacy and data security
- Cross-chip, cross-device and cross-cloud-platform adaptability
- Comprehensive AI functions across industry verticals

SenseCore has allowed us to develop, deploy and commercialize more than 22,000 models in a wide range of industries. We also provide SenseCore's capabilities as a versatile AI-as-a-Service offering to customers, enabling them to produce AI models specific to their business needs with minimal effort, expertise and investment.

Comprehensive and Scalable Software Platforms

Our software platforms allow customers to access a shared and ever-growing pool of AI models, and customers can preview and integrate AI models code-free, enabling us to expand business across industries at scale. Our software platforms have the following advantages:

- ***Comprehensive coverage***: Our software platforms meet ever-evolving and growing industry demands with differentiated capabilities and functions.
- ***Scalability and seamless integration***: Our software platforms can be seamlessly integrated with customers' devices and IT infrastructure and allow simultaneous connection of millions of devices and support city-scale applications for megacities with populations of over ten million.

- ***Code-free model deployment***: Customers can deploy AI models code-free over-the-air into target scenarios with low cost, easy use and quick value creation.

- ***Cross-industry innovation***: By engaging with customers across industries, we have built an extensive and shared pool of AI models and in-depth industry knowledge and created more competitive cross-industry AI applications to better serve customers.

Successful Commercialization with a Broad Coverage of Industries and Regions

We have achieved successful commercialization of our products and services, and our strengths in AI technologies are highly recognized by our customers. We have established our technology and commercial advantages through the following initiatives:

- ***Early mover in many industry verticals***: We were one of the first companies to possess mature technology advantages and commence commercialization in various industry verticals. Our first-mover advantage has made us a leader in formulating AI industry standards and creating a wealth of intellectual property. We are among the companies with the largest portfolio of invention patents in the AI industry in Asia, according to Frost & Sullivan. As of June 30, 2021, we had 8,123 patents and patent applications, among which close to half were overseas IPs.

- ***International success***: We recognized the importance of international expansion and entered the overseas markets at very early stage. We currently focus on markets such as Northeast Asia, Southeast Asia and the Middle East, and have established regional headquarters across countries and regions. Our local teams are familiar with customer preference and have achieved swift localization of our product and service offerings, while developing local relationships and business partnerships.

- ***Recognition by leading companies***: We have gained market recognition through strategic partnerships with many leading domestic and global companies, who are attracted by our technology leadership and strong synergy with them. Our collaboration with such companies has increased our brand awareness in various industries and regions and boosted our customer acquisition capabilities.

- ***Diversified industry and region coverage***: Given that the business cycles and demand of our customers are unbalanced across industries and regions, our cross-industry and cross-region coverage allows us to be more resilient to uncertainties and sustain our growth under evolving macroeconomic conditions. Our broad coverage has also been a solid foundation for our business continuity and growth during the COVID-19 pandemic.

Through the above initiatives, we have had a successful track record of growing our customer base across industries and regions. Our AI software platforms had been deployed by more than 2,400 customers across industry verticals in over 15 countries and regions as of June 30, 2021.

Effective AI Talent Development

Talent is critical to our success. We have developed an effective system to discover, attract and cultivate world-class AI talent. Our industry leadership, cutting-edge AI infrastructure and strong

commitment to state-of-the-art AI research allow us to attract and develop top AI talent. Our talent development approach has the following three key strengths:

- ***Early access to talent pool***: Through extensive and tight-knit research collaborations with 52 top-tier universities and 15 joint labs globally, we are able to identify promising AI scientists early on, ensuring a continuous supply of young talents with great potential. We train and support students in partnered universities by working with their professors to co-design industry-related AI research topics and sharing access to our AI infrastructure to support their research efforts.

- ***Shared AI infrastructure that accelerates research outcomes***: Our powerful AI infrastructure provides our R&D teams and institutional partners with advanced research resources and thus a more fulfilling research experience, allowing them to not only develop market-recognized products but also achieve high-quality research outputs efficiently. The number of research papers published annually by our company has increased by more than five times from 29 in 2015 to 181 in 2020.

- ***Strong support in research talent development***: We select top-tier university students to join our internship programs. In the past six years, we have trained thousands of students through these programs, with over 500 of them eventually joining us as employees.

As of June 30, 2021, we had 40 professors leading our research efforts and 3,593 R&D staff members, including more than 250 PhDs and PhD candidates. We have built one of the largest and most capable research teams in Asia to drive state-of-the-art AI research.

Visionary Management Team with a Young and Deep Talent Pool

SenseTime was founded by a team of AI scientists and practitioners, including Prof. Tang, Dr. Xu Li, Dr. Wang and Mr. Xu Bing, who are highly regarded in the AI industry. Over the years, they have attracted top scientists, engineers and business talents and led our evolution from a research-focused group into a leading AI company with commercial success.

Our Chairman and CEO, Dr. Xu Li, is a distinguished innovator and business leader with strong academic and industry recognition. He was featured in Fortune's Global List of "40 under 40" in 2018 and the winner of the EY World Entrepreneur of The Year Award in 2019. The management team combines top AI scientists and seasoned business professionals, with an average of more than 20 years of work experience. They are joined by over 5,000 employees of an average age of 31, forming an energetic team with a firm and long-term commitment to the mission of creating a better AI-empowered future through innovation.

A Vibrant AI Ecosystem

We have been developing a broadly-based ecosystem through joint efforts with the AI industry to advance common initiatives and access resources critical to our sustainable growth:

- ***SenseCore open-source community***: We play an active role in open-source AI, which connects us to a wide range of academic researchers and industry players. OpenMMLab,

OpenDILab and OpenPPL are our major open-source algorithm platforms for perception intelligence, decision intelligence and high-performance inference engines, respectively, making public 10 code repositories and over 1,500 AI models. Launched in 2018, OpenMMLab has gained wide recognition from both industry and academia, receiving over 38,000 stars on GitHub. Industry participants and academic institutes from more than 100 countries or regions have contributed to our open-source community, including Tsinghua University, Carnegie Mellon University and Microsoft Research Asia.

- ***Academic alliance***: We initiated the Global AI Academic Alliance (GAIAA) in 2018, which currently includes members of 18 top universities worldwide such as SJTU, Fudan University, Tsinghua University, CUHK, HKU, HKUST and NTU to (i) promote global research collaboration, (ii) incubate and support start-ups, (iii) promote development of industry standards and (iv) empower and develop research talents.

- ***Industrial collaboration***: We initiated the AI Computing Power Industry Alliance (AICPIA) in 2021, together with a group of research institutions and semiconductor companies, with the objective of promoting the development and sharing of AI computing power. Since 2019, we have been the founding Chair of the China Augmented Reality Core Technology Industry Alliance (CARA) joined by leading companies and universities including OPPO, Xiaomi and JD.com, to promote the development of an AR and MR technology sharing platform.

- ***Capital partnerships***: Our reputable global investors help us extend industry outreach and create synergy with their portfolio companies. We have also selectively invested in companies that complement and expand our technology capabilities. We have established an AI industry fund to further expand our contribution to the development of the AI industry.

High Standards on Data Security, Privacy and Ethics for Sustainable AI

We believe that AI should be developed in a human-centric, controllable and sustainable way, and have held ourselves to the highest standards on data security, privacy and ethics for sustainable AI. See "— Responsible and Sustainable AI." We have been actively involved in the development of national and international industry standards on data security, privacy protection, ethical AI and sustainable AI. As of June 30, 2021, we had participated in the formulation of more than 80 national or international industry standards. We work closely with multiple domestic and multilateral institutions on the sustainable and ethical development of AI.

- We were the only AI company in Asia to have our Code of Ethics for AI Sustainable Development selected by the United Nations as one of the key publication references in the United Nations Resource Guide on AI Strategies published in June 2021.

- We were the first AI company to receive all three ISO/IEC certifications for Privacy Information Management System, Information Security Management and Personally Identifiable Information Protection.

- We have been the Chair of the IEEE Mobile Device AR Standard Working Group since 2020 and have co-led the development of the IEEE Standard for Biometric Liveness Detection since August 2020.

- We have been a member of the AI National Standardization Administration Committee of China (國家人工智能標准化技術委員會) since March 2020 and the Chair of the National Standards Working Group for Face Recognition (人臉識別國家標准工作組組長) since November 2019.

- For sustainable AI development, we engage in the promotion of AI education for the younger generation. We published our first AI textbook for senior high school AI classes in 2018 and AI textbooks for primary school and junior high school students in 2019. Our AI textbooks and AI courses have been adopted in more than 2,700 schools in China as of June 30, 2021.

OUR STRATEGIES

We are committed to the long-term goal of creating a better AI-empowered future through innovation. We focus on the following key strategies:

Expand AI Research Talent Pool and Research Focus Areas

We believe that state-of-the-art original research is the foundation of our company, which allows us to attract top talent, reinforces our brand and industry reputation with customers and brings us long-term competitive advantages and business growth. AI technology is progressing rapidly, and we will continuously invest in original research to maintain our leading position.

- ***Talent pool expansion***: We will expand our AI research talent pool by attracting more top AI scientists and engineers. Our broad expertise in AI technologies, deep industry knowledge and rich scenarios create a favorable environment for cultivating multi-skilled AI talent. We will continue to invest in programs and projects to train our talent across existing and new AI technology areas. Our collaboration with universities and labs provides both a source of potential new employee talent, while also broadening the scope of our research through joint initiatives. In order to strengthen collaboration and expand joint research projects, we will also appoint our scientists and engineers to help partnered universities in the design of their AI curriculum. We believe we benefit from helping educate the next generation of AI experts and discover future areas for AI research.

- ***Cross-domain integrated innovation***: We believe fundamental breakthroughs of future AI will come from cross-domain integrated innovations. We will strengthen our cross-domain AI research initiatives, which integrate cross-domain knowledge from various industries and have the potential to produce more significant and disruptive innovations. We have established special R&D groups focusing on various strategic cross-domain fields, including autonomous driving + traffic management, Smart City + Metaverse and smart healthcare + new drug development. In addition to strengthening AI algorithm research, we will further enhance other core elements including computing systems and AI chip and sensor design, and integrate these elements to strengthen our comprehensive technical capabilities.

Invest in SenseCore AI Infrastructure and Model Development

We will continue to enhance the fundamental capabilities of our SenseCore AI infrastructure, to achieve our goal of ensuring SenseCore is the most advanced platform for developing, training and deploying AI models for our customers, as well as partnering with the industry and academia.

- ***Universal infrastructure***: We intend to further expand the computing capacity of our AIDCs to allow more customers to utilize our AI infrastructure, AI resources and AI models on our cloud-based platform. We will continue to invest in building AIDCs in major regional markets to expand our AI-as-a-Service business to more geographies.

- ***Reduce AI model production cost and grow AI model pool***: By continuing to invest in SenseCore, we will be able to produce larger quantities of more advanced AI models at lower cost. We intend to grow the number of our commercialized AI models from 22,000 to millions, making it possible to cover most real-world scenarios for extensive applications.

- ***Build universal AI models***: We will continue to build powerful base models with more generalized capabilities to handle multitasks across scenarios and devices. They rely on integrated cross-domain data, large-scale supercomputing and advanced algorithm design in their production, enable more disruptive applications and unlock new monetization potential.

Expand Use Cases and Verticals

We believe AI will transform all aspects of society, for industries, communities and consumers, profoundly affecting people's lives. We will continue to expand the capabilities of our existing software platforms as well as develop products suitable for new industry verticals. SenseCore allows us to leverage existing models and develop and train new models to rapidly and cost effectively create new products for new markets.

- ***Expand use cases and features in existing verticals***: We will continue to improve our AI software platforms, including new features and capabilities. This will allow us to gain new customers in existing industry verticals, while also allowing us to increase revenues from existing customers through upgrades and other enhancements.

- ***Further develop and commercialize Metaverse-related offerings***: Metaverse is expected to be the interface connecting the physical and digital worlds where new forms of social activities, entertainment and economic activities will take place and generate substantial value. We intend to enhance and enrich the functionalities of our AI, AR and MR capabilities of SenseMARS and grow the customer base and developer ecosystem to strengthen our leadership in Metaverse-related offerings.

- ***Further develop and commercialize SenseAuto***: We believe our investment in the development of autonomous driving technologies will create long-term monetization opportunities. We will continue to promote the adoption of SenseAuto by improving its capabilities and expanding our strategic partnerships with automobile companies and city transportation and other relevant departments.

Extend Our Reach: Devices, Service Offerings and Geographies

We will continue to extend the deployment of our AI models to grow our revenues.

- ***Deploy our models to more sensors, chips, devices and cloud platforms***: We have long sought to make our AI models compatible with more sensors, chips, devices and cloud platforms. We will continue to enhance our AI models to deliver superior performance on most mainstream chips and platforms. We will also provide our own AI chips and sensors tailored to our AI models to optimize the overall performance and cost.

- ***AIaaS cloud offering***: We will continue to promote AIDC cloud services to more industries and customers. Our powerful, high capacity AIDCs will allow us to provide AIaaS to empower customers across industries. We plan to further open up SenseCore's capabilities to both academia and industry to drive future AI productivity upon launch of our Shanghai Lingang AIDC.

- ***Expand international coverage***: We aim to strategically expand into more overseas markets with strong demand for AI and digital transformation through localization of our infrastructure, team and products.

Invest in Sustainable Technology

We are committed to achieving a sustainable world, with both our AI infrastructure and the products we provide to customers. We intend to leverage AI to promote carbon neutral transformation. We have made efforts in promoting carbon neutral goals by (i) building low-energy and carbon-saving AIDCs, (ii) optimizing the efficiency for model training, (iii) developing AI sensors, AI chips and AI models with low energy consumption and (iv) leveraging AI in Smart City for environmental monitoring and traffic optimization. We will continue to make investments to utilize AI across industries for carbon-neutral goals, saving operational costs and providing energy-saving AI products and services to our customers.

OUR SOFTWARE PLATFORMS

Overview

The prevalence of IoT devices and ongoing digital transformation enabled by the development of IT infrastructure have brought the physical world and the digital world closer to each other. However, traditional IT systems are inadequate in effectively extracting useful information from massive data in the physical world to make predictions and guide decisions. In addition, more advanced technologies are needed for creating a Metaverse and bringing digital content into the physical world for people to have immersive and interactive experiences. AI technologies have become essential to drive this transformation.

To achieve economies of scale and shorten the time to market required for AI model deployment and commercialization, we have developed and offered our standard software platforms

with modular flexibility to our customers. Our major software platforms are SenseFoundry-Enterprise for Smart Business, SenseFoundry for Smart City, SenseME, SenseMARS and SenseCare for Smart Life, and SenseAuto for Smart Auto. Our software platforms are equipped with AI models supporting the following key capabilities:

- ***Perception intelligence***: AI models transcribe unstructured data, such as images, videos, handwriting and voice from IoT devices into structured data, such as identified objects, confirmed identities and readable contents.

- ***Decision intelligence***: Based on the structured data analyzed and streamlined through the perception intelligence process, AI models capable of decision intelligence make further use of such data for AI-enabled decision making, process automation and resource allocation. For example, AI models achieve automatic traffic signal control through analysis of traffic data captured through perception intelligence. They also accomplish task dispatching for complex workstreams through analysis of current work process to find the best way to achieve production efficiency. For autonomous driving, our AI models enable timely response to anomalies and incidents, ensuring proper handling of emergencies with high safety standards.

- ***AI-enabled content generation***: AI models realize content generation including 3D reconstruction of physical spaces, avatars and software agents to enable the creation of the Metaverse. Through superimposition of such created content into the Metaverse with mixed reality (MR) and augmented reality (AR) technologies, we create brand-new user interactive experiences.

- ***AI-enabled content enhancement***: AI models extend the human vision system. To enhance image and video quality and enrich content details, our AI models achieve (i) multi-spectrum imaging, (ii) image and video enhancement under a wide range of light conditions, (iii) high dynamic range imaging, (iv) slow motion capturing and (v) 3D depth effects on consumer IoT devices through maximizing sensor performance.

Our software platforms empower hundreds of millions of devices, perceiving and transcribing information, enabling automated decisions and processes, automatically generating virtual content in the Metaverse and presenting enhanced visual content.

Smart Business

Enterprises moving towards digitalization typically face the challenge of processing the massive amount of unstructured data generated by IoT devices in daily operations. Traditional IT systems, designed to handle different tasks separately, are inflexible and costly in addressing the fragmented demands arising from emerging scenarios. In addition, they are generally inadequate in perception and decision intelligence for long-tail scenarios, where data is often insufficient due to the low frequency of occurrences.

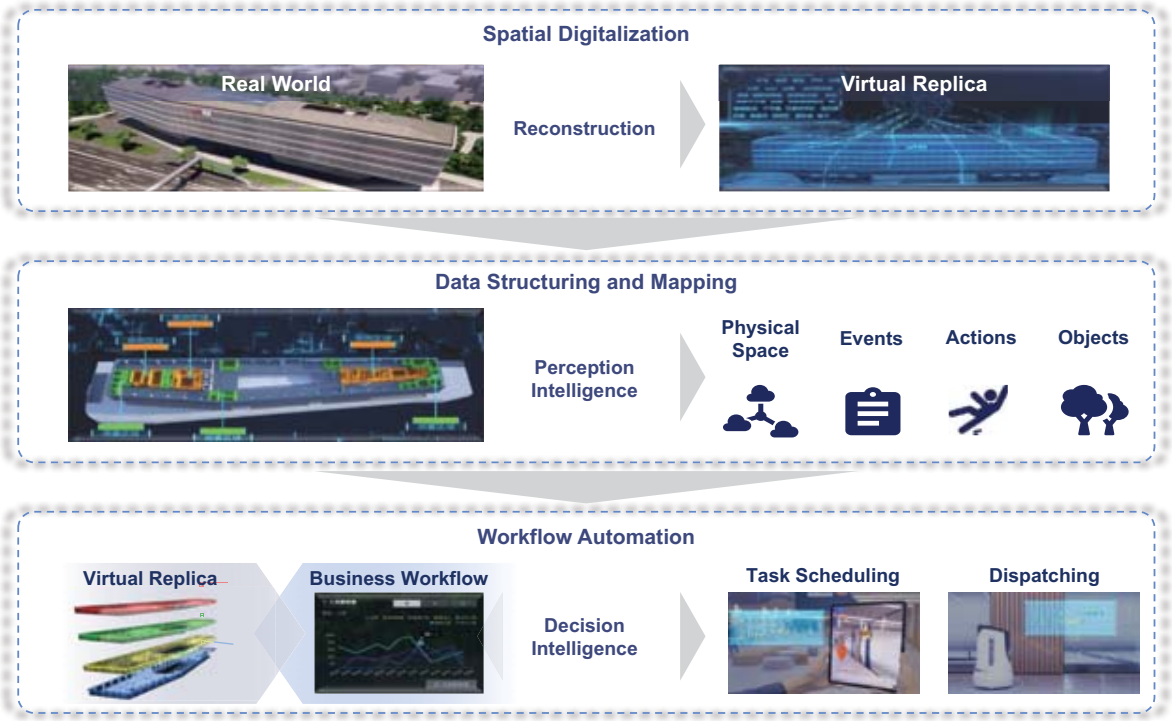
Overview of SenseFoundry-Enterprise

SenseFoundry-Enterprise is our software platform to facilitate and accelerate the digital transformation of our enterprise customers, addressing complex demands from different industry

verticals. It leverages our massive AI models trained on SenseCore to process huge amounts of data for deeper insights into business operations and provide better decision-making capabilities.

SenseFoundry-Enterprise facilitates enterprise digital transformation through the following steps:

Our Steps of Digital Transformation



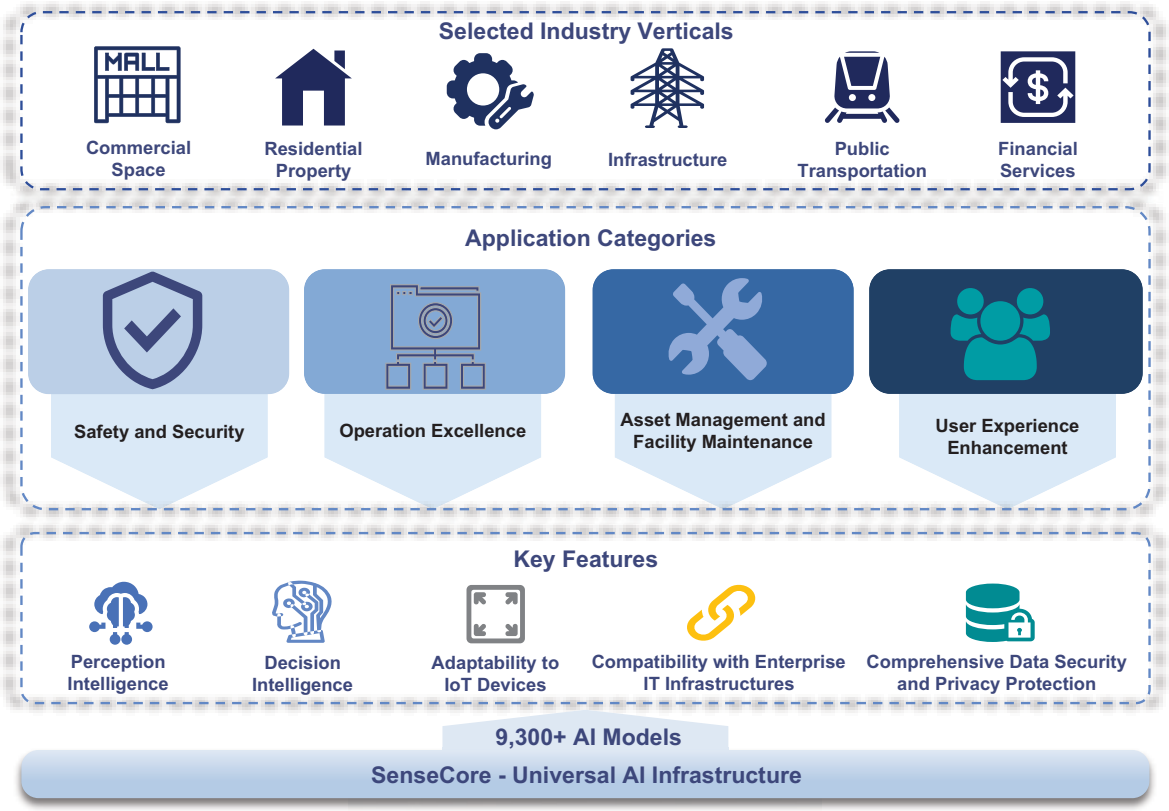
1. ***Spatial digitalization***: SenseFoundry-Enterprise creates virtual replicas, or digital twins, of the physical spaces and precisely projects objects and events in the digital space at corresponding positions. We use SenseMARS Reconstruction to facilitate this process of 3D reconstruction. See "— Smart Life — SenseMARS for Metaverse — Applications — SenseMARS Reconstruction — Digital Reconstruction of the Physical World" for details.

2. ***Data structuring and mapping***: SenseFoundry-Enterprise uses perception intelligence AI models to transcribe raw and unstructured data input from different IoT devices into structured data for further processing and maps the processed data into virtual replicas, connecting the physical and digital spaces.

3. ***Workflow automation***: Following the previous steps, SenseFoundry-Enterprise seamlessly integrates the virtual replicas and the structured data with the existing business workflow. It then generates business insights through our decision intelligence AI models to automate workflow for our customers, and further enhances the efficiency of operations through AI applications such as incident prediction, emergency alerting, automated task scheduling and re-scheduling, intelligent dispatching and status tracking.

The following diagram illustrates the key features, applications and representative industry verticals of our SenseFoundry-Enterprise platform:

SenseFoundry-Enterprise Platform for Smart Business



Key Features of SenseFoundry-Enterprise

Combining more than 9,300 AI models, SenseFoundry-Enterprise possesses the following comprehensive features:

- ***Perception intelligence:*** SenseFoundry-Enterprise transcribes raw data generated by different IoT devices into structured data for further processing through its perception intelligence capabilities. Our advanced perception intelligence allows us to conduct comprehensive analysis of "Who," "What," "When," "Where" and "How" under different enterprise scenarios:
  - Who — recognition of figures and objects;
  - What — detection of actions, events and anomalies;
  - When — sequencing of events based on timing;

  - Where — creation of virtual replicas to precisely locate figures, objects and events; and

  - How — analysis of correlation of actions and events.

- ***Decision intelligence:*** SenseFoundry-Enterprise enables workflow automation by leveraging various inferences and business insights generated from structured data, thereby optimizing resource allocation, automating task scheduling and facilitating business decision-making.

- ***Adaptability to IoT devices:*** SenseFoundry-Enterprise supports seamless integration with IoT devices to enable real-time intelligent analysis. As of June 30, 2021, the platform was compatible with over 500 types of IoT devices.

- ***Compatibility with enterprise IT infrastructure:*** SenseFoundry-Enterprise allows swift deployment on a wide range of computing devices, including edge devices, cloud servers and on-site servers. As of June 30, 2021, SenseFoundry-Enterprise supported more than 100 types of chips equipped with AI models across computing devices and computing platforms.

- ***Comprehensive data security and privacy protection:*** SenseFoundry-Enterprise employs a comprehensive data security strategy that protects the processed data from unauthorized access and misuse. We protect our customers from potential cyberattacks through a two-pronged approach: (i) the encryption of processed data; and (ii) data desensitization technologies, which hide personal information and blur out characters and numbers.

Data Protection

For development of SenseFoundry-Enterprise, we collect data including (i) facial identification data, (ii) images and videos of real-world scenes and (iii) images and videos of specific objects. We collect facial identification data from sources with direct authorization to us only. We collect images and videos of real-world scenes and specific objects from (i) self-collected sources which comprise pictures and videos we manually take or shoot, including street scenes and objects in public space, (ii) third-party vendors, (iii) customers and (iv) public datasets.

The relevant data can only be uploaded to our internal data platform after submission of complete authorization information. The confidentiality level of the relevant data will be annotated upon their uploading to the data platform.

We only retain collected facial identification data from sources with direct authorization to us and images and videos of real-world scenes and specific objects from customers for the period as specified in the relevant authorization letters or agreements on our data platform. We retain images and videos of real-world scenes and specific objects from (i) self-collected sources, (ii) third-party vendors and (iii) public datasets on our data platform.

We annotate the collected data in accordance with their restricted purposes of usage and limited time frame of storage. We do not allow data operations other than annotation without approval of responsible personnel during the data annotation process, including but not limited to revision, deletion, saving or sharing. The annotation results are submitted to our data platform for future references.

Any data usage requires prior application submitted on the data platform subject to approval corresponding to the relevant level of confidentiality of such data. Any data training or testing will be conducted on the data platform and no data usage out of the data platform is allowed.

Upon expiry of internal data usage limits, the relevant data will need to be destructed with the data destruction report being provided to the data management department. Upon expiry of data authorization, the relevant data will be destructed with all copies of relevant data deleted.

We also process data from our customers, which involve their end users' data containing personal information, in the course of providing real-time data processing services. As required by our internal policy, we only process end users' data containing personal information on public cloud servers within the scope of authorization on an as-needed basis, and do not download such data to our own data platform.

Commercialization

We provide our enterprise customers with SenseFoundry-Enterprise, with pre-installed AI models for enterprise AI applications. The AI models structuralize and analyze the data generated from IoT devices and empower enterprises with decision intelligence. We charge licensing fees, as well as software subscription fees to a lesser extent, for access to SenseFoundry-Enterprise and relevant AI applications. In addition, we generate revenue from sales of AI software-embedded hardware products which support the running of our software and related services. Our business growth is primarily driven by (i) expansion of our customer base across different industry verticals, (ii) providing more customer value through a growing number of AI models and applications and (iii) a wider range, and growing scale, of onsite deployment.

We had 539, 834 and 848 Smart Business customers in 2018, 2019 and 2020, respectively, representing a CAGR of 25.4%, and our customers increased by 19.4% from 532 to 635 in the six months ended June 30, 2020 and 2021. As of June 30, 2021, we had SenseFoundry-Enterprise deployed at approximately 6,000 customer sites, connecting more than 2.5 million IoT devices. As of the same date, we had a total of over 180 Fortune 500 company and other publicly-listed company customers in Smart Business. We continuously develop new AI models for AI applications in numerous industry verticals, which in turn helps expand our software platform capabilities and enables further business expansion.

Applications

Demands from enterprise customers vary across industries, but they also share many commonalities for daily operations and management. SenseFoundry-Enterprise meets these business needs in the improvement of overall safety and security, operation optimization, asset management and facility maintenance, as well as user experience enhancement.

Set forth below are the major applications and functions supported by SenseFoundry-Enterprise and the representative industry verticals where SenseFoundry-Enterprise has generated significant value for customers:

Commercial Space Management

Our customers in commercial space management own, operate or run business on a wide range of premises such as commercial complexes, shopping malls, office buildings, hotels, expo centers and business parks. SenseFoundry-Enterprise enables customers to process the vast amount of information generated in these premises through perception intelligence. Leveraging SenseFoundry-Enterprise's decision intelligence capabilities, customers are able to understand the evolving needs from their premises occupants in time and optimize their business operations accordingly. SenseFoundry-Enterprise also provides additional functions such as enhancing security for public facilities in commercial spaces and automating business operations to improve the interactive experience of end users. Examples of scenarios where we facilitate effective management of commercial premises through SenseFoundry-Enterprise include:

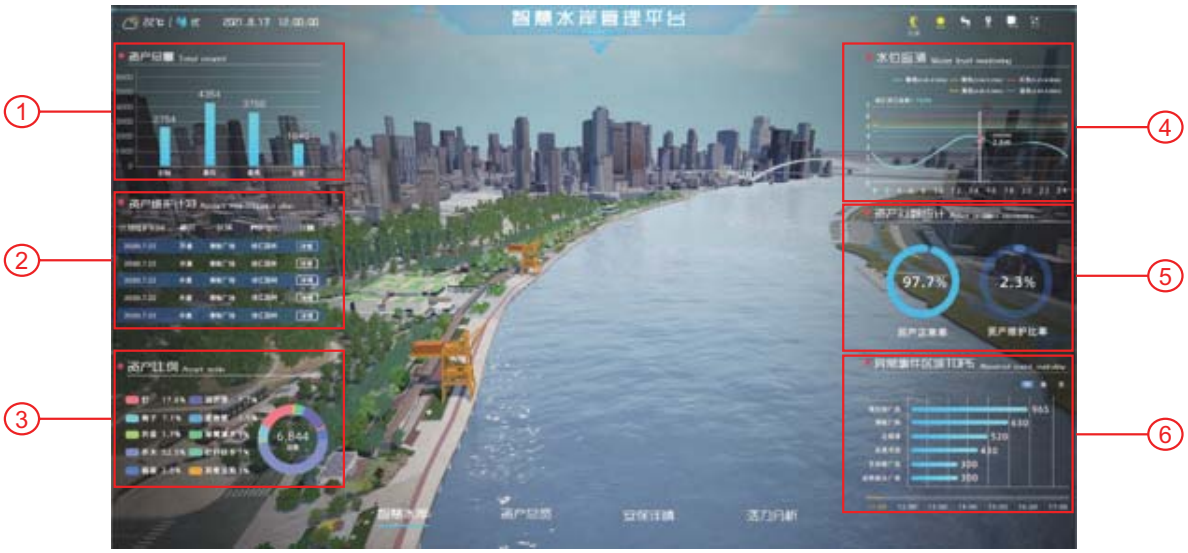
- ***Value for premises managers:*** Through spatial digitalization of commercial premises, we provide a visualized platform based on a virtual replica of the space for one-stop management of the commercial premises, including:
  - ***Management of office and retail units:*** SenseFoundry-Enterprise supports analysis of commercial premises' operating status and forecasts on the potential non-renewal rate of office and retail units for rental, so premise managers can plan ahead accordingly.
  - ***Optimization of floor plan settings:*** SenseFoundry-Enterprise conducts comprehensive analysis of crowd density and traffic flow in specific areas of the commercial premise to make recommendations on optimization of floor plan settings, including a proper mix and allocation of different retail units on the premises to achieve higher revenue generation and better allocation of resources.
- ***Value for retailer tenants:*** SenseFoundry-Enterprise supports analysis of traffic flow and average time of customer stay of specific retail units on the commercial premises to make recommendations about trending products, merchandise display and sales and marketing activities to the tenant. It generates comprehensive business insights for tenants to effectively enhance their customer catering and help generate higher revenue.
- ***Value for visitors, passengers and employees:*** SenseFoundry-Enterprise empowers indoor navigation and digital personal assistants on commercial premises such as banks and shopping malls through provision of personalized guidance services to consumers. SenseFoundry-Enterprise also supports smart security checks and ticketing in metro stations and amusement parks. We also enhance employee working experience on commercial premises by providing AI-empowered office products and services such as access control, conference room management, cloud-based printing systems and inventory management.

Use Case

A Comprehensive Business and Industrial Hub

Shanghai West Bund manages an open zone consisting of a comprehensive business and industrial hub, extending along a shoreline of 8.4 km. The hub management team faced the

difficulties of managing a wide and open area of public space with a variety of commercial and industrial formats and huge traffic flow with no entrance control. The customer had a large workforce for routine inspection and anomaly detection, but the response time was unduly long, and the customer was unable to achieve unified remote management of the entire hub, predict potential incidents and take preventive measures accordingly. We have digitalized the open space and our AI models enable ongoing maintenance of the more than 6,800 specific commercial assets in the hub area, such as trees, streetlamps, paths and facilities. It automatically triggers alerts upon detection of anomalies such as damages to the facilities and theft, dispatches staff and further tracks the process, which is empowered by our AI models with decision intelligence. As of June 30, 2021, SenseFoundry processed around 200 work orders per month, over 98% of which can be resolved within 20 minutes, providing high-value comprehensive management services to the customer and significantly enhancing resident and visitor safety and experience.



Notes:

(1) Total assets panel: tracks the change in the number of commercial assets under management

(2) Asset maintenance plan panel: indicates the commercial asset maintenance plan with regular updates

(3) Asset composition panel: displays the breakdown of various types of commercial assets

(4) Water level monitoring panel: monitors water level changes and automatically sends alerts when the water level reaches pre-defined thresholds

(5) Asset incidents panel: monitors the status of commercial assets and displays follow-up measures for incidents in real-time

(6) Anomalies hot spots panel: analyzes and displays hot spots with high incidences of anomalies

An Exposition Center

Hangzhou International Expo Center is a large multi-functional complex with a floor area of 850,000 square meters, accommodating convention, exhibition, hotel, catering, commercial and

office spaces. It holds around 110 exhibitions and over 400 conferences every year, with more than 700,000 annual visits and attracting close to 40,000 visitors a day in peak seasons. The complex multi-functional operations and the traffic flow brought by large amount of visitors created the need for a more intelligent and reliable approach to ensure the safety and greater efficiency of operations. We introduced SenseFoundry-Enterprise to the customer in 2018, equipped with our AI models to provide full coverage services. SenseFoundry-Enterprise provides the following services:

- ***Anomaly detection and alert***: SenseFoundry-Enterprise is equipped with AI models capable of safety and security assistance with full coverage of various incidents including fire and theft. As of June 30, 2021, 98% of the incidents detected by SenseFoundry-Enterprise had been properly dealt with within 30 minutes.

- ***Rental management***: SenseFoundry-Enterprise has reconstructed the expo center on cloud through its virtual replica, covering approximately 90,000 square meters of the exhibition area with more than 7,500 exhibition booths and more than 4,100 parking spots. Combined with VR view of the virtual expo center supported by AI-enabled content generation and enhancement, potential exhibitors are able to explore the expo center remotely and simulate their layout planning, creating business opportunities and saving costs for both exhibitors and the center and leading to a higher occupancy rate.

- ***Enhancing visitor experience***: We provide AR navigation and tour guide supported by AI-enabled content generation and enhancement to visitors, creating easy-to-use and user-interactive one-stop user friendly visiting experiences. SenseFoundry-Enterprise also supports smart vehicle parking, intelligent car positioning and car park navigation to enhance visitors' experience.

Residential Property Management

The residential property management industry traditionally requires substantial labor resources to provide routine property management services. Our SenseFoundry-Enterprise platform establishes full-cycle automated workflow from problem detection to problem solving, effectively shortening the overall service response time and creating value for customers. It facilitates residential property management primarily in the following areas:

- ***Convenient and safe access to the residential property***: SenseFoundry-Enterprise facilitates contactless and authorized access by the residents and vehicles and provides real-time updates of available parking slots.

- ***Anomaly detection***: SenseFoundry-Enterprise supports detection of anomalous situations such as recognizing open fire or smoke, falling objects and assaults. Once these anomalies are detected, SenseFoundry-Enterprise alerts property managers for prompt action.

- ***Maintenance of clean and orderly environment***: SenseFoundry-Enterprise enables automatic detection of garbage overfill and unauthorized parking, and promptly alerts the property managers for actions through real-time safeguarding of the community space.

We set forth below a screenshot of the operating dashboard empowered by SenseFoundry-Enterprise for residential property management. The software platform operates on a 24/7 basis, providing a full range of services to the property management teams and residents.

Notes:

(1) Basic information on the residential community

(2) Visitors and vehicles traffic statistics

(3) Digital twins of the community and facilities

(4) Facility conditions and real-time tracking of maintenance workstreams

(5) Security alerts along with automated work orders and follow-up evaluation of work efficiency

(6) Residential service tracker along with automated work orders and follow-up evaluation of work efficiency

Use Case

Residential Communities

Languang Justbon Services (Languang) is a property service provider that manages approximately 1,400 residential properties in more than 130 cities in China. The company was facing an increasing challenge of providing high-quality property services to the residents in a cost-effective way. Since the first successful deployment of SenseFoundry-Enterprise to its residential communities, we have enabled the digital transformation of more than 50 residential properties across four provinces managed by Languang. SenseFoundry-Enterprise is able to accurately detect 31

types of incidents and anomalies through its connection to more than 8,000 IoT devices, automatically send alerts and dispatch appropriate personnel for in-time response. We offer over-the-air AI model upgrades that can be synchronized across devices in all communities. More than 160,000 residents have registered on Languang's property management platform. More than 1,000 alerts are generated every day with a detection rate over 95%. This has substantially improved the service quality and security standards at the residential properties and is highly regarded by the customer, and became a differentiating factor of the customer's property management services compared to its peers. As a result, in 2020, Languang reduced its operational costs by 28.6% at the residential communities that had adopted our software platform, substantially improving operating efficiency.

Industrial Quality Control

Quality control is crucial for manufacturing industry. Most quality control inspections are still conducted through manual checks. SenseFoundry-Enterprise accurately identifies defects with higher efficiency and accuracy. Since quality control measures vary substantially across industry verticals, we have leveraged the mass production capabilities supported by SenseCore to produce scenario-specific AI models for each type of defects with limited samples. Integrated with the key steps of quality control, SenseFoundry-Enterprise helps manufacturers avoid disruptions and prevent losses by detecting defects in time, improving overall production efficiency.

Use Case

An Automobile Company

China FAW Group is a leading automobile company. In its metal stamping process, it is difficult for quality control inspectors to detect small defects that could be found in different metal parts. The traditional inspection process is time-consuming and lacks consistency. SenseFoundry-Enterprise enables our customer to automatically inspect over 34 types of defects within six to 12 seconds, with a detection rate of more than 99%. It is integrated with the existing production line and operates on a 24/7 basis with high stability. The real-time detection further helps the customer to identify deficiencies or malfunctions in assembly lines immediately, preventing potential disruption to production processes and defects in products.

A Sugar Production Factory

Hi Sugar Tech operates 10.6 million acres of sugarcane fields and 67 sugar factories. Traditionally, inspectors heavily relied on personal experience to detect impurities in sugarcane such as sugarcane skins, leaves and roots. To facilitate the automatic inspection, we standardize the quality control process by deploying SenseFoundry-Enterprise which can automatically detect various impurities, achieving a detection rate of more than 90%. SenseFoundry-Enterprise transforms the manual check process to automatic inspection and substantially improves detection efficiency by 67%.

Infrastructure Maintenance

Maintenance optimization is one of the key tasks for asset-heavy industries, including public utilities and infrastructure companies. Ineffective facility maintenance shortens the equipment lifespan and increases unplanned downtime and maintenance costs. SenseFoundry-Enterprise improves the efficiency and accuracy of inspection processes through empowering IoT devices installed around the target assets or on autonomous patrol devices, and helps our customers to save maintenance costs through AI models.

Use Case

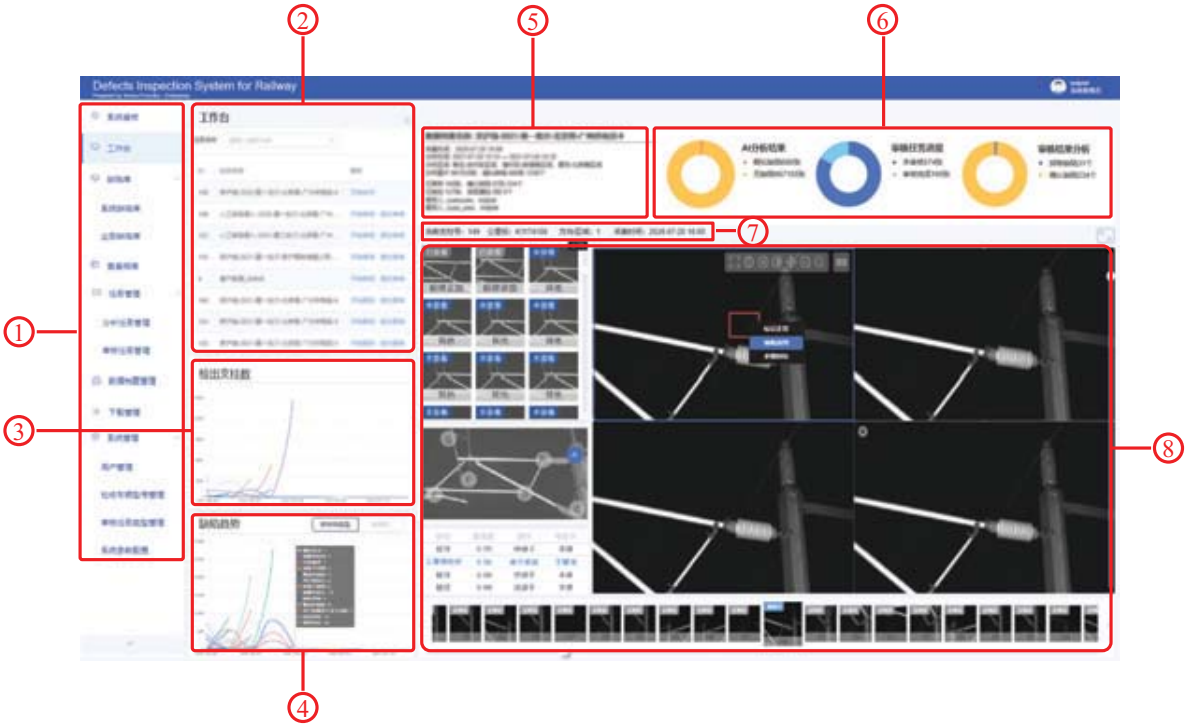
A High-speed Railway Maintenance Company

Overhead electricity power lines support high-speed railway networks. The maintenance of power lines is critical to the daily operation of high-speed trains and passenger safety. Beijing-Shanghai High-speed Railway operates and maintains a railway network of more than 1,000 km, which carried more than 130 million passengers in 2020.

High-definition cameras are installed on the customer inspection vehicle. The photos of the overhead contact system were taken at regular intervals as the vehicle moved along the railway. It generates millions of high-definition photos each quarter with location information encoded for review and analysis, saving massive manpower for the defect inspection.

SenseFoundry-Enterprise was deployed on the customer's data processing center. Once the high-definition photos are transmitted to the data center, our system will automatically detect 2,160 types of defects among 514 components including overhead equipment, supporting structure and suspension gear. As of June 30, 2021, SenseFoundry had automatically detected 26,914 defects.

Compared to the traditional approach that inspects an average of 2.5 km of power lines in one day, the new AI-powered method helped the customer inspect an average of 50 km power lines in the same period of time. To further optimize operational efficiency, the customer has since extended applications of our AI-powered inspection services throughout its railway network, with an aggregate length of more than 9,000 km inspected as of June 30, 2021.



Notes:

(1) System management panel which includes different functionalities and enables generation of inspection reports

(2) System workstation which lists outstanding tasks for follow-up

(3) The number of poles with defects detected

(4) Trend analysis on the defects detected

(5) Summary of the railway section conditions, AI analytical statistics and the latest status of inspection tasks

(6) Diagrams which show the amount of workload reduced by AI, the working progress of inspection tasks and the number of confirmed defects

(7) Summary of current detection tasks, such as dispatched vehicles and their direction and positions

(8) Display of current detection tasks, with indication of poles being inspected, photos shot and defects detected.

A Power Grid Company

Company K is China's largest power grid company, serving 26 provinces and more than one billion people. A key objective for Company K in digital transformation is to enhance maintenance efficiency and fully utilize its existing infrastructure, through approaches such as building edge data centers on existing substations. Our SenseFoundry-Enterprise platform has been deployed for anomaly detection and automatic operational management, such as trespass warnings and emergency alerts, to ensure more efficient implementation of safety procedures. In addition, we provide AI-as-a-Service to Company K and deploy our AI models and computing capabilities to its edge data centers to transform them into mini AIDCs, allowing Company K to provide AI-empowered cloud services to its customers. Recognizing the significant benefits, Company K expanded deployment of SenseFoundry-Enterprise to more than 200 substations within one year.

Smart City

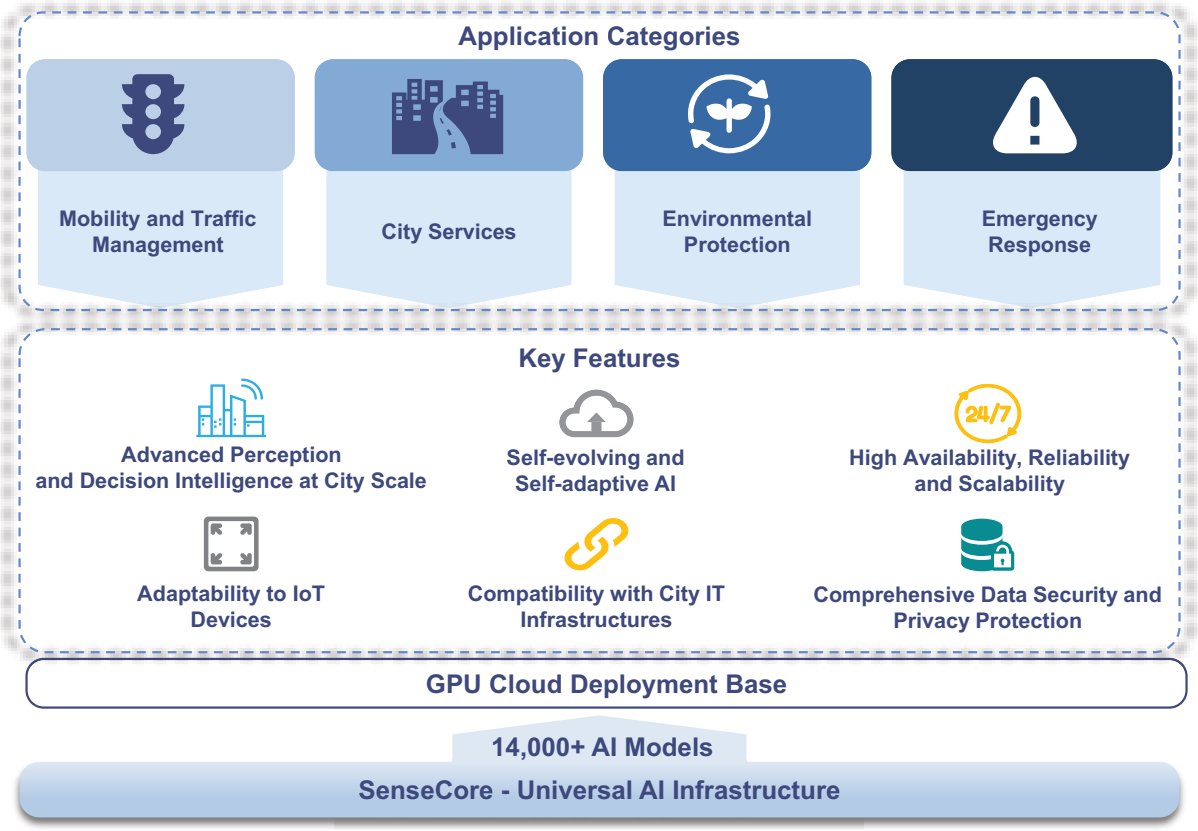
Urbanization and the increasing populations of major cities globally have changed the landscape of city management. City administrators are faced with challenges brought by large populations and limited resources and seek to meet residents' expectations for a high quality of life while maintaining public safety.

City administrators increasingly look for digital transformation of city management through AI technologies, especially to deal with the massive amount of data generated from city IoT devices covering interactions between people, city infrastructure and public space. There has been a strong demand for a unified one-stop AI software platform capable of comprehensive and digitalized analysis of objects, events and information in cities.

Overview of SenseFoundry

To empower city management, SenseFoundry, our software platform for city-scale applications, facilitates the digital transformation of the city through the same steps as SenseFoundry-Enterprise does for the digital transformation of enterprise customers. See "— Smart Business — Overview of SenseFoundry-Enterprise" for details. SenseFoundry is deployed on powerful cloud-based GPU servers tailored for AI applications.

SenseFoundry Platform for Smart City



Key Features of SenseFoundry

While sharing common features with SenseFoundry-Enterprise, SenseFoundry is tailored for city-scale to serve as a one-stop software platform for Smart City management, addressing the needs of customers in the public sector. SenseFoundry is seamlessly integrated with existing city IT infrastructure, providing the operational interface with real-world 3D urban models. Furthermore, combining more than 14,000 AI models, SenseFoundry features the following:

- ***Advanced perception intelligence and decision intelligence at city scale:*** SenseFoundry features parallel analysis of massive amounts of data from millions of IoT devices, and supports concurrent responses to tens of thousands of user operations within seconds. City administrators gain insights into the operational patterns of cities and identify bottlenecks in daily operations through SenseFoundry.

- ***Self-evolving and self-adaptive artificial intelligence:*** SenseFoundry is equipped with an online incremental training engine derived from SenseCore to provide AI-as-a-Service. By frequently feeding in the results of online data processed by original AI models and the information generated from city management operations, it is able to automatically upgrade the existing AI models and produce new models with higher accuracy. SenseFoundry is therefore capable of addressing use cases and scenarios with limited data while maintaining high accuracy, achieving self-evolvement and self-adaptability.

- ***High availability, reliability and scalability:*** SenseFoundry is deployed on cloud servers to achieve high availability, high reliability and high scalability. It facilitates city services on a 24/7 basis with constant scaling and upgrading. To further ensure the data security and service reliability, SenseFoundry supports multi-tier data replication to minimize the risk of data loss.

Data Protection

For development of SenseFoundry, we collect data including (i) facial identification data and (ii) images and videos of real-world scenes. We collect facial identification data from sources with direct authorization to us only, and we collect images and videos of real-world scenes from (i) self-collected sources, (ii) third-party vendors, (iii) public datasets and (iv) data simulation on our training data platform.

The relevant data can only be uploaded to our internal data platform after submission of complete authorization information. The confidentiality level of the relevant data will be annotated upon their uploading to the data platform.

We only retain collected facial identification data from sources with direct authorization to us and images and videos of real-world scenes from third-party vendors for the period as specified in the relevant authorization letters or agreements on our data platform. We retain images and videos of real-world scenes from (i) self-collected sources, (ii) public datasets and (iii) data simulation on our training data platform on our data platform.

We annotate the collected data in accordance with their restricted purposes of usage and limited time frame of storage. We do not allow data operations other than annotation without approval of responsible personnel during the data annotation process, including but not limited to revision, deletion, saving or sharing. The annotation results are submitted to our data platform for future references.

Any data usage requires prior application submitted on the data platform subject to approval corresponding to the relevant level of confidentiality of such data. Any data training or testing will be conducted on the data platform and no data usage out of the data platform is allowed.

Upon expiry of internal data usage limits, the relevant data will need to be destructed with the data destruction report being provided to the data management department. Upon expiry of data authorization, the relevant data will be destructed with all copies of relevant data deleted.

We do not acquire or process customer data throughout the process of our provision of SenseFoundry to our customers. Through the relevant products provided by us in Smart City, the customers themselves may collect data and such data will be stored and controlled by relevant customers. We do not take initiatives to collect data through SenseFoundry. Pursuant to the business contracts with relevant customers, the customers agree, in certain places designated by the customers and under the

scrutiny of such customers, to provide us with data needed solely for the purposes of training and upgrading further the AI models of SenseFoundry on the customers' systems, to the extent permitted by laws and under the contracts in a confined manner. In addition, in accordance with the contracts with the relevant customers, the customers agree that they shall use relevant products in compliance with the applicable laws and regulations in relation to, among others, data security and personality rights. Even in case of any failure by relevant customers to comply with such requirements, we shall have the right to terminate the relevant business contract if the affected party makes any claim against us arising from the failure in obtaining or defects in such authorization or consent, the relevant customers shall be responsible for handling relevant disputes or, upon our request, assist us in defending the same and indemnify us against the damages caused therefrom.

Furthermore, pursuant to the Data Security Law, the State promotes the construction of data infrastructure, encourages the innovative application of data in various industries and fields, and supports the development and utilization of data to enhance the intelligence of public services. In accordance with the Civil Code, "personality rights" refers to the right to life, body, health, personal name, name, portrait, reputation, honor, privacy and other rights enjoyed by civil subjects. With respect to the data collection and processing activities conducted by the customer side, according to the Personal Information Protection Law, it is permitted to install public monitoring equipment if it is necessary for maintaining public security. The consent of a holder of portrait rights is not required for reasonable performance of the acts of safeguarding public interests, and relevant processor shall not bear civil liabilities if the data processing is reasonably conducted for the purpose of protecting the public interests in accordance with relevant PRC laws and regulations.

Taking into account the above and that city administrators may not be required to obtain individuals' consent when collecting data through our applications in Smart City for public security purpose pursuant to the Personal Information Protection Law, as confirmed by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, our provision of applications in Smart City for city administrators had materially complied with the applicable PRC laws and regulations in relation to personality rights on the basis that (i) we do not voluntarily collect or store data from our Smart City business, (ii) we have adopted various measures in relation to data protection and have obtained multiple certifications, including, among others, the personality identifiable information protection management system certification (ISO/IEC 29151:2017), (iii) we entered into agreements with relevant customers in relation to the responsibilities and legal liabilities we and our customers bear about data protection, and (iv) we have not been subject to any material litigation or other legal proceedings initiated by any third party against us in relation to infringement of personality rights caused by the customers' use of our applications in Smart City in the PRC. In addition, we have also implemented corresponding measures to comply with relevant laws and regulations in relevant overseas cities with respect to data protection, and there is no material litigation or other legal proceedings initiated by any third party against us in relation to infringement of personal information related rights caused by the customers' use of our applications in Smart City in relevant overseas cities. We will strictly abide by applicable laws and regulations in the PRC as well as relevant overseas cities, and the business contracts with relevant customers in Smart City.

Commercialization

We primarily deliver SenseFoundry to our customers in public sectors and deploy the software platform on cloud. Integrated with the city IT infrastructure, SenseFoundry provides perception and decision intelligence to realize digital transformation of city management. We charge licensing fees, as well as software subscription fees to a lesser extent, for access to SenseFoundry and relevant AI applications. In addition, we generate revenue from sales of AI software-embedded hardware which support the running of our software and related services. Our business growth is primarily driven by (i) expanding our geographic reach and connecting more IoT devices and (ii) an increasing number of AI models providing enhanced functionalities and greater customer value.

The number of Chinese cities we served increased from 21 as of December 31, 2018 to 45 as of December 31, 2019, and further to 90 as of December 31, 2020 and 115 as of June 30, 2021. We started our overseas Smart City business in 2019 and gradually developed such business during the Track Record Period. As of June 30, 2021, we served four overseas cities, namely, Singapore, Dubai, Riyadh and Kuala Lumpur.

Applications

SenseFoundry facilitates city management with applications such as mobility and traffic management, city services, environmental protection and emergency response.

Mobility and Traffic Management

SenseFoundry integrates decentralized traffic management systems into a one-stop system and empowers it with the ability to interconnect with IoT devices and interchange information real time, forming a more efficient, comprehensive and data-centric smart traffic management system. This enables traffic management with a bottom-up approach based on real-time data feedback and unified and intelligent decision-making, easing traffic congestion in cities.

Typical scenarios for mobility and traffic management include:

- ***Traffic violation detection***: Automatically identifies, reports, and collects evidence on traffic violations, based on advanced perception intelligence, covering: (i) vehicles illegally carrying passengers and helmet-free riders; (ii) unauthorized parking; and (iii) overloading and other road violations by special vehicles.

- ***Highway anomaly warning***: Performs real-time detection and alerts for anomalous highway incidents, such as pedestrian trespassing, congestion, unauthorized parking and smoke and fire.

- ***Traffic flow optimization***: Identifies traffic congestion, performs real-time diagnosis of anomalies and provides assistance for efficient traffic flow management by controlling traffic signals.

- ***Traffic condition information extraction***: Extracts and digitalizes traffic information such as traffic flow, queue length, vehicle distance and overflow time at intersections, and produces traffic condition evaluation through perception intelligence.

City Services

The traditional method of city services is less efficient and difficult to implement as it relies heavily on manpower for patrol and dispatch of personnel for execution, and often faces difficulties in obtaining evidence of violations. By providing city services systems with comprehensive perception and decision intelligence at the regional, city or provincial level, SenseFoundry helps reshape the process and application of city services, driving its improvement and transformation.

Typical scenarios for city services include:

- ***Public safety***: Perceives and analyzes the density, flow and any anomalies of crowds at attractions, tracks prowling behaviors near restricted areas and detects smoke and fire to enhance public safety and security management.

- ***Public facilities***: Identifies and reports any anomalies regarding public facilities, detects any emergency exit obstructions by vehicles and other large items and alerts the owner or administrative staff for appropriate handling of such incidents.

- ***Public health and social services***: Identifies and sends alerts for smoking, improper discharge of sewage and illegal roadside stalls, and facilitates management of other incidents, such as management of shared bikes in public areas.

Environmental Protection

Environmental protection is of utmost importance in ensuring the sustainable development of cities. SenseFoundry achieves automatic detection, warning, analysis and resource dispatch in fields such as public space sanitation and air pollution detection. It reshapes the overall process of pollution source tracing, pollution treatment, resource allocation and result evaluation for environmental protection management, and drives the digital transformation of environmental protection.

Typical scenarios for environmental protection include:

- ***City landscape oversight***: Supports governing, planning, policymaking, supervision and enforcement for city landscape oversight. It covers detection of any decrease in plantation areas and improper usage of land.

- ***City environmental protection***: Performs real-time analysis of roads and neighborhoods to identify waste disposal in public areas and alerts administrative staff of litterings for timely and appropriate handling to improve sanitation, detects and identifies construction vehicles and load spillage through automatic detection of any spillage of dirts, rocks, bricks and other waste, and sends alerts accordingly.

Emergency Response

We support the safety, health and emergency response objectives of relevant city departments with SenseFoundry. Through early warning, intelligent incident detection and automated incident handling procedures, it assists city administrators to identify, assess and handle emergencies more accurately, effectively and efficiently.

Typical scenarios for safety, health and emergency response include:

- ***Disaster detection***: Performs analysis on city landscape visual data, detects and provides early warnings of fire and smoke and detects stranded vehicles and predicts urban locations prone to waterlogging, such as low-lying areas, culverts, underpasses and road construction sites.

- ***Production safety***: Detects the storage and transmission of hazardous chemical substances, sends alerts for any potential safety issues and supervises the proper operating practices of construction site workers, such as wearing of helmets, gloves, masks, uniforms and reflective vests.

- ***Epidemic preventive measures***: Provides contactless temperature measurement and supervision of epidemic control practices such as mask wearing, social distancing and crowd gathering management.

Use Case

A First-tier City in East China

City A is one of the largest and most populated cities in China. City A's urban administration is a large, complex and diverse system. It daily supports a population of 30 million and serves more than 2.7 million businesses. City A adopts a grid management approach by dividing the city's urban areas into regional blocks of appropriate size with clear boundaries, known as grids. In each grid, the management of public facilities and discovery of incidents mainly rely on the continuous efforts of grid personnel to conduct patrols and inspections, which require significant manpower. There may also be a certain time lag in the manual discovery of incidents, and manual verification and confirmation is also required after handling. City A aims to achieve a comprehensive digital transformation.

City A uses SenseFoundry to utilize thousands of AI models to analyze the physical world data in real time, and translate data into insights, alerts and actions. SenseFoundry monitors the conditions of public facilities such as manhole covers, fire hydrants, power poles, telephone booths, road guardrails and road signs, and common problems of these public facilities are loss, damage, displacement, skewing, unevenness and looseness. Bike sharing services have been popular in City A in recent years, causing the issue of bicycle parking in city services. SenseFoundry assists with automatic detection of unauthorized bicycle parking and abandoned bicycles, with the case detection and reporting efficiency improved from hours to minutes. 80% of the work to rearrange bicycles is dispatched automatically through SenseFoundry. Before deployment of SenseFoundry, the government needed to commit a huge amount of manpower to patrol the streets for maintenance. After one year of deployment of SenseFoundry, the manpower requirement was reduced significantly and bicycle parking violations were reduced by 35% from January 2020 to December 2020.

City A also uses SenseFoundry to track incidents, such as traffic accidents, fire and smoke, emergency exit obstructions, exposed garbage, road damage, road congestion, unauthorized parking, unlicensed road occupancy and explosions. SenseFoundry transforms the traditional grid management into an automated closed-loop process with four steps: (i) automatic discovery of incidents; (ii) automatic case filing and dispatch; (iii) case handling and execution; and (iv) automatic verification and case closure. SenseFoundry evolves into the underlying digital city operating system, and promotes the transformation of city services from human-intensive to human-computer interactive, from empirical judgment to data driven, and from passive response to early

detection and action. SenseFoundry serves to improve the safety, efficiency, convenience and environmental quality of cities.

An International Metropolis

City B is an international metropolis that aimed to transform into a smart city. We provide support to city administrators by offering our SenseFoundry together with mini AIDC through our AI-as-a-Service. With self-evolving capabilities, SenseFoundry is able to train AI models locally with the input of just a small amount of data, meeting the requirements of the local government.

We developed 11 traffic management applications that are installed on SenseFoundry for City B. SenseFoundry can fully utilize and analyze limited data generated by IoT devices installed on law enforcement cars and enable end-to-end traffic violation management, making mobile traffic law enforcement possible. SenseFoundry achieved detection of not wearing safety belts with a precision rate of 94% and a recall rate of 94%, and detection of using mobile phone while driving with a precision rate of 86% to 96% and a recall rate of 93% to 94%, along with child on-board safety, license plate recognition, broken headlight, inspection vehicle recognition, vehicle maker and model recognition. It has increased the safety awareness of drivers to abide by traffic regulations and improved overall traffic management efficiency by reducing the occurrence of severe accidents.

A First-tier City in South China

City C has a total area of approximately 2,000 square kilometers and a population of more than 17 million. We provide traffic management and city service applications through SenseFoundry to City C. For example, moped management had long been a complex and manpower intensive issue for City C administrators with huge amount of mopeds in the entire city presenting difficulties in traffic violation detection and tracing for limited law enforcement personnel. Our traffic management application enables the traffic police to manage traffic violations effectively. Since deployment of SenseFoundry, around 50,000 cases of traffic violations by moped riders have been identified. The number of monthly traffic violations decreased by 56% from 1,800 in December 2020 to around 800 in January 2021, and the rate of moped riders and passengers wearing helmets substantially increased from 44% to 94% during the same period, as SenseFoundry has enhanced the efficiency of the enforcement of the city code to create a safer and more orderly traffic environment.

Smart Life

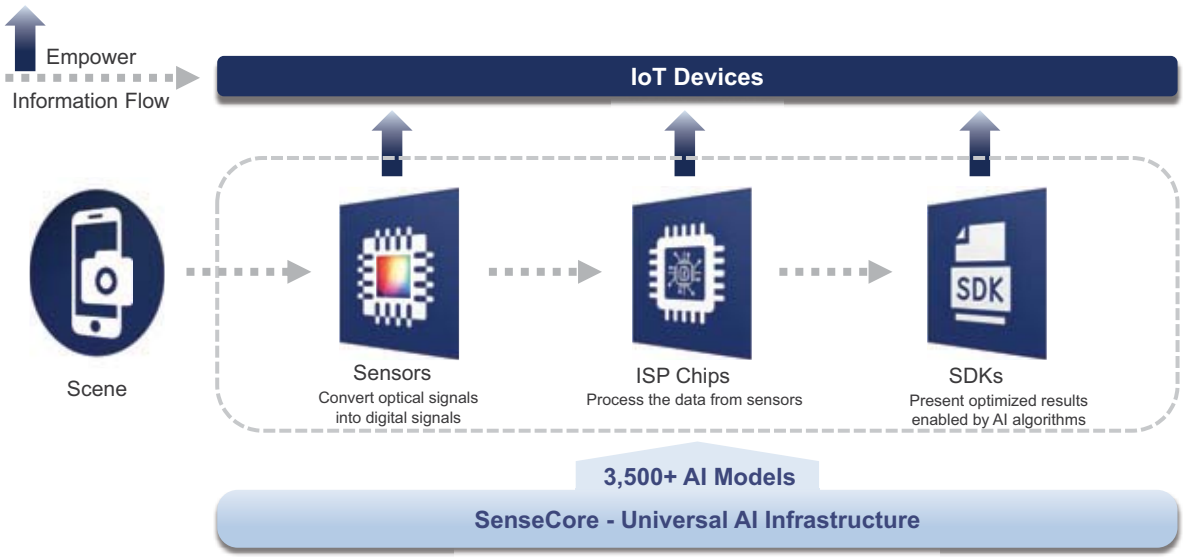
In today's digital era, people's lives are being enriched by a wide range of smart IoT devices and built-in software applications. Intelligent upgrades of applications and devices are required to further unlock the potential of the digital era. Our Smart Life software platform offerings comprise AI software, sensors and ISP chips that make people's lives more colorful and convenient. Our core capabilities lie in AI models which can be embedded in multiple IoT devices. With our industry-leading AI capabilities, our SenseME, SenseMARS and SenseCare software platforms have become indispensable in driving a number of new and rapidly growing verticals such as IoT devices, Metaverse and smart healthcare.

SenseME for IoT Devices

With a full stack of offerings in SDKs, AI sensors and ISP chips, our SenseME software platform, powered by over 3,500 AI models, enables a broad range of IoT devices to facilitate perception intelligence and content enhancement. In the past, sensors, ISP chips and SDKs were sourced by IoT manufacturers from separate suppliers and integrated on the devices. We provide full-stack offering by embedding AI models into CMOS image sensors and ISP chips which are compatible with most IoT devices, with low requirements on space, cost, bandwidth and power consumption. Sensors acquire signal inputs from the physical scene, and then further provide input for ISP chips. The output of the ISP chips is further processed by our SDKs to provide perception intelligence and content enhancement for end users.

The following diagram illustrates our offerings supported by SenseME:

SenseME Platform for IoT Devices



Empowered by SenseME, AI sensors improve user experience by enhancing real world image perception, improving image and video quality and enriching the content details, while minimizing device power consumption and strengthening data security. Our AI models empower AI sensors to achieve (i) multi-spectrum imaging, (ii) image and video enhancement under a wide range of light conditions, (iii) high dynamic range imaging, (iv) slow motion capturing, and (v) 3D depth effects on consumer IoT devices. We further design our AI ISP chips to process output from AI sensors and maximize sensor performance.

Key Features and Applications

Perception Intelligence

SenseME provides perception intelligence to IoT devices through our SDKs and AI sensors. AI sensors feature the following advantages compared to normal SDK offerings:

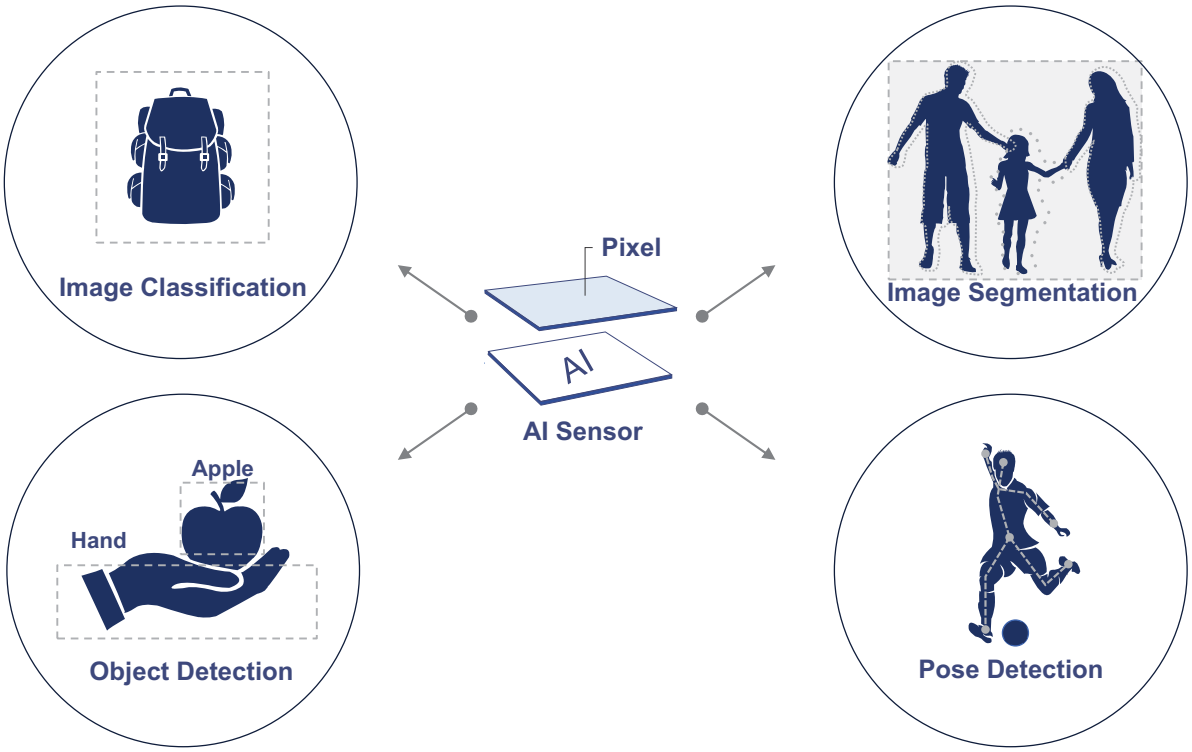
- ***Better user experience:*** AI sensors are capable of real-time perception intelligence including image classification, image segmentation, object detection and pose detection based on high-speed data processing with low latency.

- ***Lightweight deployment:*** AI sensors are compatible with a broad range of IoT devices, and require relatively low space usage, cost and bandwidth. AI sensors achieve high-speed data processing at the sensor end with no need to transmit raw data to the cloud. AI sensors extract critical information from images and videos and transmit such extracted information as metadata for further processing, substantially reducing the bandwidth required and therefore providing affordable and economic deployment to IoT devices.

- ***Low power consumption:*** Through lightweight deployment, AI sensors require low computing power and limited data transmission which reduce power consumption, extending battery usage time for better user experience.

- ***Enhanced data security:*** Our AI sensors identify and remove the personal information such as figures, and transmit only the metadata, providing enhanced data security and minimizing the risk of personal information leakage.

The following diagram illustrates several prominent AI applications achieved through deployment of AI sensors:



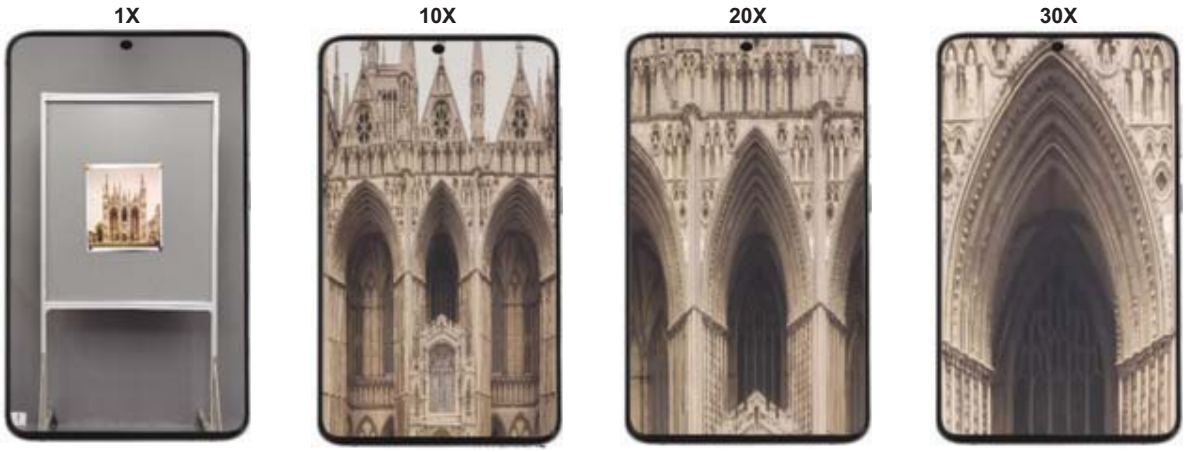
Visual Content Enhancement

SenseME augments image and video quality and extends the human vision system through SDKs, AI sensors and AI ISP chips.

AI sensors capture high-quality images and videos under extreme conditions, such as poor light conditions and high-speed movement, through dynamic range control, de-noising and color fusion. Compared with traditional image processing technologies, data-driven AI models achieve superior performance in enhancing the image and video quality under various conditions.

The following pictures illustrate (i) the effects of our content enhancement capabilities for pictures taken under poor light conditions, supported by SenseME (picture 2); and (ii) the bokeh effects supported by SenseME to provide aesthetic quality images with blur produced in out-of-focus parts (picture 4):

The following pictures illustrate the effects of our super resolution capabilities restoring the details of images, supported by SenseME. The detailed texture of the architecture is clearly visible after digital zooming in by 10, 20 and 30 times:



AI ISP chips work seamlessly with sensors to further enhance image and video quality in real-time, especially in dealing with those in large scale, under extreme conditions including poor light or low power conditions and high-dynamic range and high-velocity motion scenarios. AI sensors designed with rich color channels and new sensing patterns require new types of ISP chips to be capable of multi-format data processing, while traditional ISPs cannot fully utilize AI sensor outputs as they only accept standard data format and thus have not been able to preserve critical information. We expect our AI ISP chips to leverage our AI models and chip design capabilities to enhance image quality and work with new types of sensors such as depth sensors, multispectral sensors, and dynamic vision sensors.

Commercialization

We commercialize our SenseME offerings through different deployment methods:

- ***SDKs to mobile phone and other IoT device companies***: We typically charge customers license fee for the use of our SDKs on mobile phones and other IoT devices. Mobile phone companies leverage our software to achieve superior photography performance and enrich their product functions. We are one of the leading mobile phone AI software providers, and our customers cover all top five Android brands globally. Our SDKs had been installed on more than 450 million mobile phones across over 200 models as of June 30, 2021. Our customers also include smart TV, smart projector and tablet companies.

- ***IP license for AI sensors***: We charge an IP license fee for AI sensors. Such license fee comprises an upfront R&D service fee and ongoing fees based on a percentage of the AI sensors' revenue. The IP for the first AI sensor was already delivered in 2021.

- ***AI ISP chips to mobile phone and other IoT device companies***: We launched development of our AI ISP chips in 2021 with target customers primarily being mobile phone and other IoT device companies.

Use Case

A Leading Mobile Phone Company

We formed a strategic partnership with Company L in 2017, providing a full stack of SDKs to enable various breakthrough features and increase the cost-efficiency of their products:

- ***Single-camera bokeh effect***: Dual cameras are traditionally required to realize bokeh effect. Our application was the first in the industry to achieve bokeh effect with a single camera, substantially enhancing user experience on a wider range of mobile phone models. Such application was introduced on products of Company L in 2016. Single-camera bokeh effect eventually became the industry norm.

- ***3D applications***: Our AI-empowered 3D applications fully realize the capabilities of 3D cameras, featuring 3D face beautification, AR ruler for size and spatial measuring and gesture control for interactive games. In 2018, Company L adopted 3D cameras, powered by our 3D applications, for the first time as a cutting-edge highlight of its flagship phones.

- ***AR platform***: In 2018, we started to provide our AR platform to Company L to support AR-related applications, such as AR photo with virtual figures, outdoor AR navigation and virtual furniture placement.

- ***Video highlight***: We provide a video highlight application with the capabilities of intelligent video analysis to Company L, which was presented as a key feature on its flagship phone launch event in 2019. Video highlight generates themed video footage in high quality by automatically extracting and reorganizing highlights from a user's video album.

A Leading Mobile Phone Company

We provide Company M with multiple SDKs to enhance user experience:

- ***Smart album***: We provided Company M with the first-of-its-kind AI-empowered smart album in the market in 2016, which has since been installed on more than 150 million mobile phones. With image categorization capable of automatic identification of objects or persons shown in the photos, users can manage their phone album in a convenient and user-friendly way.

- ***Super resolution***: We launched the first deep learning-based super resolution application in 2014, which restores the details of images. Company M adopts our super resolution application on all its phone models.

- ***Super night photography***: We collaborated with Company M to develop the super night photography application, which is capable of capturing high-quality videos under poor light conditions.

SenseMARS for Metaverse

Metaverse refers to the convergence of physical, augmented and virtual reality in a shared digital space. Empowered by perception intelligence, AR and MR technologies enable human-computer interaction and AI-enabled content generation which are considered as the foundation for the Metaverse. The Metaverse has the potential to become the universal platform for digital social interaction in the future. We have been developing Metaverse-related technologies that can be implemented on the cloud and a range of IoT devices, which are expected to become the ubiquitous interfaces for Metaverse and are critical for the creation of a truly immersive Metaverse experience.

Our SenseMARS platform supports an immersive and interactive Metaverse experience through three core elements, SenseMARS Reconstruction, SenseMARS Avatar and SenseMARS Agent. SenseMARS Reconstruction builds a digital world replica of the physical world through 3D reconstruction technologies. SenseMARS Avatar creates digital identities and provides an interface for people to enter the digital world. SenseMARS Agent generates software agents to interact with people in the digital world. The combination of the three elements enables the creation of a digital world on the cloud, achieving a seamless integration of the physical and digital worlds for people to interact with each other in the form of avatars and other software agents.

The following picture illustrates a typical scene on the Metaverse:

Notes:

(1) Avatars or software agents

(2) 3D Reconstruction of the physical world

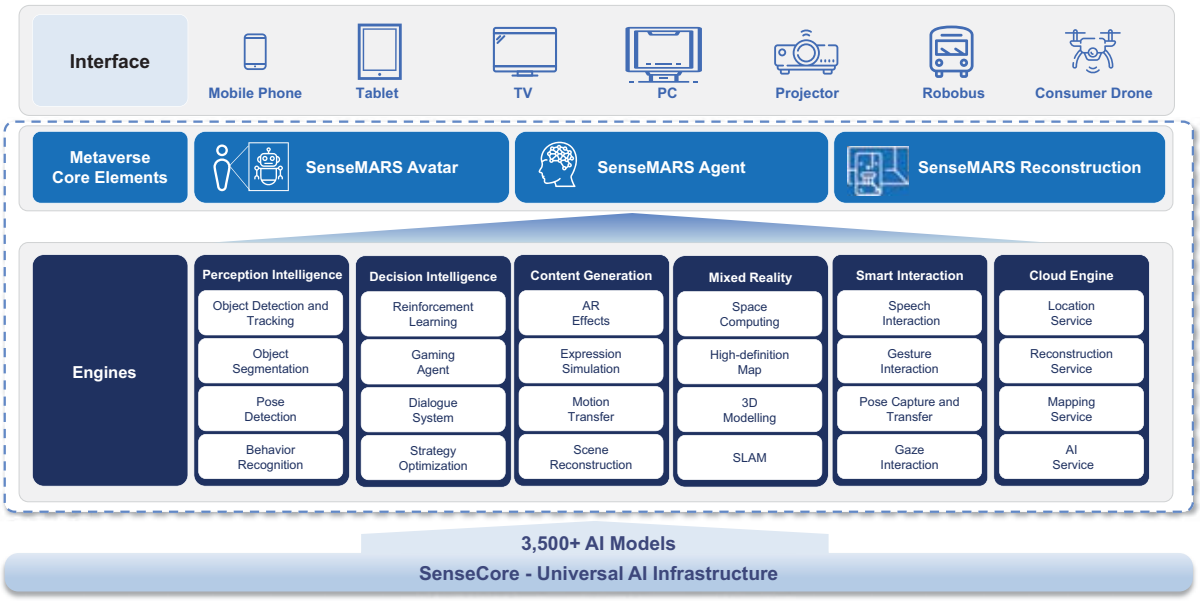
Overview of SenseMARS

Our SenseMARS software platform serves as the key enabling technology platform for the Metaverse to create new interactive experiences. We work with mobile phone, semiconductor, mobile app and online gaming companies to jointly build a multi-layer infrastructure to enable the Metaverse and enhance Metaverse user experiences.

SenseMARS is equipped with core functionalities, including perception intelligence, decision intelligence, AI-enabled content generation including AR and MR and smart interaction through software agents, and other infrastructure including cloud engine, providing support for Metaverse applications. SenseMARS is compatible with (i) different applications such as mobile apps, mini programs and H5 and (ii) various IoT devices, including more than 200 types of mobile phones, tablets, AR and VR glasses, smart TVs and consumer drones. As of June 30, 2021, SenseMARS provided a total of more than 3,500 AI models.

The following diagram illustrates the structure of the SenseMARS software platform:

SenseMARS Platform Enabling Metaverse



We are the founding Chair of the China Augmented Reality Core Technology Industry Alliance (中國增強現實核心技術產業聯盟), comprising over 300 members including Xiaomi, OPPO and JD.com. We initiated development of the first standard proposal of AR technology on mobile devices in the industry, the Standard for Augmented Reality on Mobile Devices, which was officially approved in 2020. We are currently also the Chair of Augmented Reality on the Mobile Devices Working Group for the Institute of Electrical and Electronics Engineers (IEEE) Standards.

Commercialization

We provide the SenseMARS platform to three types of customers:

- ***IoT device companies***: SenseMARS empowers IoT devices for consumers to interact in the Metaverse. We typically charge customers a license fee for the use of our SDKs.

- ***Mobile app and content providers***: SenseMARS enables over 200 apps, five of which are super apps with over 500 million monthly active users each, to create a digital world and generate avatars for users. We charge such customers a license fee for use of our SDKs.

- ***Commercial properties, such as stores, museums and airports***: We provide SenseMARS to commercial property customers to reconstruct the physical structure of their properties and builds a virtual replica. This brings new interactive experiences to visitors, such as

AR navigation, AR marketing and AR games. It also generates software agents or digital humans capable of interacting with users. In addition to the SDKs which we charge license fee for, we also charge our customers fees for use of our AI-enabled content generation services on the cloud.

Applications

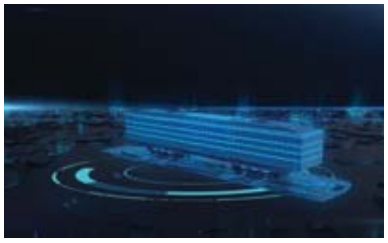
Our SenseMARS platform supports an immersive and interactive Metaverse experience through three core elements, SenseMARS Reconstruction, SenseMARS Avatar and SenseMARS Agent.

SenseMARS Reconstruction-Digital Reconstruction of the Physical World

A fully immersive Metaverse experience requires the seamless integration of the digital and physical worlds. SenseMARS enables users to efficiently reconstruct high-precision 3D models of the physical world using consumer devices such as mobile phones, sport cameras and drones. SenseMARS also enables spatial mapping and localization with accuracy to the centimeter-level, allowing visual content to be superimposed into the physical world through AR glasses, mobile phones and smart TVs.

The following diagram illustrates the digital reconstruction and MR effect of a physical place:

Physical World



3D Reconstruction

Mixed Reality in Metaverse

SenseMARS Reconstruction covers a wide span of scenarios, and is capable of reconstruction of objects and spaces, ranging from small objects to shopping malls, transportation hubs and cities. Set forth below are some of its recent applications:

- We provide SenseMARS Reconstruction services to the Palace Museum to digitally reconstruct its precious collections and present them through AR in the Palace Museum calendars (故宫日曆).

- We are building the Three-Body Immersive Experience Space (三體沉浸式體驗館) with SenseMARS. The Three-Body Problem is one of the most popular science fictions from China.

- We provide SenseMARS Reconstruction and interactive MR applications to the Shanghai Expo Exhibition & Convention Center and Bangkok Suvarnabhumi Airport.

- We built a virtual experience space for BilibiliWorld 2021, where users can interact with virtual streamers.

- We facilitate immersive AR guided tours of the West Lake area of Hangzhou.

- We are the official provider of intelligent vision technologies, including AI and MR applications empowered by SenseMARS, to the Asian Games 2022.

The following diagram illustrates our digital reconstruction and MR applications:

SenseMARS Avatar

An Avatar represents the digital identity of an individual in the Metaverse. Facilitated by SenseMARS Avatar, lively personalized Avatar figures with different styles can be automatically generated from photos. With accurate pose and micro expression recognition, SenseMARS Avatar enables users to generate their own Avatars easily with IoT devices such as mobile phones, supporting functions that previously required professional motion capture devices. SenseMARS Avatar empowers IoT devices to provide accessible interfaces for everyone to enter the Metaverse with their own character through mobile apps. For example, it has supported various mobile apps to generate Avatars of streamers for virtual live-broadcasting.

The following pictures illustrate Avatar generation from photos:

SenseMARS Agent

SenseMARS Agent enables intelligent human-machine interactions with perception intelligence and decision intelligence covering natural language processing and speech, hand gesture, pose and gaze. For example, SenseMARS Digital Human, a human-like software agent, interacts with users naturally and vividly through dialog, expressions and gestures. When trained with domain-specific knowledge, SenseMARS Digital Human can serve in various scenarios including shopping malls, exhibitions, tourist attractions and banks.

The following pictures present various SenseMARS Digital Humans and their applications in different business scenarios:

Digital Humans Generated by SenseMARS

SenseMARS Agent is also provided to gaming companies to serve as AI-enabled non-player characters or virtual players competing in online games of different genres.

Use Case

An International Mobile App Company

Company N has a number of popular mobile apps in social networking, e-commerce, photo sharing and online games. Company N has adopted SenseMARS to enhance user experiences, including the following:

- ***AR effect***: One of Company N's apps for live-streaming launched an AR effect application in early 2016. Supported by the superior performance of our AI models with high accuracy, adaptability and computational efficiency, AR effects including 2D/3D AR sticker, face beautification and background decoration are achieved to create differentiated user experiences in innovative ways.

- ***SenseMARS Avatar***: One of Company N's apps for the Metaverse adopted the SenseMARS Avatar in 2018 and gained immediate popularity among its users. We help generate fully controllable Avatars with personal characteristics for users in the digital world, where users can socialize or play games together using their Avatars.

A Video Platform Company

Bilibili runs a leading video community for the young generation in China with monthly active users of more than 200 million. SenseMARS helps Bilibili to provide novel user experiences.

- ***AR effect***: We have supported superimposing AR contents on live videos, beautifying the appearance of streamers and facilitating streamers' interactions with the audience through AR effects.

- ***SenseMARS Avatar***: SenseMARS generates an Avatar with personal characteristics for each streamer so that people can roam in the Metaverse with their Avatars and interact with the audience. SenseMARS Avatars can also participate in virtual live-broadcasting.

- ***SenseMARS Digital Human and SenseMARS Reconstruction***: Empowered by SenseMARS Digital Human and SenseMARS Reconstruction, a digital world can be reconstructed for a comic show, where the users can interact with the virtual streamers, bringing immersive user experiences.

The following pictures illustrate the application of our products provided to Bilibili:

Shopping Malls

Company O is one of the largest property developers based in Hong Kong. It has deployed SenseMARS in the mobile apps of its shopping complexes in Chengdu and Changsha to enhance shopping experiences. SenseMARS enables centimeter-level indoor positioning through 3D reconstruction of a high-definition map of the shopping malls to bring convenient and engaging shopping experiences:

- ***AR navigation and AR guided tour***: SenseMARS supports precise navigation through perception intelligence, such as finding a parking spot or store. SenseMARS also superimposes virtual marketing content such as store information and coupons on shoppers' mobile phones.

- ***AR games and AR photo***: SenseMARS also provides AR games and AR photo applications, with which visitors can play games in augmented reality settings and take photos with virtual contents superimposed with real scenes.

SenseCare for Smart Healthcare

Our AI software platform for smart healthcare, SenseCare, provides AI tools in diagnosis, treatment planning and rehabilitation. SenseCare is embedded with AI models supporting anomaly detection, recognition and automatic diagnostic analysis for the medical imaging of a variety of organs, servicing key clinical departments.

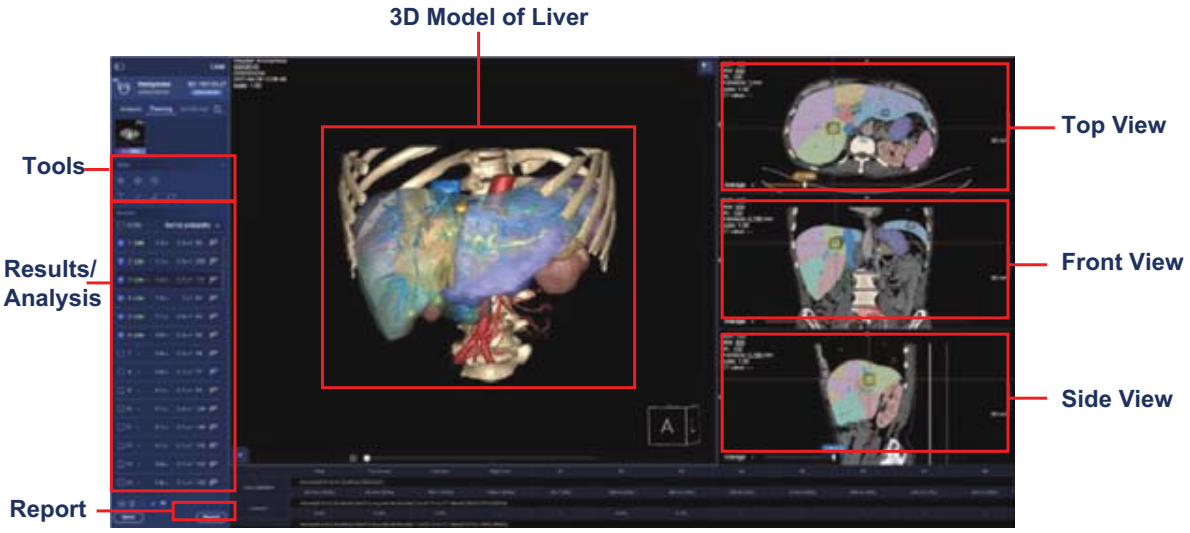
Key Features of SenseCare

- ***Comprehensive diagnosis offerings***: Our products support diagnosis of conditions covering 13 body parts and organs, such as heart, liver, lungs, stomach, intestine and cervix. Our products serve key clinical departments including radiology, pathology, radiotherapy, surgery and orthopedics.

- ***Treatment planning and rehabilitation***: We offer 3D surgery planning and rehabilitation services to medical professionals and patients, respectively.

- ***Flexible deployment supported by high concurrency rendering***: SenseCare can be deployed on the premises or cloud. Moreover, our proprietary high concurrency rendering technology allows concurrent access by doctors to SenseCare from terminals across hospitals and other medical institutions.

The picture below illustrates the diagnosis interface of a liver screening supported by SenseCare's multiphase imaging and automatic 3D reconstruction capabilities:



Commercialization

We obtained NMPA certification for four modules of SenseCare, including the Digital Pathology Image Processing System (數字病理圖像處理軟件). The corresponding classification of these modules of SenseCare in China are class II in accordance with applicable PRC laws and regulations. For more details of the relevant applicable PRC laws and regulations, please refer to "Regulatory Overview — Regulation and Classification of Medical Devices." We have also obtained CE marks for another five modules, including SenseCare-Lung Pro and SenseCare-Chest DR Pro.

We charge licensing fees for SenseCare and also provide R&D services to some of our customers. SenseCare has been adopted by hospitals and other medical institutions in China and overseas. As of June 30, 2021, we had partnered with 16 Class III Grade A hospitals in China.

We provide our AI-as-a-Service to local Health Commissions for the regional hospital network. It will serve as a centralized smart health hub that connects hospitals and clinics, helping customers to construct a regional medical collaborative platform, optimizing the allocation of medical resources.

Use Case

Hospital A

Hospital A is one of the largest private hospitals in Macau. We provide Hospital A with SenseCare for intelligent daily diagnosis assistance and image analysis of cardiac CTA, Lung CT, carotid CTA and chest X-ray. SenseCare has significantly improved diagnosis efficiency and patient experience through its automatic diagnosis and 3D reconstruction functions.

Data Protection

For development of SenseME, SenseMARS and SenseCare, we collect data including (i) facial identification data, (ii) images of identification documents, (iii) images and videos of real-world scenes and (iv) medical images after anonymization. We collect facial identification data and images of identification documents from sources with direct authorization to us only. We collect images and videos of real-world scenes from (i) self-collected sources, (ii) third-party vendors, (iii) customers and (iv) public datasets, and we collect medical images after anonymization from our collaborative partners.

The relevant data can only be uploaded to our internal data platform after submission of complete authorization information. The confidentiality level of the relevant data will be annotated upon their uploading to the data platform.

We only retain collected facial identification data from sources with direct authorization to us, images of identification documents and images and videos of real-world scenes from customers for the period as specified in the relevant authorization letters or agreements on our data platform. We retain images and videos of real-world scenes from (i) self-collected sources, (ii) third-party vendors and (iii) public datasets and medical images after anonymization from our collaborative partners on our data platform.

We annotate the collected data in accordance with their restricted purposes of usage and limited time frame of storage. We do not allow data operations other than annotation without approval of responsible personnel during the data annotation process, including but not limited to revision, deletion, saving or sharing. The annotation results are submitted to our data platform for future references.

Any data usage requires prior application submitted on the data platform subject to approval corresponding to the relevant level of confidentiality of such data. Any data training or testing will be conducted on the data platform and no data usage out of the data platform is allowed.

Upon expiry of internal data usage limits, the relevant data will need to be destructed with the data destruction report being provided to the data management department. Upon expiry of data authorization, the relevant data will be destructed with all copies of relevant data deleted.

We also process data from our customers, which involve their end users' data containing personal information, in the course of providing real-time data processing services. As required by our internal policy, we only process end users' data containing personal information on public cloud servers within the scope of authorization on an as-needed basis, and do not download such data to our own data platform.

Smart Auto

SenseAuto is our intelligent automotive application platform with the goal to enable our customers to capture new business opportunities created by the trend towards intelligent automobiles. It comprises five products, namely, SenseAuto Pilot, SenseAuto Cabin, SenseAuto Empower, SenseAuto Robobus and SenseAuto Connect.

We started to develop SenseAuto in 2016. We have been a strategic partner with Honda to provide it with our autonomous driving-related AI technologies since 2017. We have been developing L4 autonomous driving technologies, extending our strength in perception intelligence to full-stack capabilities including sensor fusion covering AI dash-cams, LiDAR and millimeter-wave radars, predictions on vehicle and pedestrian behaviors, driving decisions, planning and control, city-scale 3D map reconstruction and high-precision positioning. As of June 30, 2021, we had won 18 championships in autonomous driving-related international competitions.

To support advanced autonomous driving functions, it is critical to monitor the level of vigilance and detect the drowsiness of drivers in a timely manner. A Driver Monitoring System (DMS) will be a key feature for automobile companies to meet regulatory requirements. Our ADAS in SenseAuto Pilot and DMS in SenseAuto Cabin are jointly designed to ensure the safety of drivers and passengers. With autonomous driving, people will have more time for work and entertainment activities in the cabin, with the cabin effectively becoming an extension of their living space. Many technologies and products developed from our other business lines for other scenarios, such as smartphones and mobile apps, have been utilized in our smart cabin systems, demonstrating the synergies across our business lines.

With our R&D efforts targeting leading automobile companies from day one, our technologies have been developed for mass production in a wide range of car models. Our technologies have been optimized for use on the major operating systems and chips so that our products can fulfill the

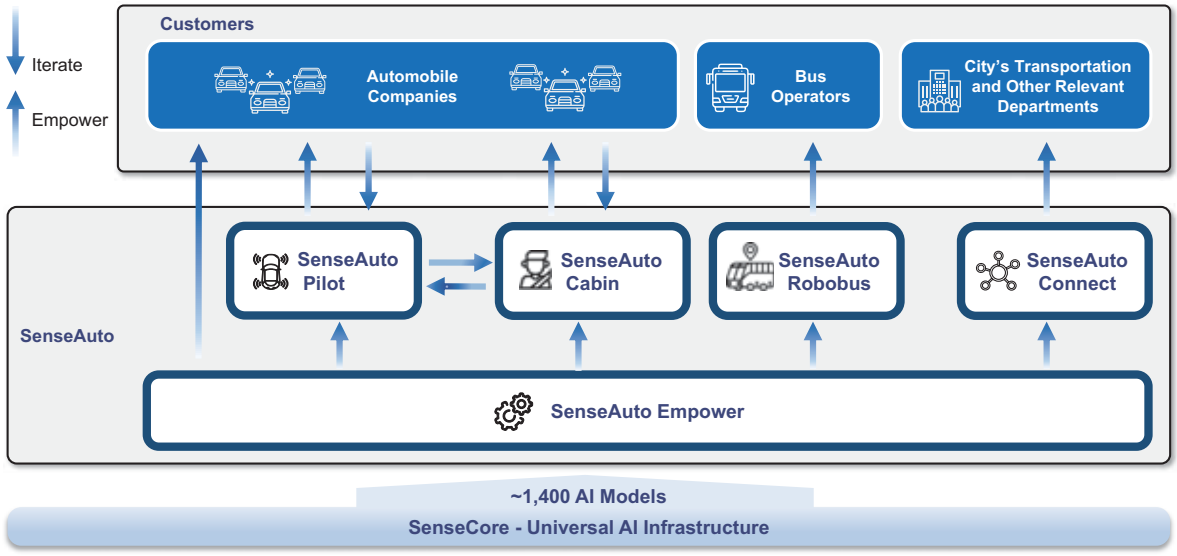
requirements of different automobile companies. Our development strictly follows industry-renowned quality management systems for mass production. For example, we have been certificated by Automotive Software Performance Improvement and Capability dEtermination (ASPICE) L2 and Automotive Safety Integrity Level (ASIL)-B. We have also built a comprehensive supply chain system with more than 50 partners.

We provide SenseAuto Empower, our AI-as-a-Service product to automobile companies, providing an integrated offering comprising around 1,400 AI models and also AI computing power on the cloud. It is designed to support sophisticated automobile companies' in-house AI development initiatives, which could be deployed efficiently on over 30 types of chips installed on various car models.

We have launched our SenseAuto Robobus product to the bus operators, empowered by our autonomous driving and AR capabilities. We have further developed our SenseAuto Connect to provide AI-empowered V2X.

The following diagram illustrates our offerings through the SenseAuto software platform:

SenseAuto Platform for Smart Auto



Products

SenseAuto Pilot

We have developed SenseAuto Pilot, which covers our products and initiatives for advanced driver assistance systems (ADAS). We have been developing perception intelligence technologies that perform well with long-distance and multi-view sensing and in a wide range of driving

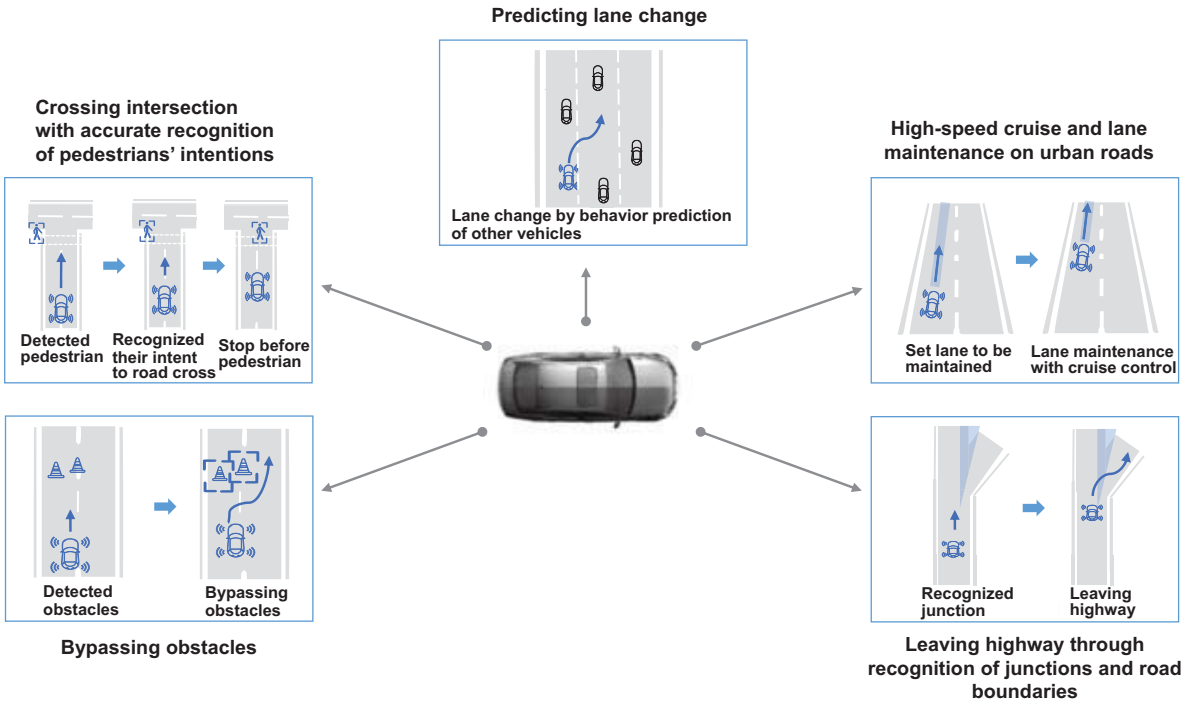
conditions including challenging scenarios, such as bad weather, special car models and poor road conditions. We have developed a uniform perception intelligence platform for visual perception, LiDAR perception and multi-sensor fusion that supports our ADAS product, L4 autonomous driving initiatives and our SenseAuto Connect product.

SenseAuto Pilot provides a cost-efficient vision-based system and multi-sensor fusion system options for both premium and mass market segments:

- ***Cost-efficient vision-based system***: SenseAuto Pilot provides a cost-efficient vision-based system that is capable of detecting vehicles at 200 meters and pedestrians at 150 meters. We utilize Digital Video Recorder (DVR), a common form of equipment founded in most car models as the perception camera to provide high-precision ADAS functions, demonstrating the high scalability of our vision-based system. Compatible with various car models, SenseAuto Pilot has been provided to a wide range of automobile companies.

- ***Multi-sensor fusion system***: We also provide a multi-sensor fusion system featuring a wider range of view and high accuracy for car models. We embed our perception intelligence models into sensors including LiDAR, which can be easily integrated into automobiles with different hardware platforms. SenseAuto Pilot provides comprehensive functions such as Adaptive Cruise Control (ACC), Lane Centering Control (LCC), Traffic Jam Assist (TJA) and Navigation on Pilot (NoP).

The following diagram illustrates the typical scenarios perceived by SenseAuto Pilot:



We are developing L2+ ADAS products for traditional and new energy automobile companies. We expect the car models pre-installed with our L2+ ADAS products to be mass produced in 2022. Aggregating our experience gained from development of L2+ ADAS products, we are also conducting research projects on advanced L4 autonomous driving technologies, which in turn provide insights for us to strengthen our L2+ ADAS products. We will continue to upgrade our ADAS products to support automobile companies with the introduction of higher-level autonomous driving functions in the coming years.

SenseAuto Cabin

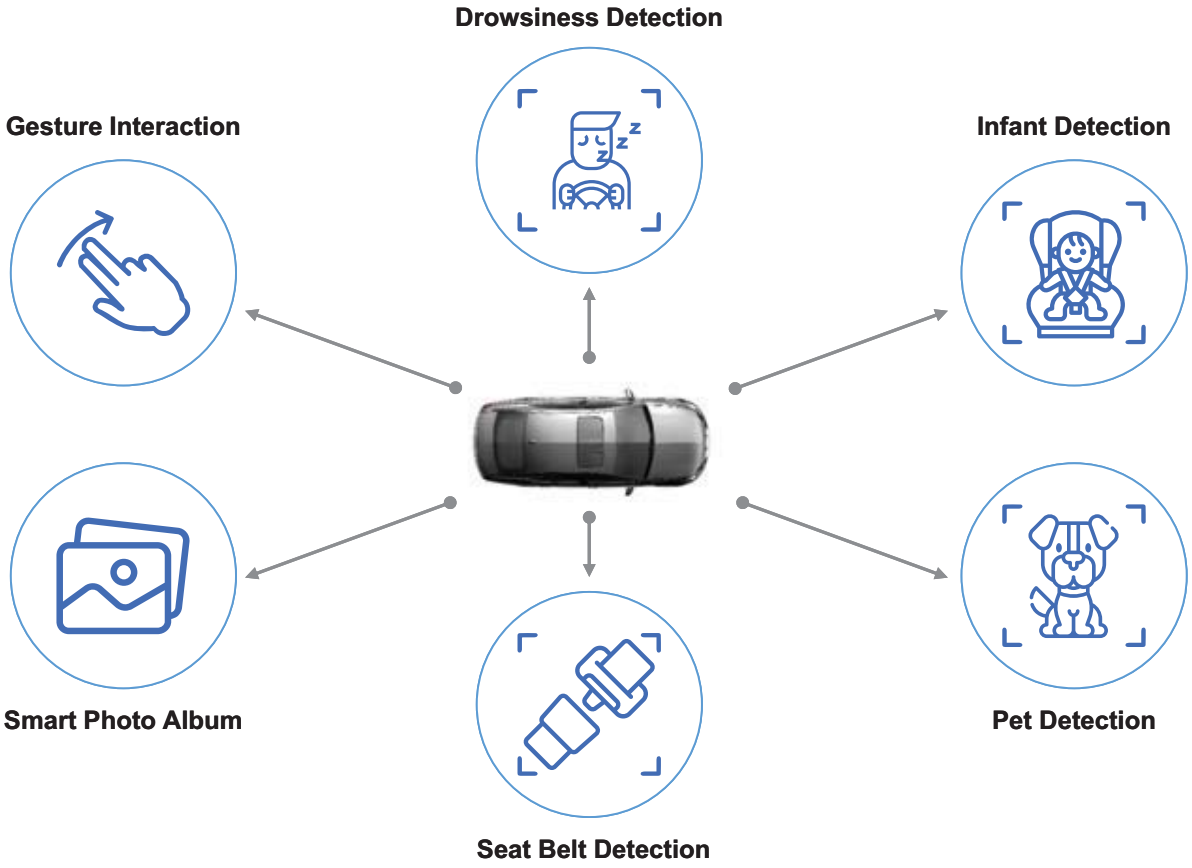
SenseAuto Cabin comprises our driver monitoring system (DMS), occupant monitoring system (OMS) and in-vehicle infotainment (IVI) system, making in-vehicle travel smarter, safer and more comfortable for both drivers and passengers.

- ***DMS***: Our DMS capabilities include driver identity recognition, drowsiness detection, distraction detection, absence detection and anomaly detection, which enhances driving safety. Our DMS also provides critical support to the SenseAuto Pilot product as it facilitates the must-have safety protection for L2+ autonomous driving. Our DMS has been deployed in various car models, catering to both premium and mass markets.

- ***OMS***: Our OMS detects unauthorized passengers and unattended objects in the cabin, and offers detection of infants/children, pets, lost items, safety belts and safety seats, which enhances the safety of passengers. Our OMS for infant/children detection was installed in mass produced car models in 2020, being the first of its kind available in China.

- ***IVI***: We have embedded our SenseMARS offerings into our proprietary IVI system to provide innovative features including in-cabin augmented image quality, AR high-precision navigation and special effects for beauty cameras, smart albums and software agent assistance functions. For example, our IVI beauty camera for passengers was installed in the mass produced GAC Trumpchi in 2021, and was the first of its kind in China. It leverages established technology in our existing product offerings to mobile phones.

The following diagram illustrates the capabilities of our SenseAuto Cabin product:



SenseAuto Empower

In the era of intelligent automobiles, automobile companies have diverse demands for improving user experience through their own product design, and to swiftly respond to customers' expectations for new features, diagnosis of safety problems and timely updates of AI models with data feedback to address corner cases. We provide the SenseAuto Empower product as a critical AI development infrastructure to sophisticated automobile companies with an understanding of AI technologies and capabilities to support in-house AI development by themselves, which includes AI models tailored for automobile industry needs and our computing power support through the cloud.

With data-driven improvements on automobile AI technologies and continuous upgrade and utilization of AI technologies, we provide SenseAuto Empower as our customized in-house AI development support product for the automobile industry, through which we provide AI-as-a-Service. SenseAuto Empower, powered by around 1,400 AI models, helps automobile companies to effectively diagnose problems, upgrade products and adapt to vehicles with different hardware settings. It makes our SenseAuto Pilot and SenseAuto Cabin products more competitive since they are constantly being updated by our automobile company customers, and SenseAuto Empower provides an option for such customers to design their own desired upgrades. SenseAuto

Empower also provides R&D services to automobile companies for AI technologies. We have provided AI-as-a-Service to automobile companies and led joint R&D initiatives through SenseAuto Empower with prominent automobile companies.

We also provide critical computing power supported by AIDC to automobile companies as intelligent automobiles requires huge computing power and storage, which is costly and complex for the automobile companies to build by themselves. SenseAuto Empower provides powerful capabilities of data processing, monitoring, analysis, compliance and simulation, model training and inference for automobile companies. The data processed by SenseAuto Empower is automatically desensitized through cleansing, encryption and anonymization with strict standards on security and privacy. Enabled by SenseAuto Empower, automobile companies can efficiently manage and process massive data as well as evaluate and iterate AI models for their own needs.

SenseAuto Robobus

We have launched SenseAuto Robobus, an L4 autonomous driving product, for autonomous shuttle services for bus operating companies. We have strategically selected autonomous driving bus for shuttle services as our major autonomous driving product at this stage, since it has a wide range of scenarios in business parks, tourist attractions and designated autonomous driving pilot zones. We have developed a full-stack of L4 autonomous driving technologies from multi-mode sensor fusion, planning and control to city-scale high-definition maps and conducted extensive trials for safe and reliable autonomous driving.

We have also leveraged our Metaverse-related capabilities empowered by SenseMARS and developed tailor-made interactive car windows for our SenseAuto Robobus. In the cabin, the generated virtual content and the surrounding physical world are superimposed on the smart car windows which also serve as the display screens for dynamic AR effects. For buses operated in tourist attractions and for city tour routes, the smart car windows with our Metaverse-enabling technologies support introduction of the development of the city, history of attractions and culture sites to be automatically displayed and updated to passengers simultaneously in accordance with the specific location of the bus, creating an immersive experience. We launched our SenseAuto Robobus during the World Artificial Intelligence Conference (WAIC) 2021 and provided a shuttle service with immersive sightseeing experience for visitors as a showcase. Our SenseAuto Robobus was selected as one of the top ten exhibits of WAIC 2021.

The following picture depicts our SenseAuto Robobus and its in-cabin settings:

SenseAuto Connect

SenseAuto Connect is a platform which enables smart interactions of both vehicles and their surroundings, including roadside units and other vehicles using cloud and edge computing to facilitate efficient city traffic management. In addition to receiving signals from vehicles, it also empowers roadside units with full-stack intelligent sensing ability through sensors such as LiDAR and mmWave radar. It also acts as a hub for Vehicle to Everything (V2X) applications.

SenseAuto Connect provides city transportation and other relevant departments with powerful tools for data analytics including multi-model perception, data transmission, information aggregation and simulation. With SenseAuto Connect, effective decision-making can be made for traffic management services, improving efficiency and safety.

Data Protection

For development of Smart Auto products, we collect data including (i) facial identification data, (ii) images and videos of real-world scenes and (iii) images and videos of specific objects. We collect facial identification data from sources with direct authorization to us only. We collect images and videos of real-world scenes and specific objects from (i) self-collected sources, (ii) third-party vendors, (iii) public datasets and (iv) data simulation on our training data platform.

The relevant data can only be uploaded to our internal data platform after submission of complete authorization information. The confidentiality level of the relevant data will be annotated upon their uploading to the data platform.

We retain collected facial identification data from sources with direct authorization to us and images and videos of real-world scenes and specific objects on our data platform.

We annotate the collected data in accordance with their restricted purposes of usage and limited time frame of storage. We do not allow data operations other than annotation without approval of responsible personnel during the data annotation process, including but not limited to revision, deletion, saving or sharing. The annotation results are submitted to our data platform for future references.

Any data usage requires prior application submitted on the data platform subject to approval corresponding to the relevant level of confidentiality of such data. Any data training or testing will be conducted on the data platform and no data usage out of the data platform is allowed.

Upon expiry of internal data usage limits, the relevant data will need to be destructed with the data destruction report being provided to the data management department. Upon expiry of data authorization, the relevant data will be destructed with all copies of relevant data deleted.

We also process data from our customers, which involve their end users' data containing personal information, in the course of providing real-time data processing services. As required by our internal policy, we only process end users' data containing personal information on public cloud servers within the scope of authorization on an as-needed basis, and do not download such data to our own data platform.

Commercialization

We started our SenseAuto offerings through providing R&D services and AI-as-a-Service to automobile companies with our SenseAuto Empower product. We have launched our SenseAuto Pilot and SenseAuto Cabin products to be pre-installed on various car models. We have generated revenue from our SenseAuto Robobus and expect to generate revenue from our SenseAuto Connect products in the coming years.

- ***Automobile companies***: We empower automobile companies with AI capabilities through our SenseAuto Pilot, SenseAuto Cabin and SenseAuto Empower service offerings. For SenseAuto Pilot and SenseAuto Cabin, we typically charge our customers engineering fees for initial deployment, and license fees based on actual car shipments with our software. For SenseAuto Empower, we typically charge R&D service fees for research projects and initiatives and subscription fees for our provision of AI-as-a-Service.

- ***Bus operators***: We generate revenue from sales of our SenseAuto Robobus to bus operators for shuttle services.

- ***Public sector customers***: We will provide public sector customers with our SenseAuto Connect software offerings in late 2021. We intend to charge a license fee which varies based on the number of AI applications provided through our software.

As of June 30, 2021, we had collaborated with over 30 automobile companies, and been selected as the supplier of SenseAuto products for more than 20 million automobiles across over 50 car models in the next several years.

Use Case

A Leading Chinese Automobile Company

Company P ships more than one million automobiles every year. Prioritizing its strategy in intelligent automobile upgrade, Company P has reserved our SenseAuto Cabin product for approximately 1.2 million automobiles. We provided integrated systems with AI software, cameras and domain controllers, which support all the visual perception functions in the cabin. The cost for integration of the system has been greatly reduced and the time for deployment of AI functions into new car models has been shortened through our SenseAuto products. We also provide Company P

with SenseAuto Empower which supports upgrades through software over-the-air to constantly improve user experience. The first set of car models pre-installed with our SmartAuto Cabin product was launched in April 2021.

- ***SenseAuto Cabin DMS***: Our DMS provides multiple intelligent functions, including identity recognition, emotion recognition, drowsiness detection, distraction detection and gaze tracking to empower automobiles. It enables automatic adjustment of seats and rearview mirrors according to previous settings of the driver. It warns drivers of dangerous behaviors such as fatigue, distraction and incoming phone calls during the course of driving. It provides a better and safer driving experience.

- ***SenseAuto Cabin OMS***: Our OMS intelligently perceives occupants and objects in the cabin, enabling personalized services for drivers and passengers. When an infant/child is left in the cabin, the OMS system automatically alerts parents. It also sends a reminder once lost items are detected.

- ***SenseAuto Cabin IVI***: With accurate gaze detection and gesture recognition, our IVI provides contactless interaction functions, such as control of radios with gestures. It enables new in-vehicle infotainment activities and improves driving safety.

A Smart Electric Car Company

Hozon is a smart electric car company in China with rapid growth in recent years. We have empowered Hozon to develop its intelligent automobiles that are well-received by the market. Hozon has launched car models equipped with our SenseAuto products in 2020.

- ***SenseAuto Pilot***: Our ADAS system provided to Hozon provides multiple functions, including LDW (lane departure warning), FCW (forward collision warning), PCW (pedestrian collision warning), SGW (stop and go warning), HBA (high beam assist), TSR (traffic sign recognition) and TLR (traffic light recognition).

- ***SenseAuto Cabin DMS***: Our DMS is capable of driver identification, drowsiness detection, emotion recognition and gaze tracking. We also provide robot assistant services designed for intelligent interaction. Through emotion recognition, the robot assistant automatically initiates communication with the driver and provides tailored assistance.

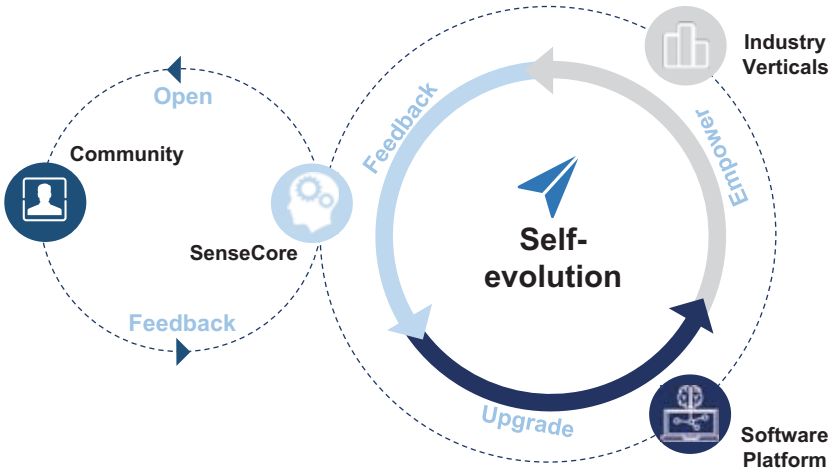
OUR UNIVERSAL AI INFRASTRUCTURE

SenseCore is the universal AI infrastructure underlying our software platforms. It produces large, high-performance AI models with low cost and high efficiency. The AI models produced on SenseCore encompass capabilities in perception intelligence, decision intelligence, AI-enabled content generation and AI-enabled content enhancement, and are integrated into our products and software platforms to support customers across industry verticals.

SenseCore leverages cutting-edge technologies on AI algorithms, AI systems, AI chips and AI sensors. It equips our researchers and engineers with deep learning platforms for end-to-end automated model production. In the past three years, our model production capacity has increased by over 300 times, largely due to innovations on these platforms and tools as well as the increase in computing power.

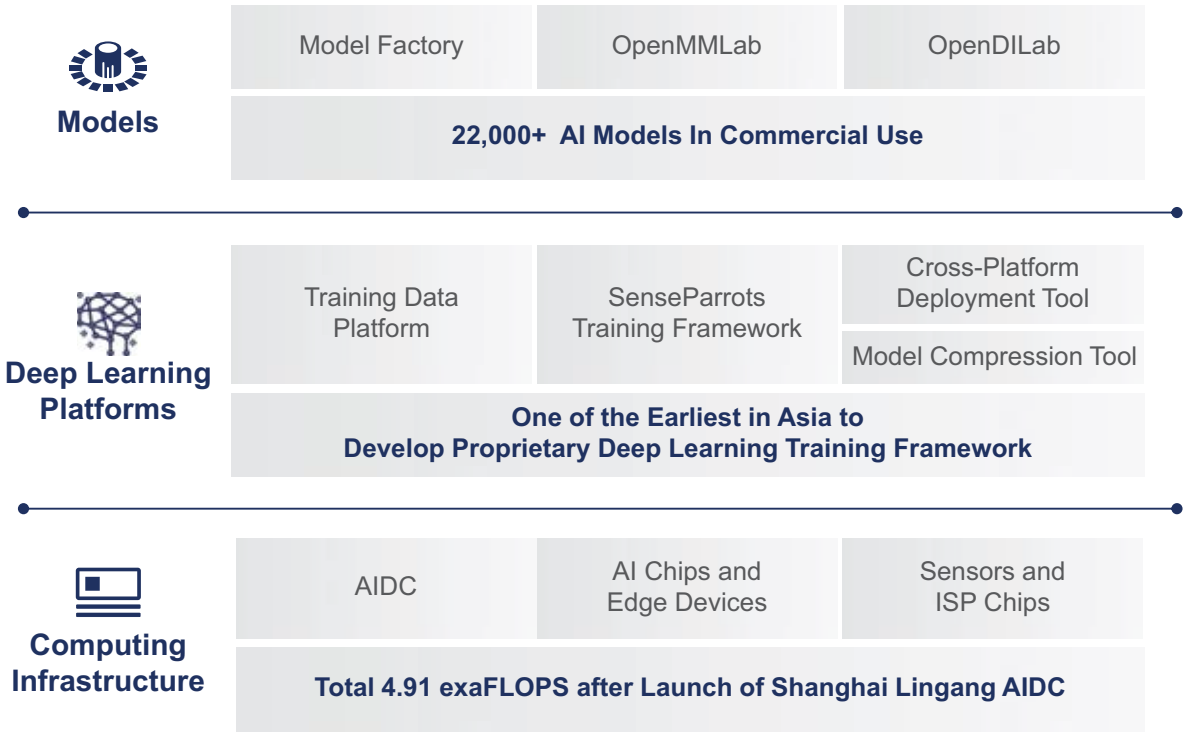
SenseCore provides powerful AI models that are extensible and adaptable to a wide range of scenarios. SenseCore allows us to offer customized production, training, deployment and iteration of AI models on demand, serving customers with greater flexibility and shortening our time-to-market.

Each time SenseCore is updated or upgraded with technology breakthroughs, our software platforms for different industry verticals will be upgraded concurrently, with substantial improvement on functionalities and performance. The industry verticals we cover on top of SenseCore will, in turn, provide abundant scenarios and feedback to foster the evolution of SenseCore. This flywheel effect as shown in the diagram below places us in a favorable position compared to other AI companies working on industry verticals separately:



SenseCore comprises three layers: models, deep learning platforms and computing infrastructure, as shown in the diagram below:

SenseCore: Universal AI Infrastructure



Models

The models layer provides industry-oriented AI models for our software platforms through the industrial-grade model factory. To develop our AI ecosystem, we also open up our perception intelligence models through OpenMMLab and our decision intelligence models through OpenDILab. SenseCore is constantly upgraded by incorporating feedback from the industry verticals and the academic community.

Model Factory

Industrial applications require AI models tailored to specific scenarios. The primary goal of our model factory is to produce scenario-specific models with superior performance in an efficient way to meet the large number of "long-tail" demands arising from a wide range of industrial scenarios.

However, producing a high-performance AI model with a traditional approach is very costly and time-consuming, as it demands large volumes of annotated training data, lengthy and resource-consuming training processes and complex scene-specific procedures. We tackle this key challenge

with a two-stage approach based on SenseCore, thus making large-scale model production feasible. The first stage is to train a large base model with massive training data, which has superior performance and generalizes into many scenarios. The second stage is to derive a light-weight scenario-specific model by adapting from the base model. The models resulting from this stage are substantially faster and smaller, and thus much more suitable for deployment on edge devices. The advantages of this two-stage approach are the following:

- ***Addressing "long-tail" scenarios***: This is critical for the scalability of our business. Our base models, which aggregate generalized knowledge from massive amounts of training data from multiple scenarios, have demonstrated remarkably improved performance in handling corner cases and complex cases. With base models, scenario-specific models can be generated with much less training data, so that long-tail scenarios can be effectively tackled with significantly reduced effort, and the scope of AI applications can be broadened.

- ***Maximizing data usage***: Compared with training a new model from scratch for each scenario, our two-stage approach significantly reduces the need for data.

- ***Achieving economies of scale***: Our investment in R&D and computing power is focused on the development of base models; once the base models are improved, the performance of all the scenario-specific models can be improved accordingly, hence reducing costs. Our model factory automatically recommends existing scenario-specific models for new scenarios, further reducing costs substantially.

Training a base model is essential and challenging. The challenges include the aggregation of a very large volume of annotated training data from many scenarios, the complexity of model architecture design and a requirement for massive computing resources. SenseCore, through the integration of computing infrastructure, a versatile training data platform and our proprietary training framework SenseParrots, allows us to meet such challenges effectively.

Our ability to produce AI models at scale has allowed us to build an extensive library of commercialized models to power our software platforms. As of June 30, 2021, we had accumulated over 22,000 AI models. This model library is being expanded and enhanced on an ongoing basis.

Our scenario-specific models can be automatically tailored to specific requirements on hardware settings and requirements on runtime efficiency, which helps our customers to choose and deploy scenario-specific models based on their needs. As big data analytics are performed on this large and growing collection of models, we can often find models from the library that are likely to be relevant and easily adaptable to new scenarios with system recommendations.

OpenMMLab

The open-source ecosystem has been a driving force behind the advances of AI technologies. Open source is an important part of our efforts to grow our ecosystem. In 2018, we launched

OpenMMLab, an open-source initiative that aims to cover perception intelligence algorithms. With three years' development, OpenMMLab has grown into one of the most comprehensive open-source algorithm systems for perception intelligence globally. It comprises 10 code repositories, providing more than 210 algorithms and 1,500 AI models. As of June 30, 2021, the code repositories of OpenMMLab have received more than 38,000 stars in aggregate on GitHub and attracted users from over 100 countries and regions. A number of well-known corporations and research institutes build their codebases thereon. The success of OpenMMLab reinforces our position as a leading force to drive the advances of perception intelligence algorithms.

OpenMMLab, together with a thriving community around it, has formed an ecosystem with world-wide impact. This ecosystem strengthens our connection with both our industrial partners and academia. More importantly, OpenMMLab enables us to not only share our capabilities, but also learn from the open-source community, thus accelerating our technological progress.

OpenDILab

Decision intelligence is regarded as a significant path towards the next level of AI technologies. In 2021, we released OpenDILab, an open-source platform for decision intelligence, jointly with Shanghai Artificial Intelligence Innovation Center. OpenDILab provides both a comprehensive collection of algorithms and industry-level scalability. Compared with existing frameworks in this area, OpenDILab is distinguished in multiple aspects including seamless integration of training and deployment, a standardized framework for both environment provision and algorithm execution, and compatibility with most academic and industrial data models.

As of June 30, 2021, OpenDILab had released more than 20 generic families of decision AI algorithms, such as multi-agent reinforcement learning. On the OpenDILab platform, we are making available several industrial-grade applications, including an advanced decision system for autonomous driving, decision intelligence systems for complex games and a city-level traffic signal control system.

Deep Learning Platforms

Our proprietary deep learning platforms comprise the training data platform, our SenseParrots training framework, the model compression tool, and the cross-platform deployment tool, which integrate seamlessly to deliver highly efficient data training performance. They enable powerful AI model training, lead to high efficiency in model production including both the training and deployment processes, and expand the coverage of AI models across platforms with different types of chips.

Training Data Platform

Training industrial-grade models typically requires substantially larger and more diverse datasets with high-quality annotations, compared to academic settings. However, sourcing, managing

and transferring training data at this scale is challenging and costly. We have built an industrial-grade training data platform to support this process. It provides full-fledged services that cover all stages throughout the lifecycle of a training dataset.

Compared to traditional data management systems, our training data platform, which is tailored to the demands of AI research and development, provides a number of distinct capabilities:

- ***Semi-automated data annotation***: Our training data platform facilitates the annotation of images, videos and 3D point clouds with intelligent tools based on AI models, which reforms a traditional manual annotation procedure into a more efficient and guided process, where the annotators are guided to focus on the parts that truly need human input while the system can automatically supplement the remaining parts with AI. The cost of annotation for some tasks is reduced by 90% compared to manual annotation.

- ***Training data generation***: To supplement the data from the real world, we also explore other ways to generate and derive data through simulation and rendering, such as simulation of traffic conditions to generate traffic data. For example, to simulate a city on our training platform, we first collect images and videos of real-world city scenes on our own or from public dataset. We then have our platform to study the information about the 3D geometry, semantics and appearance of all objects within the scene. The goal is to reconstruct these real-world scenarios for our training data platform to perform the downstream tasks, running and training the AI models for Smart City and autonomous driving. Our training platform can then artificially generate new scenes, cars and pedestrians that can be placed at will, for further training.

- ***Efficient data storage and access***: Our training data platform is built on top of a storage system that is optimized to store a massive quantity of training data while allowing million-level concurrent visits per second.

- ***Versatile data retrieval***: An important way to reduce the cost of data acquisition is to retrieve data relevant to specific scenarios and acquire new data when existing data becomes insufficient. We have developed an AI-oriented data retrieval capability, through which our platform allows retrieval of datasets across domains based on queries of various forms such as keywords and reference images.

- ***Seamless integration***: Our training data platform is seamlessly integrated with other stages of the model production workflow. With a standard exchange format, it can combine data from multiple sources into large-scale coherent datasets, ready for training. It also provides user-friendly web UI and a set of standardized APIs for integration into an automatic or semi-automatic workflow.

- ***Privacy computing support***: We integrate cutting-edge privacy computing technology to allow model training with customers' data stored at the customer side without

transmission of raw data samples, through the combination of a series of encryption computing technologies. This ensures data security, data privacy and regulatory compliance throughout the production process.

- ***Data desensitization and privacy protection***: Data security and privacy protection is a fundamental requirement of our training data platform. We strive to adhere to the highest standard of information security and data privacy. Specifically, we safeguard our data through systematic access control and data encryption and protect data privacy through automatic desensitization. For instance, we mask personal and sensitive information and ensure that our data is used for training purposes without personal information attached.

Overall, our proprietary training data platform effectively improves the efficiency of data acquisition, annotation and access, enabling a large number of models to be trained on top concurrently, and at the same time enforces data security and privacy protection at the highest standard.

SenseParrots Training Framework

Deep learning frameworks are the cornerstone of AI research and development. The capability of a deep learning framework has a great impact on the efficiency of model production. SenseParrots is our proprietary deep learning framework, which lies at the heart of SenseCore, serving as the core training engine of AI models.

According to Frost & Sullivan, SenseParrots, which was launched in 2015, was one of the earliest self-developed deep learning frameworks in China. Constantly evolving since its launch, SenseParrots has become a sophisticated training framework that achieves high levels of versatility, efficiency and productivity with the following distinctive features:

- ***Highly efficient training of AI models with dynamic computing paths***: Training of certain advanced AI models relies on dynamic change of the underlying computing paths in the training process, facilitating more efficient and optimized training of AI models compared to a fixed structure approach. However, training a model with dynamic paths is much more challenging than one with a fixed structure. SenseParrots resolves this challenge with its built-in just-in-time compiler, which allows fast compilation of computing paths in real time.

- ***Large-scale parallel training***: To train large base models within a reasonable timeframe, the training framework needs to coordinate multiple servers with hundreds of GPUs or more. It requires highly frequent synchronization and high throughput communication among GPUs. With advanced optimization of memory, communication and synchronization, SenseParrots can scale a training task to thousands of GPUs. It achieves a high parallel efficiency at 91.5% on 1,024 GPUs, while the efficiency of a mainstream training framework is around 25%. We have trained an AI model for visual recognition that contains over 30 billion parameters, which is the largest in the computer vision industry based on public information, according to Frost & Sullivan.

- ***Inherent support of multiple AI training chips***: In recent years, new training chips, which are designed to provide special advantages in specific domains, have emerged as alternatives to mainstream GPUs. SenseParrots is devised to support multiple kinds of AI training chips coherently.

- ***Seamless integration with the model production pipeline***: The model production process consists of multiple stages, including data preparation, model training and deployment. SenseParrots can directly operate on the datasets from our training data platform, and the trained models derived therefrom can be directly fed into the model deployment tools. Such a streamlined pipeline significantly improves the efficiency of model production.

Overall, SenseParrots provides a solid foundation to support fast innovations on models and algorithms, thus placing us in a favorable position compared to those competitors that rely on open-source frameworks.

Model Compression Tool

Runtime efficiency, memory footprint and power consumption are crucial factors in the fitness of a model to a certain device and user experience of applications. To attain high accuracies, we train large, scenario-specific models on GPUs. However, such models are usually not suitable for direct deployment, especially in the context of mobile devices, due to their excessive demand on memory and computing power.

To ensure the fitness to devices with stringent computing environments, we have developed model compression techniques, such as quantization, pruning and distillation, and have incorporated these into the model production pipeline. Such techniques can transform a trained model into a light-weight one that runs faster on edge devices and consumes less memory, while maintaining comparable accuracy.

Cross-Platform Deployment Tool

The success of our business relies on the capability of deploying AI models to a large number of scenarios in multiple industry verticals, and responding to customer needs in a timely manner. Taking the super resolution photography product as an example, it took ten people three months to deploy the super resolution models on one mobile phone model in 2018. With our deployment tool, a team of a similar size now supports almost 100 phone models from different manufacturers and with different computing platforms and sensors. It takes a single engineer one week to support three to four mobile phone models simultaneously. This has been critical for scaling up our business in the mobile phone vertical. Such significant improvement in efficiency results from the automatic multi-platform model deployment tool provided by SenseCore. It supports more than 100 chips in the market, and also provides unified deployment of cloud services.

Computing Infrastructure

The computing infrastructure of SenseCore comprises AIDC, AI chips and edge devices, sensors and ISP chips. We have made continuous efforts in the development of this infrastructure to provide computation resources and large-scale data management for training powerful AI models at low cost. The size, complexity and diversity of AI models continue to increase, and the usage of AI software is rapidly expanding. The computing resources required to support training state-of-the-art large AI models have increased by one million times over the past ten years, according to Frost & Sullivan. The development of new chips and sensors expands the range and capabilities of AI embedded in hardware.

AIDC

As of June 30, 2021, we have built 23 supercomputing clusters with over 20,000 GPUs, sustaining an aggregate computing capacity of 1.17 exaFLOPS. Our AIDC empowers our research and development through its capabilities of supporting large-scale data processing and high-performance computing. We have developed a system software stack as the foundation to support AI workloads, with the following key capabilities:

- ***High-performance computing***: Both training and inference are computationally intensive tasks. To fully unleash the power of computing chips and enable efficient execution of such tasks, we have developed a high-performance computing engine, which comprises a rich collection of highly optimized computing routines, often referred to as "operators" in the context of AI computing, a compiler and a runtime environment. Compared to the computing engines provided by chip vendors, our computing engine improves end-to-end runtime efficiency significantly, through optimized operators and a whole-graph optimization technique that can cover not only neural network computing but also the pre-processing and post-processing stages.

- ***Highly efficient distributed scheduling***: Our AIDC is equipped with a distributed task scheduling system, which allows tens of thousands of computing tasks to be dynamically scheduled on thousands of GPUs. This system schedules over 20 million tasks per year and thus ensures that research and development activities can be carried out timely and efficiently. With the support of a wide range of scheduling policies, our scheduling system maintains a high utilization rate of the computing power, thus significantly reducing the average cost needed to train a model.

- ***High-speed data input/output (IO)***: When training a model over a dataset, each data sample will be loaded and processed for multiple times, at a high frequency and in a random order. Our AIDC typically runs a large number of training tasks simultaneously, resulting in a huge pressure on the data IO system. The storage and IO system not only stores a large volume of training data but also allows fast random access to them. It delivers a very high IO throughput, allowing training tasks to load over two million images per second, which ensures that training tasks can run at full speed without waiting for data.

- ***Hardware/software co-design***: Training base models with billions of parameters have very large demands for computing power and memory capacity, which results in a need for high-performance computation on GPUs. Such GPUs communicate with each other and frequently fetch data from the distributed storage system. Connecting multiple servers while coordinating all the aforementioned operations is a considerable undertaking and results in significant loss of runtime performance. We adopt the hardware/software co-design approach, configuring hardware settings according to our understanding of AI workload, while designing the software stack accordingly and conducting cross-layer optimization. With this design, our AIDC enables massive model production in a highly efficient manner, producing tens of thousands of models per year.

- ***High-standard system security***: We consider security as a top-priority of our computing infrastructure and design its architecture with system security enforced at multiple levels. For example, we have a comprehensive set of guidelines to categorize our data by security levels and grant access permissions accordingly. Our storage system is equipped with a sophisticated access control system. Sensitive data is stored and transferred in an encrypted form. Computing resources assigned to different authorized groups are appropriately isolated. A security team is working diligently to monitor the operations of our AI data centers and takes actions when potential risks arise.

Our computing capacity is expected to reach 4.91 exaFLOPS upon the launch of Shanghai Lingang AIDC with a designed computing capacity of 3.74 exaFLOPS. This will further enhance our AI-as-a-Service offerings and our leadership position in China's AI industry. We will make these computing resources available as a cloud-based computing infrastructure service for customers to deploy our software at large scale as well as to support the training needs of customers building in-house AI capabilities. We will lower the entry barrier for large-scale AI applications in various industries.

AI Chips and Edge Devices

AI chips and edge devices are important hardware infrastructure of SenseCore to support AI applications. In order to efficiently utilize the computation power of AI chips and reduce power consumption, increasing numbers of AI chips will be co-designed with AI models and AI software in the future. Such joint optimization has the potential to substantially reduce cost and improve efficiency.

We started development of our first specialized AI chip, STPU, in 2018 to support SenseFoundry-Enterprise and SenseFoundry, and it was successfully rolled out in January 2020. As of June 30, 2021, we had mass produced a total of 11,000 STPU chips. STPU is optimized for our AI models and tailored to intelligent video analysis, which significantly accelerates inference. With STPU, the hardware cost of SenseFoundry and SenseFoundry-Enterprise has been reduced by 75%, with the number of processed video streams being increased by three times. STPU enables our customers to build more cost-effective AI integrated products and services. AI engine, which is an accelerator for AI computation, is the core IP of STPU. It has superior performance for AI models,

as its architecture reflects our deep understanding of AI algorithms and AI systems, and its performance has been verified with our tens of thousands of AI models. SenseCore provides complete software systems for STPU, including the operating system, the compiler tool chain and the development platform.

We have also developed multiple types of intelligent processing cards with STPU. They are adaptable to both edge and cloud services. Each single card can process eight to 200 video streams simultaneously, depending on the scenarios.

We also launched the development of AI training chips to prepare for the next major breakthroughs in AI. As the complexity of AI models increases, AI chips tailored to the development of such models will show significant benefits compared to general-purpose GPUs. We consider AI chips as an important capability in the future AI industry, based on our capabilities of co-designing AI chips, AI models and the SenseParrots training framework.

Sensors and ISP Chips

SenseCore also has the capability of deploying AI models to sensors, which is important for AI to cover more scenarios. We are developing ISP chips to further enhance the capabilities of AI-enabled CMOS image sensors. See "— Smart Life — SenseME for IoT Devices" for details.

OUR RESEARCH AND DEVELOPMENT

Our leading position in the industry originates from our success in technology innovation supported by our strong research and development capabilities. We have invested significant R&D resources in our AI infrastructure SenseCore, fundamental technologies, software platforms and the AI ecosystem with a long-term commitment. Our R&D staff members collaborate closely to deliver high-quality products and services for customers, innovate sustainably and continually expand the technology boundaries. As of June 30, 2021, 40 professors led our research efforts, and approximately two thirds of our 3,593 R&D members held or were pursuing master's or higher degrees, including more than 250 PhDs and PhD candidates. Our research and development expenses amounted to RMB848.7 million, RMB1,916.0 million, RMB2,453.9 million and RMB1,771.7 million in 2018, 2019, 2020 and the six months ended June 30, 2021, respectively. Our prolific and original research and development achievements have cemented our position as the leader in the AI field.

Fundamental Research

Our research covers perception intelligence, decision intelligence, AI-enabled content generation and AI-enabled content enhancement. Deep learning and reinforcement learning are the fundamental technologies supporting these areas. We are the pioneer of research and technologies in multiple areas, which has enabled us to be an early mover in several industry verticals. As of June 30, 2021, we had won over 70 first-prize awards in global competitions.

- We were the first to surpass human eyes' performance on face recognition in 2014, which was an important milestone for industrial applications of AI. In 2020, we won five

champions in Face Recognition Vendor Test (FRVT), one of the most recognized competitions in face recognition, awarded by the National Institute of Standards and Technology (NIST) USA.

- We developed as the base model a neural network with 1,207 layers, which was the deepest neural network in 2015. It was one of the earliest methods of training that was applied to very large models. The models were typically around one hundred or fewer layers at that time. With powerful base models, we have achieved superior performance in addressing long-tail recognition problems in Smart Business, Smart City and autonomous driving. We won the ImageNet challenge organized by Stanford University and Google, which included 1,000 object categories and was an influential challenge for visual perception during 2010-2017. We also won the COCO challenge organized by Microsoft, Google and Facebook, which included 1.5 million object instances:

  — ImageNet Large Scale Visual Recognition Challenge

    - Champion in Object Detection from Video in 2015

    - Champion in Object Detection, Object Detection from Video and Scene Classification in 2016

  — Microsoft Common Objects in Context (COCO)

    - Champion in Image Classification in 2017

    - Champion in Object Detection in 2018

    - Champion in Detection and Panoptic in 2019

- Starting our research in 2016, we were among the first to develop industrial-grade AutoML technology. In 2018, we authored one of the first two papers on AutoML ever published at CVPR.

- We invented the first super resolution technology with deep learning in 2014. Our super resolution photography products have been widely used by top mobile phone manufacturers. We won eight champions in NTIRE, the most important challenge for enhancing image and video quality, such as:

  — New Trends in Image Restoration and Enhancement Workshop and Challenges (NTIRE)

    - Two champions in the Video Deblurring Challenge, 2019

- Three champions in the Video Super-Resolution Challenge, 2019 and 2021
- Champion in Spectral Reconstruction from an RGB Image, 2020
- Two champions in the Quality Enhancement of Heavily Compressed Videos Challenge, 2021

- We were among the first companies in Asia to develop L4 autonomous driving technologies with top global OEMs. We won 18 champions in global competitions related to autonomous driving, such as:

  — The KITTI Vision Benchmark Suite by Karlsruhe Institute of Technology and Toyota Technological Institute at Chicago (KITTI), which is the large vision benchmark for autonomous driving

  - Champion in Pedestrian and Vehicle Detection in 2016
  - Champion in the KITTI Stereo 2015 Benchmark in 2017
  - Champion in the Moderate Level of KITTI 3D Object Detection in 2019

  — Cityscapes, which is one of the largest well-recognized benchmarks for image segmentation in autonomously driving

  - Champion in the Pixel-level Semantic Labeling Task in 2016

- We are a pioneer in applying deep learning to action recognition. We developed temporal segmental networks (TSN), which substantially extends the capability of handling long videos and has been widely used in industrial settings. Action recognition plays a significant role in Smart Business and Smart City. We won the action recognition competition ActivityNet several times:

  — ActivityNet, the most influential benchmark for action recognition and with 200 event categories

  - Champion in Untrimmed Classification Challenge in 2016
  - Champion in ActivityNet-2020 Kinetics-700 Challenge in 2020
  - Champion in Temporal Localization Challenge in 2021

- We enable traffic optimization with AI supported by our advanced tracking technologies. We won five champion challenges in object tracking, including:

  - Multiple Object Tracking (MOT) Challenge, the top benchmark for object tracking

    - Champion in the Multiple Objects Tracking Benchmark in 2016

- We have been the pioneers of applying AR effect to Internet live broadcasting and video generation since 2016. Our design of facial key points for generating AR effects has become one of the industry standards in this vertical. We were first to successfully implement six degrees of freedom object tracking on a large scale, which is a core technology in AR, in H5 and applet for commercial usage in 2020. It is crucial for our AR technology to be used on a broad range of mobile phones.

  - We won the best paper award in ISMAR 2020, a top conference on AR and MR, and ours was the first paper from Asia to achieve this.

We have published over 600 papers in leading academic conferences and journals, among which over 500 papers were published at the world's three most influential computer vision conferences, namely, CVPR, ICCV and ECCV. According to Frost & Sullivan, we ranked number one in terms of the number of papers published in CVPR, ICCV and ECCV during January 1, 2015 to June 30, 2021.

Development

We have built an experienced product development and deployment team across domestic and overseas markets. Our team supports large-scale deployment, rapid iteration and continuous maintenance of products with strict guidelines. In addition, our user experience design (UED) team focuses on innovations of the design of AI products, including user experience research, interaction design and visual design. As of June 30, 2021, over 800 patents on product design had been granted.

We consider technological capabilities as a key part of our core competencies. Over the years, we have developed a number of key technology capabilities across multiple domains, including heterogeneous parallel computing, cross-platform compilation, large-scale parallel training, massive data storage, distributed scheduling, large scale vector search, IoT connectivity and management, security and cloud. Set forth below are the key highlights of our prominent advanced technology capabilities:

- ***AI chip-accelerated distributed vector search engine***: This is a core engine in SenseFoundry for city-grade information matching, and supports vector search on a database with 100 billion features. It integrates (i) distributed database technologies and (ii) deep learning-based vector compression and fast search. It achieves the requirements of high availability, high scalability and high concurrency, which are often required in real world applications.

- ***"Compile once and run anywhere" runtime framework***: This framework enables efficient deployment of AI models on different types of cloud, edge and end devices. We achieve this through a cross-platform runtime framework that integrates AI model inference with business logic in specific scenarios.

- ***Large-scale IoT connectivity and management***: Such capability is essential for all the software platforms to connect with a large amount of IoT devices. Our IoT connectivity engine is optimized for AI applications of sensors. It is compatible with network cameras, smart devices and roadside units, and supports data access, transmission and storage with millions of devices.

- ***Product security***: We have built a professional security management team with rich experience in data compliance, classified protection of cybersecurity, development of security platforms and penetration testing. A security management system has been built to set control points for security compliance throughout the life cycle of products.

Initiatives for Next Breakthroughs

We are exploring new areas which may lead to the next generation of AI technologies. For example, as AI models are becoming larger and more complex, GPUs may be inadequate to train some advanced models. We tackle this challenge by leveraging our comprehensive AI chips, AI software platforms and AI models design and development capabilities. Other initiatives include AI-enabled content generation, next generation of AI sensors and improving the operation and power efficiency of AIDC with decision intelligence.

R&D Collaboration

We have conducted R&D collaboration with academic institutes for sustainable technology innovations, which attracts and cultivates AI talent, supporting our fast growth. We established Qing Yuan Research Institute with SJTU in 2020, which is planned to have 20 senior research faculty members within five years focusing on basic theoretical research and technological innovation of AI. We have established an AI joint lab with a renowned university in Southeast Asia to provide strong R&D support for expansion of our business in the area. It is planned to have 125 members of research staff including PhDs, research fellows and professors in five years. We are the founding member of the Global Artificial Intelligence Academic Alliance, which has 18 global universities as members. We share our SenseCore with our collaborating universities and professors, who also contribute to OpenMMLab and OpenDILab. Such collaborations also provide our academic partners with opportunities of finding inspiring research topics stemming from industrial applications. As of June 30, 2021, we had close collaboration with 52 universities, established 15 joint laboratories and carried out 257 joint research projects. These R&D collaborations are mutually beneficial, with third-party institutions and researchers involved benefiting from academic or industry recognition for their contribution to the research result, while we are primarily entitled to the intellectual property generated. We are typically responsible for the monetary support and other in-kind funding of the collaborative projects, as well as expenses in relation to IP applications and IP rights

maintenance. The profit sharing is determined by the ownership of intellectual property rights developed through such collaboration. The arrangements for the ownership of intellectual property rights created through our R&D collaboration vary from institute to institute. For the majority of our collaborations, such intellectual property rights will be either (i) solely owned by us, in which case the economic interests of commercializing intellectual property belong entirely to us, or (ii) co-owned by our collaborating academic institute and us.

For our R&D collaborations, we typically assume the below roles and responsibilities:

- providing monetary support and other in-kind funding;
- sharing research resources and providing access to SenseCore;
- designating researchers to the project and appointing director of the joint lab;
- preparation, filing and prosecution of the relevant IP applications, and maintenance of the relevant IP rights; and
- monitoring the progress of the collaboration, including checkpoint examination and evaluation upon project completion;

while the third-party academic institutes typically assume the below roles and responsibilities:

- designating lead professor and researchers to the project;
- providing periodic project update to the project group; and
- meeting the set targets of the project, such as required number of IPs developed.

The salient terms of the relevant collaboration agreements typically include:

- Roles and responsibilities of the respective party;
- Governance of and personnel assigned by each party to the joint lab established;
- Funding contribution; and
- Title to the IP rights developed.

We have a long-term internship program focusing on cultivation of future AI talent. In the past six years, we trained over 3,500 students in this program. Many of them have subsequently joined us right away or after pursuing advanced degrees at top universities across the globe.

INTELLECTUAL PROPERTY

Our intellectual property is critical to our innovation which underpins our success. We seek to protect our intellectual property through a combination of patents, copyrights, trademarks, domain names, trade secrets, confidentiality agreements and other measures.

As of June 30, 2021, we had an extensive portfolio of 8,123 intellectual property rights, including 4,169 patent assets in China and 3,954 overseas patent assets. We are among the companies with the largest portfolio of invention patents in the AI industry in Asia as of June 30, 2021, according to Frost & Sullivan. As of June 30, 2021, out of our patent assets, among which 1,324 were granted patents and 6,799 were patent applications pending approval, and 7,134 were inventions. Our overseas patent assets, including 256 granted patents, span across 20 countries and regions, primarily in East Asia, the United States and Southeast Asia. We have also applied for 971 PCT international patents.

As a long-term leader of AI technology innovation, we have established our extensive patent portfolio covering all key aspects of our businesses. Our patents for fundamental and core technologies primarily include: (i) 389 patent assets for SenseCore AI infrastructure; (ii) 4,072 patent assets for perception and decision intelligence; (iii) 458 patent assets for AI-enabled content enhancement; (iv) 1,463 patent assets for AI-enabled content generation; (v) 89 patent assets for AI chips and sensors; (vi) 475 patent assets for medical image analysis; and (vii) 1,100 patent assets for smart automobile technology.

As of June 30, 2021, we also had 4,178 registered trademarks and trademark applications, 497 registered software copyrights, 57 registered copyrights and 591 registered domain names.

See "Appendix IV — Statutory and General Information — Further Information about our Business — Intellectual Property Rights."

We have designed and adopted comprehensive measures to protect our intellectual property. We enter into employment agreements with confidentiality, non-compete covenants and intellectual property ownership clauses with our employees, certain consultants and advisors. They acknowledge that the intellectual property developed by them in connection with their employment with us, including our in-house developed content, is our property.

During the Track Record Period and as of the Latest Practicable Date, we had not been subject to any material disputes or claims for infringement of third parties' trademarks, licenses and other intellectual property rights. However, unauthorized use of our intellectual properties by third parties and expenses incurred to protect our intellectual property rights may materially and adversely affect

our business and operations. See "Risk Factors — Risks Relating to Our Business — Unauthorized use of our intellectual properties by third parties may harm our brands and reputation and materially and adversely affect our business, and we may incur substantial expenses to protect our intellectual property rights" and "Risk Factors — Risks Relating to Our Business — We may be subject to intellectual property infringement claims, which could be time-consuming or costly to defend and may result in diversion of our financial and management resources." During the Track Record Period, we had experienced several incidents of third-party violations of our registered trademarks. We had discovered no other unauthorized use of our intellectual properties during the Track Record Period.

DATA PRIVACY AND PERSONAL INFORMATION PROTECTION

We attach the greatest importance to data security and protection. We have adopted our standard protective measures including confidentiality categorization, access control, data encryption and desensitization to prevent unauthorized access, leakage, improper use or modification of, damage to or loss of data and personal information.

Our Data Security and Personal Information Protection Management Committee oversees our data security and personal information protection efforts. We have built up a comprehensive personal information management system and formulated a series of technical standards and specifications to ensure data and personal information security throughout their life cycle:

- ***Data Sources***

We process data on an as-needed basis for our products and services offering and model training during the ordinary course of our business operations. Substantially all of the data we collect or use are in the form of photos and videos for us to analyze the scenarios. We obtain our customers' authorization before processing such data and we preserve the evidence of such authorization. Depending on the specific circumstances within an industry, we may primarily rely on the data collected by ourselves or by our customer. Our training data platform is also capable of generating data through simulation to supplement the data from the real world for model training purposes. See "— Our Universal AI Infrastructure — Deep Learning Platforms — Training Data Platform — Training data generation" for details. In addition, we also use (i) data collected from sources with direct authorization to us, (ii) limited amount of data purchased from third-party vendors, and (iii) data downloaded from public datasets which comprise images and videos of real-world scenes and specific objects that do not contain personal information. The data we purchased from third party vendors during the Track Record Period had been provided after anonymization pursuant to the relevant agreements with such vendors. We have established data privacy policies to ensure that our collection of data is conducted in accordance with applicable laws and regulations and that the collection is for legitimate purposes. We request the third-party vendors to explicitly confirm in the agreements that they have acquired data from legitimate source and that they have obtained the rights to use such data for the purpose specified in the agreements. For public datasets, we limit the scope of data we download to images and videos that do not contain personal information. We apply our data protection requirements equally to all types of data, regardless of

their sources. We have also established approval mechanisms for data access, internal or external transmission, and decryption.

- ***Data Processing***

We strictly process data in the manner that has the least impact on the rights of data subjects. We process data with specific and reasonable purpose, which is limited to the minimum scope for achieving the purpose. Data shall not be used for any purpose irrelevant to such purpose. We have implemented our uniform data processing requirements across different business lines. For AI models training, our training platform automatically desensitizes the input data before processing. We mask personal and sensitive information, such as faces, license plates and personal identifiable information, and ensure that our data is used for training purposes without personal information attached. For customer data processing, we deploy the access control mechanism on the server side, adopt the principle of minimum authorization for the staff who may contact end users' personal data, and regularly check the logs of visitors and access. Our operating systems and database systems have password complexity requirements, adopt the SSH security protocol for remote management and strictly restrict access to the default accounts. We keep comprehensive audit records for our systems which cover all system users.

We process customer data for (i) development of AI software; and (ii) provision of real-time data processing services:

- ***Development of AI Software***: We do not have ownership over the data from our customers and only process such data on an as-needed basis to fulfil the purposes of our collaborations as consented in our collaboration agreements. We do not permanently store and use end users' data and only utilize such data during the collaboration period as agreed with our customers. For products and services in certain industry verticals, we may retain end users' data that do not contain personal information only for a limited period of time needed to develop AI models for our customers, unless a longer storage period is required by law. We do not download any data that contain personal information to our data platform, and we only download data without personal information to our data platform when necessary. We annotate the data from our customers in accordance with the restricted purposes of usage and limited time frame of storage as stated in our collaboration agreements. After the collaborations are completed, we will proceed with destruction of the relevant data from our customers to comply with our corresponding obligations.

- ***Provision of Real-time Data Processing Services***: We process data from our customers, which involve their end users' data containing personal information, in the course of providing real-time data processing services. As required by our internal policy, we only process end users' data containing personal information on public cloud servers within the scope of authorization on an as-needed basis, and do not download such data to our own data platform. We do not download any customer data to our data platform in the course of providing real-time data processing services.

- ***Data Usage and Storage***

We have adopted a data encryption system to ensure the secured transmission of data and prevent any unauthorized users or personnel from accessing or using our data for unintended purposes. Data is categorized in accordance with its level of confidentiality, and de-identified and anonymized before it is processed by our personnel. Use and retrieval of data are subject to assessment and approval procedures based on data categorization, and operation journals are maintained. Our application systems set up identity authentication, user identity uniqueness verification, role-based access control and other security control mechanisms and use HTTPS protocol for secure communication.

We collaborate closely with our customers for provision of our products and services and are deeply involved in the deployment with routine communications with the customers. We help process the data collected through the usage of our products and services and upgrade the products we provide on an ongoing basis. We generally require our customers to confirm in their contracts that they will not use our technology for illegal, unethical or inappropriate purposes and reserve the right to terminate the contract if we become aware of such incidents. To ensure our customers' proper use of our technologies, we conduct special compliance inspections on a regular basis to check data security operations of our customers. Specifically, we examine whether our customers have obtained proper authorization from whom they collect data. We also conduct return visits to the customers to conduct data security assessments.

We have adopted and implemented relevant policies and management system in relation to data privacy and protection, and the relevant contracts with third party data providers include the representations and warranties made by relevant third parties in relation to compliance with relevant laws and regulations, and the relief and indemnification clauses as well as dispute resolution mechanism that we can resort to in the event of the breach by such data providers. To the best knowledge of the Group, during the Track Record Period and up to the Latest Practicable Date, there had been no material investigation, penalty or litigation relating to personality rights infringement or violation of data privacy and protection against the Group that would materially and adversely affect the Group's business. Based on the foregoing and the public search conducted by our PRC Legal Advisor and as confirmed by the Company, our PRC Legal Advisor advised that, during the Track Record Period and up to the Latest Practicable Date, there had been no material litigation or other proceedings arising from or in relation to any infringement of personality rights or data protection, and hence the Group has not violated relevant PRC laws and regulations in relation to personality rights and data protection that would impose material and adverse effect to our business.

We use firewalls, anti-malware, network security protection applications and various encryption technologies at both software and hardware levels to protect data privacy and securely store such data. To minimize the risk of data loss or leakage, we conduct regular data backup and data recovery tests. We audit and monitor all the user accounts for server operation. If we find any server operating system with any security loopholes, we will upgrade the security protection to ensure the security of all server systems and applications.

We set forth below the key principles of our data and personal information protection measures:

- ***Authorized access and use of data***

Our customers entrust us to process their data for certain of our business cooperation. We request our customers to confirm that they have acquired such data from legitimate sources and obtained the rights to use such data, with their end users' consent for the purposes specified in our agreements. We only use data for purposes explicitly authorized by our customers, such as identity verification, record-keeping and statistics, and do not use data for purposes without prior approval and consent. We continuously monitor our data processing collaboration with third parties, and regularly review the content of such collaborations, the scope of the collaboration agreements and the execution of such agreements to ensure compliance with relevant laws and regulations.

- ***Independent database and secure server system***

We have our own database and do not share customer or end user personal information with other third parties. Our server systems are protected with heightened levels of security. We regularly conduct user account auditing and monitoring of our server operations. Once we discover security issues with certain server systems, we will promptly upgrade such systems to ensure the security of our server systems and applications. We have enhanced encryption strength of sensitive personal information in our systems to ensure data confidentiality. We have a comprehensive personal information security and management system, covering security management of our data, source code, personal information, third-party personnel, cybersecurity incidents and infrastructure.

- ***Comprehensive data and personal information security and management policies***

We have implemented comprehensive employee confidentiality policies, data use approval procedures and data tracking mechanisms to ensure the security of our database. We have formulated corresponding workplace procedures based on relevant rules and regulations. As a data processor, we have implemented multiple data protection and cybersecurity measures to ensure our proper handling of sensitive data, including our data desensitization technology used for all data training activities. Through continuous investment in technology advancement, we have improved our overall security capabilities. Meanwhile, we have obtained multiple certifications, including the information security management system certification (ISO/IEC 27001:2013), the personally identifiable information protection management system certification (ISO/IEC 29151:2017) and the privacy information management system certification (ISO/IEC 27701:2019), and our key products have passed multi-level protection of information security evaluation. Moreover, our product design puts great emphasis on data security, and our products must pass data privacy evaluations and security tests before launching or delivery to customers.

- ***Regular audit and contingency plan***

We conduct a special audit of our data security compliance status by our in-house internal control team each year. We had not found material non-compliance issues for data security during the Track Record Period. We have formulated a cybersecurity contingency plan and conduct training and safety drills every year in preparation for any emergency cybersecurity incidents. In the event that our security measures are compromised, we will report to the competent authority in accordance with relevant laws and regulations, and promptly inform impacted users.

RESPONSIBLE AND SUSTAINABLE AI

We are committed to the principles of responsible AI, and strive to address potential challenges to the sustainable development of global society, economy and technology.

Adherence to Principles of Responsible AI

We published our white paper Responsible AI that Promotes Sustainable Development of Humanity on Code of Ethics for Sustainable AI Development in June 2020 laying down the foundation for our AI ethics discourse, which has been included in the Resource Guide on Artificial Intelligence Strategies released by the United Nations Department of Economic and Social Affairs. In 2021, we further crystalized our core ethical principles of responsible AI ("AI Ethics Principles"):

- ***The Principle of Sustainability***: We are committed to promoting AI ethics governance to ensure that AI will enhance sustainable economic, cultural and environmental development across society. Under the Principle of Sustainability, we endorse open and inclusive collaboration, promote AI's important role in environmental protection and peaceful development, advocate for social awareness of AI ethics, and actively explore the application of innovative and sustainable AI governance models.

- ***The Principle of Human-Centric Approach***: We believe the benefits brought by AI technology must be eventually shared with everyone, and not just a selected few. We strive to pursue inclusive digital ethics built on a value system that conforms to moral consensuses across different cultures. We respect and accommodate for diversities across nations and regions, and endeavor to minimize bias arising from differences in culture, ethnic origins, jurisdictions or other attributes. Under the Principle of Human-Centric Approach, we place strong emphasis on human rights, privacy protection and unbiased application of technology.

- ***The Principle of Controllable Technology***: We believe AI technology should remain under human oversight and control. We recognize the importance of raising people's awareness of the benefits as well as the potential risks of AI technology. Key attributes such as legality, verifiability, certification, creditability, responsibility and reliability must be closely scrutinized before the adoption of any AI technology. Under the Principle of Controllable Technology, we abide by applicable laws and regulations in relevant jurisdictions, and strive to build trust through our commitment to apply our AI technologies audibly, openly and transparently.

Guided by these three principles, we apply our leading AI technology to tackle global challenges such as the COVID-19 pandemic and climate change, as well as to promote innovation, collaboration, environmental-friendliness and openness in the long run.

AI Ethics Initiatives

By adhering to the three AI Ethics Principles, we have devoted our active efforts in relation to AI ethics in the following aspects:

Organizational Structure and Governance

Our AI Ethics Council leads responsible and sustainable AI initiatives. Our AI Ethics Council comprises six members, including one external advisor and one independent non-executive Director, who are academic experts in the field of AI ethics, and four senior management members. Currently, Professor Ji Weidong, former Dean and Presiding Chair Professor of KoGuan Law School, Shanghai Jiaotong University, serves as the external advisor of our AI Ethics Council, and our independent non-executive Director Council member is Professor Xue Lan. Our AI Ethics Council is responsible for determining and implementing our AI ethics-related principles, strategy and policies. It mobilizes internal resources and engages with external key stakeholders to review and advise our AI ethics practices, to ensure that values such as professionalism, neutrality and objectivity are observed in our operations.

Inhouse Efforts

In adherence to the three AI Ethics Principles, we have implemented a number of initiatives in aspects of our operations, including risk controls, research and training.

AI Ethical Risk Control Scheme

We have set up our AI ethics review process to review and monitor potential ethical risks across the lifecycles of our products and services, starting from project approval, product release, to continuous monitoring of the operation, and the subsequent release of such products and services. Our ethics review process evaluates projects and services based on standards which conform to our aforementioned three AI Ethics Principles. During the evaluation process, we may elect to turn down new product proposals, terminate on-going product development projects or discontinue existing products which fail to meet our principles and standards. We also put much emphasis on data privacy protection by conducting comprehensive review of all our products and services. For details of our review process on data privacy protection measures, see "— Data Privacy and Personal Information Protection." We have also engaged external consultants to advise on our review process and risk management model to ensure ethical compliance of our products and services.

Our Global AI Ethics Research Achievements

Our research in AI ethics covers a broad range of subjects, including but not limited to AI ethics and law, AI governance and sustainable AI. We believe such research efforts solidify the

foundation of, as well as enable the industrial integration and implementation of, our AI ethical principles. As of June 30, 2021, our research has been included in various international and domestic reports, including the Policy Guidance in AI for Children published by United Nations International Children's Emergency Fund.

In addition, we have established a Global AI Ethics Case Database since 2019 to keep track of the ever-evolving developments and ethical challenges in the AI industry around the world. Our Database has collected hundreds of case studies on both positive and negative real-life applications of AI, ranging from city governance, AI education and AI healthcare to autonomous driving. We use our AI Ethics Case Database as a key reference point when developing our white papers on AI ethics governance policies for different regions around the world.

Training and Promotion of AI Ethics

We organize periodic training on AI ethics for our employees. We design and continuously update our own ethics training curriculums and materials. We believe regular training can enhance our employees' ethical awareness in their daily work, which is crucial in ensuring the AI ethical compliance of the Group.

Collaborations

We collaborate with third-party institutions and think tanks, which allows us to keep abreast of the latest developments in the field, and to maintain neutrality and objectivity in the implementation of our AI ethics practice. It also reinforces our status as the industry leader in the AI ecosystem, and further enhances our influence in the advocacy for responsible and sustainable AI.

External Research and Collaboration

To advance our principle of human-centric approach in the area of AI governance, we serve as the vice chair-member at the Institute for AI International Governance of Tsinghua University, a leading Chinese academic institution in the field of AI governance, represented by renowned scholars from China and abroad. We collaborated with these scholars to promote research in innovative and sustainable governance models, such as agile governance.

We advocate our principle of controllable technology in the area of AI law and compliance, and have jointly established the Research Center for Computational Law and Artificial Intelligence Ethics with Shanghai Jiao Tong University to conduct research in areas such as data safety, privacy protection and unbiased algorithms. We have also collaborated with other institutes to conduct research on the interpretability of AI algorithms.

To further promote global development on our principle of sustainability, we have collaborated closely with the United Nations and other international organizations. In the Resource Guide on

Artificial Intelligence (AI) Strategies released by the United Nations in June 2021, our white paper Code of Ethics for Sustainable AI Development was designated as one of the key reference publications from the private sector.

Initiatives on Setting AI Ethical Standards

We serve as the Vice Chair of the AI Reliable National Standards Working Group. We led the drafting of 13 national or organizational AI ethical standards initiated by the AI Reliable National Standards Working Group. These standards include Artificial intelligence — Risk assessment model, Artificial Intelligence — Evaluation Guidelines for Ethical Risk and others. We also serve as the Vice Chair-member of the Shanghai Artificial Intelligence Standardization Technical Committee, allowing us to be closely involved in setting industry standards in multiple areas such as responsible AI, AI ethics and data security.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Making a positive environmental, social and governance (ESG) impact on our communities is an integral part of our business and has been our core value since inception. Leveraging our AI technology and platform, we commit to creating sustainable value for our partners, customers, investors, employees and society, hence building a healthy, vibrant and sustainable ecosystem.

Our AI Ethics Council, Corporate Social Responsibility Department and Intelligence Industry Research Institute are jointly responsible for our ESG matters:

- ***AI Ethics Council***: See "— Responsible and Sustainable AI — AI Ethics Initiatives — Organizational Structure and Governance."

- ***Corporate Social Responsibility Department***: Responsible for the corporate social responsibility strategies of our Group, with commitment to make continuous contribution to the consumers, social public interests, education and environmental protection.

- ***Intelligence Industry Research Institute***: Responsible for conducting in-depth industry research and collecting market intelligence for our Group, including but not limited to research on best practices on AI Ethics, carbon neutrality and other ESG issues.

We identify, assess, manage and mitigate environmental, social and climate-related risks by setting up dedicated project task forces to take care of the lifecycle management of the corresponding project.

Commitment to Environmental Protection and Carbon Neutrality

As a global company focusing on developing responsible AI technologies that advance the world's economies, society, and humanity, we have been actively exploring ways to achieve

environmental protection and realize carbon neutrality. The potential impact of environmental, social and climate-related risks on our businesses is multi-faceted. On the one hand, it heightens the needs for us to take into considerations energy-efficient measures when constructing our Shanghai Lingang AIDC, and adapt our software platform products to meet the carbon neutrality requirements of our customers. On the other hand, it presents new AI application opportunities across different industry verticals.

We have adopted an intelligent energy platform to achieve the most efficient use of energy within our owned office building. We use our software platforms to digitalize our own office buildings and provide AI-empowered office products and services, such as access control, meeting room management, cloud-based printing systems and inventory management with a view to enhancing mobile usage and reducing paper consumption and carbon footprint.

We also develop AI algorithms, sensors and chips with the goal of minimizing power consumption of AI software platforms and our other products. Our AI sensors eliminate the need for high-performance processors or external memory so that the end device will require less bandwidth and less power. Our AI sensors process the images and videos and transmit extracted information as metadata for further processing, substantially reducing the bandwidth required and energy consumption for IoT devices.

Our Shanghai Lingang AIDC will aggregate computing needs from small- and medium-sized enterprises and increase the overall computing efficiency for society. We have adopted various energy optimization measures for our Shanghai Lingang AIDC, including photovoltaics, high-efficiency converter centrifuges, UPS Eco Mode, LED lighting and wet film humidification. We will implement centrifuging systems and deploy industrial cooling refrigerants for our Shanghai Lingang AIDC which are expected to improve our cooling efficiency by 3-5%/°C, thus reducing 80% of energy consumption. We will implement energy-saving power consumption systems within our AIDC which are expected to reduce line loss rate by approximately 50%. We expect the power consumption of our Shanghai Lingang AIDC to be approximately 10% lower than the industry average of other data centers in China upon its launch, saving approximately 45 million kWh of our annual power consumption.

We will continue to monitor our carbon dioxide emissions which we expect to mainly come from our office premises and the Shanghai Lingang AIDC upon its completion. We expect to achieve peak carbon dioxide emissions around 2025 with estimated peak emission of no more than 350,000 metric tons of carbon dioxide equivalent, and net zero emissions around 2050.

Aside from implementing sustainable and eco-friendly practices in our own operations, we are also powering value chains across different industry verticals to enable greater sustainability. To empower the digital transformation of the energy sector, one of the major sources of carbon dioxide emissions, we are enabling smart inspections on power grids with SenseFoundry-Enterprise and SenseMARS, boosting the safety and efficiency of grid-connected renewable systems. Furthermore, our high-accuracy 3D remote sensing system provides comprehensive analytics for environmental management and the implementation of various carbon neutral practices.

In the mid-term, we intend to leverage our computer vision capabilities to assist the automatic industrial inspection covering the manufacturing and operations of photovoltaic and wind power enterprises. We will build up a "carbon neutrality" module in SenseFoundry to identify, simulate, and guide the best practices for energy saving patterns.

In the long-term, we intend to apply our decision intelligence capabilities to achieve cluster power generation forecast and enhance power usage efficiency, and explore the planning and construction of energy storage power stations with support of our AIDCs.

We target to achieve sustainability which constitutes a fundamental strategy for us as we expand and diversify our technology offerings. Together with our business partners, we will continue to promote fair, responsible and legally compliant applications of AI technology.

Nurturing Next Generation AI Talents

Since publishing the first edition of our AI textbook in collaboration with East China Normal University in 2018, we have been actively supporting AI education in China's public schools. We have designed a comprehensive AI curriculum supplemented by a full set of teaching materials, including textbooks, a software platform for interactive student-teacher experiments and other teaching tools.

As of June 30, 2021, through our collaborations with local schools and education authorities, we have brought AI courses to more than 2,700 primary and secondary schools in more than 30 cities. We have also provided training to over 7,200 teachers on up-to-date AI-related subjects.

We have been providing free online and offline AI courses, covering various topics on real-life applications of AI. Through these courses, we believe academic communities can be further integrated to participate in the latest developments of businesses and industries, hence expediting the conversion of AI technologies to applications across diverse industries.

Fighting COVID-19

During the COVID-19 pandemic, we promptly upgraded our SenseCare-Lung Pro software in response and provided the product for free to hospitals and medical institutions to help improve the efficiency and accuracy of COVID-19 diagnoses based on CT images. We also provided free AI computing resources for virus analysis and vaccine research. We have developed contactless temperature measurement products that can be used both indoors and outdoors to help with pandemic control.

Since early 2020, we have donated over 300,000 masks and other protective equipment to hospitals, universities and other institutions in need around the world.

Caring for the Disadvantaged

We are dedicated to making AI available and useful for disadvantaged groups. For example, we introduced a smart portable and wearable device for the visually impaired, so as to enable them to live more independently. Our device is able to detect barriers and obstacles and send alerts to the user, so that the visually impaired can maneuver around obstacles in time. We have been cooperating with several local governments and charities to provide AI-empowered brain computer interface technology, which is aimed at improving the living standard for individuals with prostheses.

Caring for our People

Our employees are crucial to our success. We identify talent at the early stage of their careers, and invest heavily in training and retaining them. We provide adequate resources to help them succeed, including easy access to our supercomputing clusters, internal open-source program, sharing of industry-related insights and knowledge and regular training seminars.

We encourage a healthy work-life balance for all of our employees. We believe in "working smart" and have therefore invested heavily in automating part of the work process to enhance efficiency. We promote a healthy lifestyle by providing employees with access to welfare services such as fitness facilities, nursing lounges and health consulting services. We also conduct periodical employee feedback surveys and implement changes accordingly.

BUSINESS SUSTAINABILITY

We have achieved strong growth since our inception in 2014 in terms of both revenue and customers. Our revenues grew from RMB1,853.4 million in 2018 to RMB3,026.6 million in 2019 and further to RMB3,446.2 million in 2020 with a CAGR of 36.4%, and from RMB861.2 million in the first half of 2020 to RMB1,651.8 million in the first half of 2021 with a year-on-year revenue growth rate of 91.8%. Our gross profit margin grew from 56.5% in 2018 to 56.8% in 2019 and further to 70.6% in 2020, and from 72.1% in the first half of 2020 to 73.0% in the first half of 2021.

On the other hand, we had operating losses for the year/period of RMB338.8 million, RMB1,606.5 million, RMB1,811.7 million and RMB2,150.7 million in 2018, 2019, 2020 and the first half of 2021, respectively. The operating losses were largely due to investments in our R&D capabilities, as our R&D expenses in 2018, 2019, 2020 and the first half of 2021 amounted to RMB848.7 million, RMB1,916.0 million, RMB2,453.9 million and RMB1,771.7 million respectively. After eliminating the impact of non-cash items not indicative of our operating performance, we had adjusted net losses (non-IFRS measure) in the same periods of RMB150.0 million, RMB1,155.2 million, RMB707.7 million and RMB578.3 million, respectively.

We have a healthy cash balance to support our operations and future business expansion. During the Track Record Period and up to the Latest Practicable Date, we had historically funded our cash requirements principally with capital contribution from shareholders and financing through the

issuance of preferred shares in private placement transactions. Our cash and cash equivalents consist primarily of cash on hand and bank deposits. We had cash and cash equivalents of RMB7,227.1 million, RMB6,672.9 million, RMB11,427.9 million and RMB8,925.8 million as of December 31, 2018, 2019 and 2020 and June 30, 2021, respectively. As of June 30, 2021, our total cash balance was RMB19,528.4 million, including RMB8,925.8 million in cash and cash equivalents, RMB7,938.7 million in term deposits, RMB2,186.4 million in structured deposits and RMB477.5 million in restricted cash. Our total cash balance is sufficient to cover our net cash flows used in operating activities, providing ample liquidity for our continuing business operations. We believe that we possess sufficient working capital, including sufficient cash and liquidity assets, taking into account the financial resources available to us, including expected revenue and the estimated net **[REDACTED]** from the **[REDACTED]**.

In the future, we intend to maintain sustainability and growth of our business and achieve profitability through (i) continuous revenue growth and (ii) improvement of our operating leverage.

Continuous Revenue Growth

We are operating in one of the fastest-growing business areas of this decade. According to Frost & Sullivan, the global AI software market size is expected to reach USD121.8 billion in 2025, growing at a CAGR of 31.9% from 2020. As a leading AI software company serving a broad range of industries and the largest in Asia in terms of revenue in 2020, we are well-positioned to generate high and sustainable revenue growth in the future. Our growth will be driven in three areas: (i) customer expansion, (ii) offering expansion and (iii) geographical expansion.

Customer Expansion

During the Track Record Period, our customer base continued to grow as we entered more industry verticals and improved our brand awareness. We had 539, 834 and 848 Smart Business customers in 2018, 2019 and 2020, respectively, representing a CAGR of 25.4%, and the number of our customers increased by 19.4% from 532 to 635 in the six months ended June 30, 2020 and 2021. The number of cities served increased from 21 as of December 31, 2018 to 47 as of December 31, 2019, and further to 94 as of December 31, 2020 and 119 as of June 30, 2021. The number of our Smart Life customers increased from 126 in 2018 to 211 in 2019, and further to 236 in 2020, and from 152 in the first half of 2020 to 155 in the first half of 2021. The number of our Smart Auto customers increased from 9 in 2018 to 19 in 2019, and further to 25 in 2020, and from 9 in the first half of 2020 to 13 in the first half of 2021. Our growing customer base reflects the scalability and strength of our AI software platforms.

In the future, we intend to further grow our customer base and deepen customer relationships. We expect to attract new customers in the same or similar verticals we currently cover at low costs, as our standard software platforms are universally applicable to the relevant industry verticals. For example, we have established our presence in verticals such as manufacturing, property management, traffic management and smart auto, where these industries are still in the relatively early stages of adopting AI technologies. We plan to deepen our industry penetration with our comprehensive and

scalable software platforms, as enterprises in these verticals move forward with their digitalization. We also intend to reach more end users through more IoT devices empowered by our AI models.

In addition, with our SenseCore capable of efficient mass-production of complex AI models, we are able to enter into new verticals in a time-efficient and cost-efficient way. We have been continuously expanding to new industry verticals. For example, we started to provide AI software for subway systems in 2018, offered our products and services for airports in 2019, served our first customer in the food processing and infrastructure industries, respectively, in 2020, and have engaged in business discussions with potential customers in the sports center industry vertical in the second half of 2021. In the future, we intend to continue working with launch customers that are market leaders with deep industry knowledge and abundant scenario data to support model production, aim to empower more industry verticals where the digitalization needs are the greatest. Upon implementation of products for launch customers, we expect to create affordable standardized products and cloud computing services for other customers, such as small- and medium-sized enterprises, to accelerate the commercialization within the same industry verticals.

Offering Expansion

We will continue to expand our product and service offerings. We routinely upgrade our software platform with feature enhancements and new functionalities. In 2019, 2020, and the first half of 2021, we had produced 1,152, 9,673 and 8,377 AI models, respectively. As of June 30, 2021, we had accumulated over 22,000 commercialized AI models to power varied applications across industry verticals. We rely on these AI models to develop, adapt, promote and upgrade our software platforms.

We also expect to leverage our extensive pool of AI models and in-depth industry coverage to achieve cross-domain innovation, creating more competitive cross-industry AI applications that better serve the complex demand across different industry verticals. For example, we plan to offer more cross-domain products in the future, such as autonomous driving + traffic management, Smart City + Metaverse, and smart healthcare + new drug development.

We will also promote AI-as-a-Service based on our AIDC infrastructure to more industries and customers, enabling them to produce AI models tailored to their business needs with little effort, expertise and investment. We plan to further open up SenseCore capabilities to customers from both academia and industry on a subscription basis upon launch of our Shanghai Lingang AIDC in early 2022. In addition, we have developed AI chips and edge devices tailored to our AI software, and expect to offer these products to our customers, including mobile phone manufacturers and other IoT device companies.

We plan to further develop and commercialize our Metaverse-related offerings. We intend to enhance and enrich the functionalities of our AI, AR and MR capabilities of SenseMARS and grow the customer base and developer ecosystem to strengthen our leadership in Metaverse-related offerings.

For our Smart Auto business, we are developing L2+ ADAS products for both traditional and new energy automobile companies, and we expect the car models pre-installed with our L2+ ADAS products to begin mass production in 2022. With the ever-expanding portfolio of products and services, we will have greater flexibilities in optimizing our offerings and cost structure, eventually bringing more long-term value to our customers.

In addition, since the pricing of our software platforms is driven by (i) the number and complexity of the AI models provided, (ii) the number and types of IoT devices empowered, (iii) hardware and computing resources required to run the AI models and (iv) services for deployment and maintenance, we believe that the continuous upgrade and expansion of our products and services will help us maintain or enhance our pricing power.

Geographical Expansion

We plan to achieve a stronger global footprint through strengthening our sales and marketing capabilities and enhancing strategic partnerships with leading companies and cities in targeted geographies, especially Northeast Asia, Southeast Asia and the Middle East. See "Risk Factors — Our international business is subject to various risks and uncertainties. If we are unable to manage the risks presented by our expansion in international markets, our financial results and future prospects may be adversely impacted" for relevant potential risks. During the Track Record Period, we expanded our business in overseas markets with strong demand for AI and digital transformation. Our revenue from markets outside the mainland China was RMB319.7 million, RMB475.2 million, RMB762.1 million and RMB238.8 million in 2018, 2019, 2020 and the first half of 2021, respectively. During the Track Record Period, we established our sales presence in international markets such as Japan, South Korea, Singapore, Malaysia, Saudi Arabia and the UAE. Our local teams understand customer preferences and are able to quickly localize our product and service offerings, in order to develop local relationships and business partnerships. We expect to increase our global presence in the near future along with the gradual containment of the COVID-19 pandemic globally. In the second half of 2021, we set up our local office in Macau. Specifically, we will continue to expand internationally in regions such as Southeast Asia and the Middle East with significant growth opportunity for our Smart City business. In line with our business expansion strategies, we plan to actively collaborate with major entities that have strong local influence. For example, we have recently entered into an agreement with a major sovereign wealth fund in the Middle East to establish a joint venture which will further expand our presence there.

Improving Operating Leverage

Given our strategic priority on AI software offerings, we achieved high gross profit growth as well as enjoyed high gross margin during the Track Record Period. In 2018, 2019, 2020 and the first half of 2021, our gross profit amounted to RMB1,046.8 million, RMB1,719.2 million, RMB2,432.1 million and RMB1,205.1 million, respectively, corresponding to gross profit margin of 56.5%, 56.8%, 70.6% and 73.0%, respectively.

Starting from early on, we have strategically chosen to invest substantially in R&D capabilities and are continuously building our proprietary universal AI infrastructure, SenseCore. Benefiting from SenseCore, we have achieved efficient mass-production of AI models. Our R&D staff developed an aggregate of 1,152, 9,673 and 8,377 commercial AI models in 2019, 2020 and the first

half of 2021, respectively, representing an annual average of 0.44, 3.45 and 5.24 AI models per person in the same periods, respectively. In the future, leveraging the increasing productivity and capabilities of SenseCore, we aim to generate economies of scale and shorten the time-to-market of our AI model deployment and commercialization, and therefore achieving an improvement in operating leverage as our business grows. In particular:

- As we continuously enhance SenseCore's capabilities and capacity, we expect to benefit from improving efficiency in AI model production and reduce the marginal cost for the production of AI models. As a result, we expect to benefit from improved operating leverage with more cost-efficient AI model production.

- We expect our administrative expenses to grow alongside our business growth mainly due to expected increase in employee benefit expenses. We expect to continue to evaluate and monitor the effectiveness and efficiency of our administrative expenses in order to improve our operating leverage. As such, we expect our administrative expenses to remain relatively stable as percentage of our revenue in the near future with a decrease in such percentage in the long run.

- We expect our selling expenses to grow alongside our business growth mainly due to expected increases in employee benefit expenses. As we shorten the time-to-market of our AI models which will help us acquire new customers faster and at lower cost, we expect to maintain our selling expenses at a relatively stable proportion of our revenue.

Improving Operating Cash Flow Position

We had net cash flows used in operating activities of RMB749.7 million, RMB2,869.4 million, RMB1,228.8 million and RMB830.9 million in 2018, 2019, 2020 and the six months ended June 30, 2021, respectively. Our operating cash flows had shown improvement during the Track Record Period, and our operating cash outflows were primarily due to (i) our significant investments in our research and development efforts to enhance our products and services, and (ii) changes in working capital caused by increasing trade and other receivables as our business grew rapidly during the Track Record Period.

In the future, we expect to improve our net operating cash outflows position by taking advantage of (i) our continuous revenue growth fueled by our growing customer base, expanding product and service offerings and stronger global footprints; (ii) our improved operating leverage as we expect our revenue growth to exceed the increase in expenses gradually; and (iii) our improved working capital.

To improve and refine our management of working capital, we will continue to leverage our leading industry position to negotiate more attractive contractual terms with our customers and suppliers, and have implemented strengthened credit term review and approval procedures. In the future, we plan to develop relationships with more customers of sound credit profile. We also

expect to collect our trade receivables in a more efficient manner and have implemented relevant measures, such as using the cash collection performance of trade receivables as one of the key performance indicators for our sales managers. In addition, we expect to increase revenue contribution from emerging revenue streams, such as Smart Life and Smart Auto, leading to a shift of our revenue mix as we develop, upgrade and commercialize our new products and services. See "Summary — Recent Development" for details. We expect that increased exposure to Smart Life and Smart Auto revenue streams will likely improve our working capital, as the customers in these revenue streams tend to have shorter payment cycles.

SALES AND MARKETING

Sales

We primarily adopt a direct sales model, and have built a professional sales team with an average of ten years' work experience and in-depth industry insights and experience in their respective industry verticals. The extensive experience of the sales team has been essential for the successful adoption and implementation of AI software in a wide variety of industries across different geographies.

We have made significant investments in our sales and marketing efforts globally. As of June 30, 2021, our sales team comprised more than 900 employees. We have an established physical presence across various countries and regions, including Mainland China, Hong Kong, Macau, Japan, South Korea, Singapore, Malaysia, Saudi Arabia and the UAE. We use regional hubs such as Singapore to cover neighboring countries. We have also established sales offices in major cities in mainland China, including Shanghai, Beijing, Shenzhen, Chengdu, Hangzhou, Nanjing, Xi'an, Qingdao, Sanya and Nanping. Through these sales offices, we have extended our reach to almost all provinces in Mainland China.

Our sales team is typically organized by industry verticals, and has deep knowledge of the industries and customers it covers. Leveraging its deep industry experiences, our sales team identifies market trends and customers' demands thoroughly and simultaneously works closely with our R&D team to ensure that they can accurately address customer pain points and deliver products and services to the customers' satisfaction in a timely manner. We often cooperate with a launch customer when we enter a new industry, and this type of close collaboration allows us to accumulate industry expertise and demonstrate our technological capabilities and full-stack software platforms and applications, which could later serve as showcases for other potential customers and thereby further penetrate the industry vertical.

Certain members of our sales team are responsible for serving our key customers, and such arrangement allows us to maintain close relationships with such customers, understand and anticipate their needs and identify new business opportunities. This arrangement enables us to continuously enrich our offerings, improve our capabilities and promote wider adoption of our products, thus generating more revenues, promoting our ecosystem and driving sustainable growth of our business.

To encourage and incentivize our sales team, we have designed a compensation structure that includes a fixed component as well as a performance-based component. We set specific performance targets for each team member. We evaluate such employee's performance twice a year and pay out performance-based compensation accordingly.

Marketing and Branding

As we build a global brand associated with technology-driven innovation, we have employed a comprehensive marketing and branding strategy by utilizing various channels to reach potential customers, including in-person and online events, content marketing, partner marketing, developer outreach, search engine optimization, social media and public relations.

We hosted and participated in various offline events, such as industry conferences, product launch events and developer forums to showcase customer success stories and developer breakthroughs and to deepen industry connections, including the World Artificial Intelligence Conference in Shanghai, ConnecTechAsia in Singapore and the AI Everything Summit in Dubai. Such high-profile events allow us to demonstrate how AI applications can empower public and private sectors. Through establishing exhibition booths at these regional and global events, our potential customers around the world may experience how we digitalize cities and businesses with AI technology.

We have also established a number of AI Experience Centers worldwide, where customers and partners learn about a wide range of AI use cases and interact with AI technology in an immersive environment. In July 2021, we unveiled our AI Innovation Hub in Singapore, one of the firsts in Southeast Asia, to exemplify our technological capabilities and partner ecosystem in the region.

In addition, we further enhance awareness of our brand and promote our new and existing products and services through online channels. Examples of such efforts include regular sharing on our social media platforms and interacting with developers through code-sharing platforms.

Market Entry Strategy

We enter new markets through establishing engagements with global early adopters, or launch customers, across a range of industries. Such strategy allows us to leverage their leading position to better penetrate into new industry verticals. We also closely cooperate or enter into long-term R&D collaborations with our launch customers to explore different AI use cases, develop tailored products and showcase AI-empowered applications. As such, we have effectively expanded our offerings in different industry verticals. Simultaneously, our launch customers' local and global positioning allows us to expand into the different geographical markets they operate in.

Upon implementation of products to similar customers, we also leverage synergies across markets to iteratively upgrade and refine our products, thereby creating affordable standardized products to accelerate the commercialization of AI technology.

CUSTOMERS

We have a broad and diverse customer base, which has expanded rapidly over the Track Record Period. We have built an experienced team that is knowledgeable about both the technology advancements as well as the pain points faced by participants in the relevant industry verticals, allowing us to provide our software platforms that directly address customer needs. Our customers include enterprises across different industry verticals, city administrators and public sector entities. For information as to customers for each of our software platforms, see "— Our Software Platforms."

We generally enter into written agreements with our customers, the major terms and conditions of which are set out below:

- ***Service scope***: We provide licenses of use rights to our software, maintenance and upgrade service related to our software and/or hardware products embedded with our software and from R&D services.

- ***Pricing***: Our pricing is primarily determined by functions of products, scope of services, costs of procuring hardware and components and value created for our customers. In addition, we take into consideration the technological sophistication and advantages of our products, prices of our competitors' offerings and overall market demand.

- ***Ownership***: All intellectual property rights of the software, products, services and technical materials provided by us under the agreement belong to us and will not change due to the transfer of product ownership. For agreements involving new R&D requirements, the ownership of intellectual property rights for such R&D results is based on commercial negotiations. No party shall conduct any reverse engineering, decompiling, disassembly or use other methods to obtain the source code and underlying algorithms of the software, hardware and related technologies provided by any other party.

- ***Data use***: When necessary, our customers may authorize us to process their data for the purposes agreed upon with them. In circumstances where the data is from or generated by our customers' users, we obtain consent from our customers for the purposes specified in our cooperation agreements. We typically undertake to comply with all applicable laws and regulations in connection with the collection of our customers' data, including but not limited to any laws in respect of intellectual property rights, privacy, data protection and image rights. For details, see "— Data Privacy and Personal Information Protection."

- ***Compliance***: Customers certify that all products or services will be used in compliance with all applicable laws and regulations.

- ***Confidentiality***: Each party shall maintain confidentiality of information obtained in relation to the relevant agreement and its contractual terms, and not use information obtained for other purposes.

The majority of our customers are end users of our products and services, while some of our customers are system integrators. Some end users in Smart City engage system integrators when selecting suppliers or service providers. Such system integrators help end users by directly negotiating with a large number of suppliers or service providers, although in most cases the end users will also need to approve and confirm the suppliers selection, especially for core suppliers, including AI software platform providers. Usually before a city administrator launches a project for a city management system, it lays out the goals it plans to achieve and the budget for the project and engages a system integrator which will provide various types of assistance in project implementation, such as advising on financing plans, selecting suppliers, managing construction and integrating the work products of different suppliers. In 2018, 2019, 2020 and the six months ended June 30, 2021, we had a total of 732, 1,165, 1,225 and 853 customers, respectively, among which 29.1%, 34.7%, 33.1% and 24.7% were system integrators, respectively.

Although a portion of our customers are system integrators, not end users, we do not believe our business model is a distributorship model. As stated above, system integrators are not distributors that we engage to broaden our sales channels; rather, they are agents selected by our end users, such as government agencies and businesses, to implement their projects, and the ultimate decisions as to which service provider to choose are primarily made by the end users. Regardless of whether our contracts were entered into directly with our end users or with system integrators, there is no material disparity in contract terms and the scope of our services. When we enter into a contract with a system integrator, we recognize such system integrator, instead of the relevant end user, as our customer. As such, we do not believe system integrators to be our distributors, and do not believe their involvement as our direct customers raises any concern in relation to inventory risk, cannibalization or recoverability of accounts receivables.

We have a diverse customer base and we do not rely on customers from specific industry verticals. Revenue generated from our largest customer for the years ended December 31, 2018, 2019, 2020 and the six months ended June 30, 2021 accounted for 8.7%, 7.7%, 11.9% and 22.9%, respectively, of our total revenues during those periods. Revenue generated from our five largest customers for the years ended December 31, 2018, 2019, 2020 and the six months ended June 30, 2021 accounted for 28.4%, 26.3%, 31.4% and 59.3%, respectively, of our total revenues during those periods.

Customer	Customer Background	Type of products/services provided	Year of commencement of business relationship	Revenue contribution *(RMB million)*	Percentage of our total revenue
2018					
Customer A	A major internet company in China with business covering e-commerce, technology infrastructure, digital media and entertainment	AI software platform and related services Advanced AI software	2018	160.7	8.7%

Customer	Customer Background	Type of products/services provided	Year of commencement of business relationship	Revenue contribution *(RMB million)*	Percentage of our total revenue
Customer B	A major global automobile manufacturer headquartered in Japan	Research and development services	2017	129.2	7.0%
Customer C	An IT and professional services provider which is a subsidiary of a major telecommunication operator in China	AI software-embedded hardware	2015	93.4	5.0%
Customer D	A system integration and IT services provider in China	AI software-embedded hardware	2018	71.7	3.9%
Customer E	A system integration and IT services provider in Singapore	AI software platform and related services	2018	69.7	3.8%
Total				**524.7**	**28.4%**
2019					
Customer F	A retailer in China with business covering offline and online channels	AI software-embedded hardware Advanced AI software	2019	233.8	7.7%
Customer G	A system integration and IT services provider in China	AI software platform and related services	2019	209.6	6.9%
Customer E	A system integration and IT services provider in Singapore	Advanced AI software AI software-embedded hardware	2018	150.3	5.0%
Customer B	A major global automobile manufacturer headquartered in Japan	Research and development services	2017	129.1	4.3%

Customer	Customer Background	Type of products/services provided	Year of commencement of business relationship	Revenue contribution *(RMB million)*	Percentage of our total revenue
Customer H	A publisher in China with focus on education	AI software platform and related services Advanced AI software	2018	73.1	2.4%
Total				**795.8**	**26.3%**
2020					
Customer I	A system integration and IT services provider in China	AI software platform and related services Advanced AI software	2019	411.6	11.9%
Customer J	A state-owned utility enterprise in China	AI software platform and related services	2020	202.9	5.9%
SoftBank Group Corp.	A Japanese multinational conglomerate holding company with investment in companies operating in the technology, energy and financial sectors	AI software-embedded hardware Research and development services Advanced AI software	2018	187.9	5.5%
Customer F	A retailer in China with business covering offline and online channels	AI software-embedded hardware Advanced AI software	2019	155.3	4.5%
Customer B	A major global automobile manufacturer headquartered in Japan	Research and development services	2017	124.3	3.6%
Total				**1,082.0**	**31.4%**
Six months ended June 30, 2021					
Customer K	A system integration and IT services provider in China	AI software platform and related services	2020	378.3	22.9%

Customer	Customer Background	Type of products/services provided	Year of commencement of business relationship	Revenue contribution *(RMB million)*	Percentage of our total revenue
Customer I	A system integration and IT services provider in China	AI software platform and related services Advanced AI software	2019	246.4	14.9%
Customer J	A state-owned utility enterprise in China	AI software platform and related services	2020	142.2	8.6%
Customer L	A system integration and IT services provider in China	AI software platform and related services	2020	127.1	7.7%
Customer M	A major property developer in China	Advanced AI software	2019	85.8	5.2%
Total				**979.8**	**59.3%**

Revenue generated from our largest customer for each of Smart Business, Smart City, Smart Life and Smart Auto accounted for 10.9%, 26.6%, 14.5% and 92.2%, respectively, for 2018, and 18.8%, 16.5%, 17.5% and 92.7%, respectively, for 2019, and 13.7%, 23.5%, 12.2% and 78.5%, respectively, for 2020, and 22.0%, 48.1%, 39.0% and 77.5%, respectively, for the six months ended June 30, 2021, of our respective revenues for Smart Business, Smart City, Smart Life and Smart Auto during those periods.

Revenue generated from our five largest customers for each of Smart Business, Smart City, Smart Life and Smart Auto accounted for 42.2%, 57.8%, 48.1% and 99.6%, respectively, for 2018, and 41.3%, 34.8%, 41.5% and 97.7%, respectively, for 2019, and 47.2%, 45.3%, 38.0% and 92.2%, respectively, for 2020, and 66.4%, 84.6%, 61.5% and 97.9%, respectively, for the six months ended June 30, 2021, of our respective revenues for Smart Business, Smart City, Smart Life and Smart Auto during those periods.

As of the Latest Practicable Date, except for SoftBank Group Corp., none of our Directors, their associates or any of our shareholders, who owned or, to the knowledge of Directors, had owned more than 5% of our issued share capital, had any interest in any of our five largest customers.

We have noticed the recent financial difficulties of a well-known real estate group listed on the Hong Kong Exchange, as evidenced by its declining share price and difficulties to pay back debt obligations since March 2021, which indicates that this group had a significant increase in credit risk. We had trade receivables of RMB1.9 thousand and notes receivables of RMB49.0 million from this group with maturity date on July 15, 2021 due and payable, and recorded provision for impairment of RMB33.9 million as of September 30, 2021. We have separately assessed the expected credit loss ("**ECL**") relating to the notes receivables due and payable from this group based on its external credit ratings, the corresponding recoverability benchmarked from Moody's historical statistics and certain scenario analysis as of and after June 30, 2021. We are in active dialogue and

negotiation with this group about the recovery of such receivables, and may further increase the provision for impairment for these receivables based on the outcome of the negotiation. Our Directors are of the view that, even if we are eventually not able to recover such receivables of RMB49.0 million, there will be no material adverse impact on our financial and business performance.

SUPPLIERS

Our product offerings include AI software-embedded hardware. We procure servers and other hardware components, some of which designed by us with production outsourced to contract manufacturers, to be embedded with our AI software.

We engage contract manufacturers primarily to produce servers embedded with our software, and to a much lesser extent, some hardware-software integrated edge devices such as door access control systems and light server boxes. We usually enter into framework agreements with contract manufacturers, which set out the product list, prices and general terms and conditions of business. We then issue purchase orders with specified volumes. We usually settle with contract manufacturers on a monthly basis, and we are typically granted a credit term of 30 to 100 days after receipt of each invoice. Contract manufacturers must meet our specified quality requirements and are responsible for liabilities resulting from product defects. Framework agreements typically have a term of one to five years. During the Track Record Period, there have been no material changes to the terms of our framework agreements with suppliers.

We typically engage reputable vendors to ensure the quality of our products. The factors that may affect our selection mainly include technological expertise, product quality, qualifications and credentials, market reputation and price. We generally enter into framework agreements with our vendors, which set forth the general terms and conditions of purchase.

Charges from our largest supplier for the years ended December 31, 2018, 2019, 2020 and the six months ended June 30, 2021 accounted for 9.6%, 15.6%, 22.8%, and 31.6%, respectively, of our total purchase during those periods. Purchase amounts from our five largest suppliers for the years ended December 31, 2018, 2019, 2020 and the six months ended June 30, 2021, accounted for 35.4%, 39.5%, 45.0% and 61.6%, respectively, of our total purchase during those periods.

Supplier	Type of products/services provided	Year of commencement of business relationship	Purchase amount *(RMB million)*	Percentage of our total purchase
2018				
Supplier A	Server	2018	91.6	9.6%
Supplier B	Other hardware	2016	85.2	9.0%
Supplier C	Other hardware	2016	68.8	7.2%
Supplier D	Server	2018	51.9	5.5%
Supplier E	Server	2018	39.2	4.1%
Total			**336.7**	**35.4%**
2019				
Supplier A	Server	2018	251.1	15.6%
Supplier F	Other hardware	2019	126.3	7.8%
Supplier G	Server	2019	107.0	6.6%
Supplier H	Other hardware	2019	77.8	4.8%
Supplier I	Other hardware	2019	75.1	4.7%
Total			**637.4**	**39.5%**
2020				
Supplier A	Server	2018	291.9	22.8%
Supplier J	Other hardware	2020	95.1	7.4%
Supplier E	Server	2018	79.2	6.2%
Supplier K	Server and other hardware	2020	55.6	4.3%
Supplier L	Server and other hardware	2020	53.1	4.2%
Total			**574.9**	**45.0%**
Six months ended June 30, 2021				
Supplier M	Server and other hardware	2021	106.9	31.6%
Supplier A	Server	2018	59.2	17.5%
Supplier N	Other hardware	2019	20.4	6.0%
Supplier O	Server and other hardware	2019	12.1	3.6%
Supplier P	Other hardware	2020	9.5	2.8%
Total			**208.1**	**61.6%**

As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders, who owned or, to the knowledge of the Directors, had owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers.

OVERLAP OF CUSTOMER AND SUPPLIER

During the Track Record Period, a cloud computing company was one of our top five customers in 2018 and acted as our supplier. Our sales to this company accounted for 8.7%, 1.2%, 0.1% and 0.5% of our total revenue in 2018, 2019, 2020 and the six months ended June 30, 2021, respectively. During the Track Record Period, our sales to this company, which serves as a system integrator for various smart city projects, primarily consisted of our Smart City software products and services. Our purchases from this company primarily consisted of servers and cloud services consumed in our R&D activities.

Negotiations of the terms of sales to the company mentioned above and purchases from it were conducted separately, and the sales and purchases were neither connected nor conditional upon each other. Our Directors are of the view that such arrangements are mutually beneficial, given that we negotiated with such company on an arm's-length basis. In addition, the terms of transactions with the company mentioned above are in line with market practice and similar to those with our other customers and suppliers.

LOGISTICS AND INVENTORY MANAGEMENT

Logistics

Our hardware products are typically delivered directly from our vendor warehouses to the venue specified by our customers. We also engage reputable third-party logistics service providers for delivery to our customers from the two warehouses that we lease and operate in Shenzhen. To the best of our knowledge, all of these logistics service providers are Independent Third Parties.

Inventory Management

Our inventories mainly include servers and other smart hardware devices. Our inventories amounted to RMB117.3 million, RMB430.1 million, RMB715.5 million and RMB667.2 million as of December 31, 2018, 2019 and 2020 and June 30, 2021, respectively. We regularly track our inventory to keep it at a level sufficient to fulfill customers' orders. We also proactively assess changes in market conditions and pre-store strategic raw materials in anticipation of potential supply shortage. Our supply management team reviews our inventory aging reports routinely with the business operation team and takes necessary actions to minimize risks of obsolescence.

QUALITY CONTROL

We are committed to providing customers with our products and services of consistently high quality. In compliance with industry standards, we have established a professional quality control team and formulated a set of quality control measures to closely monitor and standardize our full research-to-production cycle, including supervising the product design process, managing product

requirement documents, specifying design and technology requirements for product R&D and handling defective finished products. We also set up multiple quality control points to unify the standards of quality control throughout the entire production cycle, in order to optimize our product quality continuously. There was no material sales return or recall recorded during the Track Record Period.

In relation to our quality control and test automation, we independently developed a one-stop testing management tool for AI products to link up key control points such as automated testing and defect tracking and reporting. Before entering into partnership with contract manufacturers, we will carefully review their licenses, relevant credentials and technical expertise, to ensure our continuous quality monitoring throughout the cooperation.

In the meantime, we established a comprehensive quality control system, and obtained multiple professional qualifications, which laid a solid foundation for the consistent delivery of high-standard products. We have registered ISO9001 (Quality Management System), ISO/IEC20000 (IT Service Management), CMMI Level 3 certification ITSS (Information Technology Service Standards), ISO/IEC 27701 (Privacy Information Management) and other important qualifications. In the field of Smart Auto, we have obtained ASPICE L2 and ASIL-B certifications.

COMPETITION

The AI software market is highly competitive. It is characterized by rapid technological advances and frequent upgrades that have substantially expanded the application of AI technology. We are subject to competition from other companies that focus on developing and commercializing AI technology. We may also in the future face competition from new entrants that will increase the level of competition. For example, more established technology companies that possess substantial financial resources, sophisticated technological capabilities and broad distribution channels may develop AI solutions that directly compete with ours. Principal competitive factors important to us include our universal AI infrastructure, productivity of model training to tackle long-tail scenarios, cross-vertical service capabilities, continuous technological innovation, R&D capabilities and talents. For additional details regarding the competitive landscape of the industry in which we operate, see "Industry Overview."

For risks relating to our competitiveness in the industry, see "Risk Factors — Risks Relating to Our Business — If we fail to continuously develop and innovate our products and services to meet our customers' evolving requirements of functionality, performance, reliability, design and security, we may not be able to retain existing customers, attract new customers or increase sales."

EMPLOYEES

As of June 30, 2021, we had 5,286 employees. The following table sets forth the number of our employees by function:

Employee Function	Number of employees	% of Total
Research and Development	3,593	68.0
Sales and Marketing	925	17.5
Administration	768	14.5
Total	**5,286**	**100.0**

We participate in employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity and unemployment benefit plans to the extent required under applicable laws and regulations. We enter into employment contracts and agreements regarding confidentiality, intellectual property and non-competition with our executive officers, managers and employees.

None of our employees are currently represented by labor unions. We believe we maintain a good working relationship with our employees and we have not experienced any material labor dispute or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

We consider our insurance coverage to be adequate as we maintain all the mandatory insurance policies required by PRC laws and regulations and in accordance with the commercial practices in our industry. Our employee-related insurance consists of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance and medical insurance, as required by PRC laws and regulations.

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance which are not mandatory under the laws of the relevant jurisdictions. We do not maintain keyman insurance, insurance policies covering damages to our network infrastructures or information technology systems. During the Track Record Period, we did not make any material insurance claims in relation to our business. See "Risk Factors — Risks relating to Our Business — Our limited insurance coverage could expose us to significant costs and business disruption" for further details.

HEALTH, SAFETY AND ENVIRONMENTAL MEASURES

We do not operate any production facilities. Therefore, we are not subject to significant health, safety or environmental risks. We do not expect to incur any material liabilities or expenditures in

these respects. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other penalties due to non-compliance with health, safety or environmental regulations.

PROPERTIES

Our corporate headquarters are located in Shanghai and Hong Kong. As of the Latest Practicable Date, we owned one property in Xuhui District, Shanghai with a floor area of 30,716 square meters primarily for office purposes, and we owned the proprietary land use right with respect to the parcel of land of 12,112 square meters where the property is located. In addition, we own proprietary land use rights with respect to a parcel of land of 57,997 square meters in Pudong District, Shanghai and we are constructing our Shanghai Lingang AIDC thereon, which will launch in early 2022.

As of the Latest Practicable Date, we were leasing 95 properties in the PRC with an aggregate gross floor area of 70,557 square meters. Our leased properties are primarily used for registration and office purposes.

As of the Latest Practicable Date, we owned three properties in Japan with an aggregate gross floor area of 22,579 square meters for office and autonomous driving testing purposes.

U.S. EXPORT CONTROL LAWS AND REGULATIONS

On October 9, 2019, one of our subsidiaries, Beijing SenseTime, was added to the entity list (the "**Entity List**") administered by the U.S. Department of Commerce, Bureau of Industry and Security ("**BIS**"). The addition of this subsidiary to the Entity List (the "**Entity List Addition**") restricts Beijing SenseTime's ability to purchase or otherwise access certain goods, software and technology (collectively, "**items**") that are subject to the Export Administration Regulations (the "**EAR**") without a license from the BIS. Items subject to the EAR include, among other things, U.S.-origin items, as well as non-U.S. items that contain more than a *de minimis* portion of U.S.-origin controlled content, and certain items of non-U.S.-origin that are the direct product of certain U.S.-origin controlled software or technology. For further information and the potential consequences for violating U.S. export controls, see "Regulatory Overview — U.S. Export Control Laws and Regulations."

With respect to the above, our Group's previous sales to customers in Xinjiang were in compliance with PRC laws. The revenue generated from those sales accounted for approximately 0.09%, 0.6%, 0.002% and 0% of the Group's total sales revenue for each of the three years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021, respectively.

Based on the Frequently Asked Questions ("**FAQ**") No. 134 and 136 issued by BIS, Hughes Hubbard & Reed LLP ("**HHR**"), our legal advisors as to U.S. export control laws, confirmed that the restrictions imposed on Beijing SenseTime as a result of the Entity List Addition do not apply to

other Group entities that are legally distinct from Beijing SenseTime. FAQ No. 134 clarified that "[s]ubsidiaries, parent companies, and sister companies are legally distinct from listed entities [and,] . . . [t]herefore, the licensing and other obligations imposed on a listed entity by virtue of its being listed do not per se apply to its subsidiaries, parent companies, sister companies, or other legally distinct affiliates that are not listed on the Entity List." Similarly, BIS has also advised that "[t]he Entity List license requirements do not extend to parent companies unless the applicable listing for the company so states" (see BIS FAQ 136).

HHR further confirmed that our suppliers can continue to provide items subject to the EAR to other Group entities that are legally distinct from Beijing SenseTime so long as (i) those items are not exported, reexported or transferred, directly or indirectly, to Beijing SenseTime; (ii) those items are not diverted to Beijing SenseTime by other legally distinct Group entities not identified on the Entity List; and (iii) Beijing SenseTime does not otherwise serve as the purchaser, intermediate consignee, ultimate consignee or end-user of the items. For further information and the basis of HHR's view above, see "Regulatory Overview — U.S. Export Control Laws and Regulations". In addition, HHR also confirmed that (i) our suppliers may and still continue to provide items that are not subject to the EAR to Beijing SenseTime; and (ii) our customers may lawfully purchase items subject to the EAR from Beijing SenseTime, so long as those items were obtained lawfully by Beijing SenseTime (e.g., obtained prior to the Entity List Addition or obtained pursuant to a license from the BIS).

In order to address EAR-related risks after the Entity List Addition, we have put in place a series of export control compliance measures for the entire Group, in abundance of caution. Under these measures: (i) we ask our suppliers to provide us with Non-EAR Item Confirmation (further details of which are set out below) to identify and confirm whether the items supplied are, or may potentially be, subject to the EAR; and (ii) for any items that are subject to the EAR or items for which no Non-EAR Item Confirmation is given (the "**EAR Items**"), we adopt relevant export control compliance measures to ensure that the EAR Items supplied are in compliance with the EAR. During the Track Record Period, there are two categories of EAR Items whose supply was disrupted or suspended, namely (i) Material Affected Products, which are EAR Items which are material to our business; and (ii) Immaterial Affected Products, which are EAR Items which are not material to our business. Relevant compliance measures have been implemented for each category of such EAR Items as set out further below.

In relation to the Non-EAR Item Confirmation, as a matter of policy, we require all suppliers to confirm that the items concerned are not subject to the EAR, by way of: (i) an acknowledgement in the procurement contract by such supplier; or (ii) a certificate given by such supplier (the "**Non-EAR Item Confirmation**").

For the EAR Items, we have implemented internal compliance procedures to ensure that the EAR Items supplied in these instances are in compliance with the EAR. There are certain EAR Items which are material to our business and whose supply was disrupted or suspended ("**Material Affected Products**"). As at the Latest Practicable Date, the Material Affected Products related to the Group's mobile phone and smart auto businesses. As part of our export control compliance program that we have established for our entire Group in the abundance of caution, we have put in place

information system and personnel insulation mechanisms between Beijing SenseTime and our businesses that require EAR Items (including our mobile phone, smart auto and AI chips businesses). For further information, see "Business — Internal Control Measures". As at the Latest Practicable Date, the supply of the Material Affected Products had resumed.

The percentage of our total hardware and software procurement costs attributable to the Material Affected Products amounted to less than 0.3% for each of the years ended December 31, 2018, 2019, 2020 and the six months ended June 30, 2021 respectively. The percentage of our Group's revenue attributable to our mobile phone and smart auto businesses was between 7% to 13% for each of the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021.

As a result of the Entity List Addition and the internal compliance procedures, the Group is unable to purchase certain EAR Items (such as certain brands of network switches, desktop computers, 3D modelling and design software) from certain suppliers. These EAR Items are mostly required for our Group's day-to-day operations and are not directly used to create and develop our Group's software platforms. These EAR Items whose supply was disrupted or suspended, are not material to our business operations ("**Immaterial Affected Products**").

The Immaterial Affected Products do not contribute to the revenue of our Group directly and only accounted for less than 3.0% of the total hardware and software procurement costs for each of the two years ended December 31, 2018 and 2019 and 0% for the year ended December 31, 2020 and the six months ended June 30, 2021, respectively. As of the Latest Practicable Date, the Group has also identified alternative supply chain arrangements for the Immaterial Affected Products at comparable costs and quality.

In light of the above, the Entity List Addition has not had, and our Directors are of the view that (assuming there is no expansion of the EAR restrictions or the scope of the Entity List Addition) it will not have in the near future, any material adverse impact on our business and financial performance. In addition, as of the Latest Practicable Date, none of our material investors, customers or suppliers had withdrawn their investment or ceased doing business with us due to the Entity List Addition.

On the bases that (i) as stated in the legal opinion issued by HHR, the Entity List licensing requirement only extends to Beijing SenseTime, and not to other Group entities that are not identified on the Entity List, nor to the items that are not subject to the EAR; (ii) following the implementation of the export control compliance program, the relevant Group entities (excluding Beijing SenseTime) are able to continue to source EAR Items related to the Group's relevant businesses; (iii) the Immaterial Affected Products are not material to the Group as disclosed in the above paragraphs, the Joint Sponsors concur with the Company's view that the Entity List Addition has not had any material adverse impact on the Group's business.

Internal Control Measures

To address concerns under the EAR, we have taken all reasonable steps to establish an export control compliance program supported by dedicated compliance resources, in accordance with the Export Compliance Guidelines — The Elements of an Effective Export Compliance Program issued by the BIS. Out of prudence, we have extended the export control compliance program to cover our entire Group.

We engaged an export control consultant which is a reputable Big Four accounting firm with an international trade practice to help develop an export control compliance program, with assistance from separate U.S. export control counsel in relation to certain aspects of the program.

Our export control compliance program incorporates all eight elements of an effective export control compliance program issued by the BIS and is consistent with the key findings of the export control consultant's risk assessment report:

(i) ***Management Awareness and Commitment:*** We have published and will continue to publish annual statements to all employees expressing the management team's support of export control compliance, the consequences of violating the EAR and the designated contact person for such matters. All employees are required to sign an acknowledgement confirming their compliance with our export control compliance policies and procedures.

(ii) ***Risk Assessment:*** Based on the risk assessment review conducted by our export control consultant and in line with our Export Control Compliance Manual, we are in the process of implementing, among others, policies and standard operating procedures to:

(a) identify, restrict and monitor access to software or technology that are subject to the EAR, such that Beijing SenseTime and its personnel will not have access to any such software or technology;

(b) (i) identify and classify items procured from our suppliers by obtaining the relevant export control information, export control classification numbers ("**ECCN**") if applicable and (ii) identify and classify items created by us by jurisdictional analysis and ECCN classification; and

(c) screen our business partners (including customers and suppliers etc.) against the restricted and sanctioned party lists under the U.S., the European Union, the United Nations and Australia regimes.

In addition, it is our policy that EAR Items shall be prevented from being provided to Beijing SenseTime by other Group entities.

(iii) ***Export Authorization:*** We will monitor and periodically review (internally and via an external consultant if necessary) our procured and saleable items, to determine whether they are subject to the EAR and, if so, the relevant classification and licensing requirements.

(iv) ***Record Retention:*** We have adopted a "SenseTime Group's Export Control Compliance Recordkeeping Management Policy" ("**Recordkeeping Policy**") that clarifies the requirements for recordkeeping, archiving and other related tasks in relation to export control compliance. We are in the process of standardizing the recordkeeping procedures in each department in accordance with the Recordkeeping Policy.

(v) ***Training:*** We will conduct export compliance training at least once a year in various forms (including in-person and online training) for our employees. The employees will be required to sign a training confirmation letter after each training course. As of the Latest Practicable Date, we have organized four export compliance training courses for all employees and relevant departments in 2021.

(vi) ***Audits:*** We will conduct annual internal audits of the relevant business lines and departments for compliance with our export control compliance program. Our internal control department has established an audit team to conduct such audits.

(vii) ***Export Violations and Corrective Actions:*** We have adopted a "SenseTime Group Export Control Violation Management Policy" that sets out the available reporting channel and investigation process on any reports regarding actual or suspected violations of with export control laws and regulations. The export control compliance department will investigate any potential issues, report to the Export Control Violation Management Committee, take corrective actions and where appropriate make voluntary disclosures to the relevant regulatory agencies. All reports are treated in a strictly confidential manner.

(viii) ***Export Control Compliance Manual:*** We have adopted an Export Control Compliance Manual that applies to all entities within our Group. The manual expressly sets out the rules and regulations related to the EAR and makes clear that the Group entities (other than Beijing SenseTime) are prohibited from transferring items subject to the EAR to companies that are on the Entity List including Beijing SenseTime. We will review and refresh this manual annually to ensure that it will reflect any changes to the EAR and company operations.

As part of the export control compliance program that we have established for the entire Group in the abundance of caution, we have also put in place information system and personnel insulation mechanisms between Beijing SenseTime and our Group's businesses that require EAR Items, including the Material Affected Products. Our Group's businesses that require EAR Items are the mobile phone, smart auto and AI chips businesses (together, the "**Insulated Businesses**"). The insulation mechanisms include:

(i) building separate IT distributed storage systems for the Insulated Businesses and migrating all data and files in relation to the Insulated Businesses to such storage systems. It is our Group's policy to prohibit Beijing SenseTime's employees from accessing any data and files subject to the EAR and related to the Insulated Businesses;

(ii) issuing a comprehensive internal guideline which sets out the procedures and protocols for software administration and logical access control of the data and files in relation to the Insulated Businesses; and

(iii) having an internal policy to prohibit Beijing SenseTime employees from participating in any projects that involve EAR Items.

To ensure the sustainability of our export control compliance program, we have established a new export control compliance department to develop and implement export control compliance policies and procedures (including but not limited to those referred to above) and act as the central point of contact for employees in respect of any export control-related questions. The export control compliance department ensures compliance of our business operations with the export control laws and regulations.

HHR have reviewed our export control compliance policies and are of the view that, assuming that we continue to rely upon experienced and reputable external counsel and consultants to review and advise on our export control compliance program on an ongoing basis and subject to the implementation and enforcement of the above compliance policies and the advice from our separate U.S. export control counsel and export control consultant, our export control compliance measures provide a reasonably adequate and effective internal control framework for us to identify and mitigate any material risk relating to the Entity List.

On the bases of (i) the legal opinion of HHR that the Group's export control compliance measures provide a reasonably adequate and effective internal control framework for the Group to identify and mitigate any material risk relating to the Entity List as mentioned in the paragraph above; (ii) the Group's confirmation that it has, with assistance from its separate U.S. export control counsel and export control consultant, established (and has been implementing) an export control compliance program which incorporates the eight elements of an effective export control compliance program under the relevant guidelines as mentioned above and is consistent with the key findings of the export control consultant's risk assessment report; (iii) the Joint Sponsors noting in the above legal opinion and risk assessment report and their interviews with HHR and the Group's export control consultant that no non-compliance with the Group's export control compliance program has

been identified; and (iv) the relevant information and confirmations provided by the Company in the course of the Joint Sponsors' due diligence in connection with the Group's export control compliance program, the Joint Sponsors are of the view that the design of the internal control measures, in the form of the export control compliance program, intended to identify and mitigate any material risk relating to the Entity List, is adequate, and that it is reasonable to conclude it should be effective. Also see "Risk Factors — Risks relating to Our Business — We are subject to the risks associated with international trade policies, geopolitics and trade protection measures, and our business, financial condition and results of operations could be adversely affected. One of our subsidiaries, Beijing SenseTime, was added to the U.S. Entity List by the BIS in October 2019, which restricts its ability to purchase or otherwise access certain goods, software and technology."

Our Directors believe, and as confirmed by HHR, that the establishment of the export control compliance program, would be beneficial to the application for removal of Beijing SenseTime from the Entity List in the future. As of the Latest Practicable Date, Beijing SenseTime has not yet submitted a removal application to the BIS. However, we remain committed to having Beijing SenseTime removed from the Entity List and intend to build up the track record of our export control compliance program. We will proceed with our removal request as soon as an appropriate opportunity arises.

LICENSES, APPROVALS AND PERMITS

Shanghai SenseTime Technology Development, our Consolidated Affiliated Entity, has obtained a value-added telecommunication business operating license for providing internet data center services (limited to internet resource collaboration services) and internet access services, the expiration date of which is August 11, 2025. As of the Latest Practicable Date, as advised by our legal advisors of the relevant jurisdictions, we had obtained all material licenses and permits required for our business operations (i.e. business licenses of our PRC subsidiaries) in mainland China, Hong Kong, Singapore and Japan, and such business licenses had remained in full effect. In the opinion of our PRC Legal Advisor, (1) we had complied with all relevant PRC laws and regulations with respect to such license, approvals and permits in all material aspects during the Track Record Period and as of the Latest Practicable Date; and (2) none of our PRC subsidiaries (other than the Consolidated Affiliated Entities) engaged or engage in any foreign restricted or prohibited businesses under the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Version) and the Foreign Investment Law of the PRC during the Track Record Period and as of the Latest Practicable Date. Based on the Joint Sponsors' discussion with their PRC legal advisor, and having considered the opinion of our PRC Legal Advisor, the Joint Sponsors concur that none of our PRC subsidiaries (excluding the Consolidated Affiliated Entities) engaged or engage in any foreign restricted or prohibited businesses under the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Version) and the Foreign Investment Law of the PRC during the Track Record Period and as of the Latest Practicable Date. As of the Latest Practicable Date, we had obtained all material permits, licenses and approvals necessary for conducting our business.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we may become involved in legal proceedings, such as litigation, administrative penalties or other disputes, in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings against us that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable laws and regulations in relation to our business in all material respects and were not involved in any non-compliance incidents which the Directors believe would, individually, or in aggregate, have a material adverse effect on our business as a whole. During the Track Record Period, we had not been subject to any material penalty or investigation in relation to our business operations and we had obtained relevant compliance certificates from competent government authorities, evidencing that we had not been subject to any material administrative penalty. Accordingly, our PRC Legal Advisors are of the opinion that, during the Track Record Period and up to the Latest Practicable Date, our Company had in all material aspects complied with the applicable PRC laws and regulations.

RISK MANAGEMENT, INTERNAL CONTROL AND COMPLIANCE CULTURE

We are dedicated to the establishment and maintenance of a robust risk management and internal control system. We have adopted and continually improve our internal control mechanisms to ensure the compliance of our business operations. Furthermore, we conduct periodic review of the implementation of our risk management policies and internal control measures to ensure their effectiveness and sufficiency.

We have been committed to promoting a compliance culture and will adopt policies and procedures on various compliance matters, including the Stock Exchange's requirements on corporate governance and environmental, social and governance matters. Our Board will be collectively responsible for the establishment and operations of mechanisms in relation to corporate governance and environmental, social and governance. Our Directors are involved in the formulation of such mechanisms and the related policies.

We have adopted and implemented risk management policies in various aspects of our business operations to address various potential risks in relation to operations, compliance, information security and data privacy, intellectual property and investment.

Operational Risk Management

Operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures or external events. We have established a series of internal procedures to manage such risk.

We take a comprehensive approach with regard to operational risk management, and implement a mechanism with detailed and decentralized responsibilities and clear rewards and punishment systems. Our information technology, human resources, finance and operations departments are collectively responsible to ensure the compliance of our operations with internal procedures. In the event of a major adverse event, the matter will be escalated to our CEO and the Board to take appropriate measures. Through effective operational risk management, we expect to control operational risks within a reasonable range by identifying, measuring, monitoring and containing operational risks to reduce potential losses.

Compliance Risk Management

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of our failure to comply with relevant laws, regulations, rules and guidelines.

Compliance management refers to the dynamic managing processes of our effective identification and management of compliance risks and proactively preventing the occurrence of risk events. Compliance risk management is the core of our risk management activities, the foundation for effective internal controls and an important aspect of our corporate culture. We have established a sound compliance risk management framework as part of our comprehensive risk management system, to achieve effective identification and management of compliance risk and ensure that our operations are in compliance with applicable laws and regulations.

Information Security and Data Privacy Risk Management

See "— Data Privacy and Personal Information Protection."

Intellectual Property Risk Management

We have implemented a set of comprehensive measures to protect our intellectual property. The key measures include:

- ***Uniform and centralized IP management***: We conduct uniform and centralized IP management through our legal and IP department. Any application, implementation, authorization or transfer of our intellectual property rights will need to be subject to the approval of our legal and IP department.

- ***Shared IP rights within Group***: Any of our intellectual property rights, as long as they are owned by one of our subsidiaries or controlled entities, can be shared among Group members for manufacturing, import, sales or promise to sell relevant products.

Investment Risk Management

We invest in or acquire businesses that are complementary to our business and aligned with our overall growth strategies, such as businesses that can expand our service offerings and strengthen our technological capabilities. In general, we intend to hold our investments for the long term in forms of preferred shares or ordinary shares with preference rights. In order to manage potential risks associated with investments, we generally obtain minority protection rights from our investment portfolio companies.

Our strategic investment department has primarily been responsible for our investment project sourcing, screening, due diligence, risk assessment, valuation, execution and post-investment monitoring. Each investment is assessed with consideration of strategic value, risks and reward. We have established investment project evaluation and approval processes. Our Investment Committee reviews and determines all new investments and major disposals.

Anti-corruption Risk Management

Anti-corruption risk refers to the risk of use of cheating, bribery or other illegal measures for (i) the pursuit of improper personal benefits at the expense of our Company's economic interests and (ii) the pursuit of improper interests of the Company. We have established our anti-corruption risk management policies prohibiting any corruption activities by the employees, either for the pursuit of improper personal benefits or improper interests of the Company. Our CEO office is directly responsible for the anti-corruption risk management with a specific anti-corruption committee established under it, comprising of designated personnel from our human resources, internal control and legal departments. We have maintained a whistleblower mechanism encouraging the internal report of suspicious activities. We have zero-tolerance of corruption and do not accept employment or promotion of persons responsible for corruption incidents. We conduct routine internal trainings and require all suppliers to execute anti-corruption commitments before engagement.

Audit Committee Experience and Qualification and Board Oversight

To monitor the ongoing implementation of our risk management policies, we have established an Audit Committee to review and supervise our financial reporting process and internal control system on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The Audit Committee comprises three members, namely LYN Frank Yee Chon, FAN Yuanyuan and LI Wei. LYN Frank Yee Chon is the Chairperson of the Audit Committee and an independent non-executive Director. Please refer to the section headed "Directors and Senior Management—Directors" in this document.

In addition to our internal control department, we have also established an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting issues identified and improving our internal control system and procedures by identifying internal control failures and weaknesses on an ongoing basis. The internal audit department reports any major issues identified to the Audit Committee and Board of Directors on a timely basis.

PRC REGULATORY BACKGROUND

Overview

Foreign investment activities in the PRC are mainly governed by the Foreign Investment Law, Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Version) (the "**Negative List**") and the Catalog of Industries for Encouraging Foreign Investment (2020 Version) (the "**Encouraging Catalog**"), which was promulgated and is amended from time to time jointly by the MOFCOM and the NDRC. The Negative List and the Encouraging Catalog divide industries into four categories in terms of foreign investment, namely, "encouraged", "restricted", "prohibited" and "permitted" (the last category of which includes all industries not listed under the "encouraged", "restricted" and "prohibited" categories). As advised by our PRC Legal Advisor, a summary of our business/operation that is subject to foreign investment restriction in accordance with the Negative List, the Encouraging Catalog and other applicable PRC laws and regulations and on certain interviews with governmental authorities is set out below (the "**Relevant Businesses**"):

Categories	Our business/operation
"Restricted"	
Value-added telecommunication service business	The principal business of Shanghai SenseTime Technology Development is operating the Group's Shanghai Lingang AIDC, which is expected to be launched in early 2022. The provision of such services is regarded as the business of internet data center, which falls within the scope of "value-added telecommunication service" under the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) and Telecommunication Business Catalog (《電信業務分類目錄》), as last amended by the MIIT on June 6, 2019. The operation of such business would require the Value-added Telecommunication Business Operation Permit with Internet Data Center Services (including internet resources cooperation services) ("**IDC License**") which is subject to foreign ownership restrictions. Shanghai SenseTime Technology Development has obtained an IDC License. As advised by the PRC Legal Advisor, other than certain exceptions allowed with a telecommunication service enterprise incorporated in Hong Kong or Macau under the Closer Economic Partnership Arrangement, no enterprises which are partly invested or wholly owned by foreign investors are allowed to apply for or hold an IDC License.

For further details of the limitations on foreign ownership in PRC companies conducting the aforementioned business under PRC laws and regulations, see "Regulatory Overview — Regulations on Value-added Telecommunications Services and Foreign Investment Restrictions" and "Risk Factors — Risks Relating to Doing Business in China."

Qualification requirements for value-added telecommunication service business

On December 11, 2001, the State Council promulgated the Administrative Regulations on Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the "**FITE**

Regulations"), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold the equity interests in a company holding IDC License unless otherwise required by other PRC laws and regulations. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in and a proven track record of operating value-added telecommunications businesses (the "**Qualification Requirements**"). Foreign investors that meet these requirements must obtain approvals from the ministry of Industry and Information Technology (the "**MIIT**") and MOFCOM or their authorized local counterparts which retain considerable discretion in granting such approvals. Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, the applicant's annual reports for the past three years, satisfactory proof of the Qualification Requirements and business development plan. The guidance memorandum does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirements. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement. Our PRC Legal Advisor has advised us that as of the Latest Practicable Date, (i) this guidance memorandum has limited legal or regulatory effect under the PRC laws and (ii) no applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirements, and (iii) the satisfaction by an applicant of Qualification Requirements is subject to the MIIT's review in substance.

Given that a foreign investor is restricted from holding any equity interest of an entity that holds a IDC License under the current PRC laws and regulations, and also that there exists substantial uncertainties surrounding (a) how the Qualification Requirements can be fulfilled by a foreign investor, (b) the objective criteria under which the Qualification Requirements can be fulfilled, and (c) how long our Group has to wait before it is able to build a proven track record and prior experience Qualification Requirements, we consider that it is not viable for our Company to hold the Consolidated Affiliated Entities directly or indirectly through equity ownership.

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been gradually building up our track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in the Consolidated Affiliated Entities when the relevant PRC laws allow foreign investors to invest and to hold a majority interest in value-added telecommunications enterprises in China. We are in the process of expanding our offshore value-added telecommunications business through our overseas subsidiaries. We have committed and will commit financial and other resources and implement all necessary measures to meet the Qualification Requirements, for instance:

- our Group has established an overseas website and registered patents, trademarks and domain names outside of the PRC for the promotion of our businesses overseas; and

- we have incorporated a number of overseas entities for the purpose of expanding our business overseas.

The respective PRC legal advisors of the Company and of the Joint Sponsors conducted a consultation with the relevant competent government authority, during which the officers of such competent government authority confirmed that in relation to IDC License, (1) a sino-foreign equity joint venture or wholly-owned foreign investment entity will not be granted an IDC License, except for certain foreign investment by investors from Hong Kong Special Administrative Region or Macau Special Administrative Region pursuant and subject to the CEPA Agreements; (2) whether the foreign investors from Hong Kong or Macau may satisfy the Qualification Requirements is subject to a substantive examination and discretion by the relevant authorities on a case-by-case basis. Furthermore, according to the officer of the competent government authority, the applications for IDC Licenses by our Company will be unlikely to be approved under the present circumstances.

Accordingly, subject to the discretion of the competent authority on whether the Group has fulfilled the Qualification Requirements, our PRC Legal Advisor is of the view that based on the above analysis, as of the Latest Practicable Date, (1) to maintain the business operation of Shanghai Qianlun and Shanghai SenseTime Technology Development, in compliance with applicable PRC laws, regulations and the requirements of competent governmental authorities, the Company or any of its subsidiaries overseas may not directly invest in Shanghai Qianlun or Shanghai SenseTime Technology Development, (2) the above steps taken by us are reasonable and appropriate in relation to the Qualification Requirements. However, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to the above opinion of our PRC Legal Advisor.

We will, as applicable and when necessary, disclose the progress of our overseas expansion plans and any updates to the Qualification Requirements in our annual and interim reports to inform Shareholders and other investors after the **[REDACTED]**. We will also make periodic inquiries to relevant PRC authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient to meet the Qualification Requirements.

OUR CONTRACTUAL ARRANGEMENT

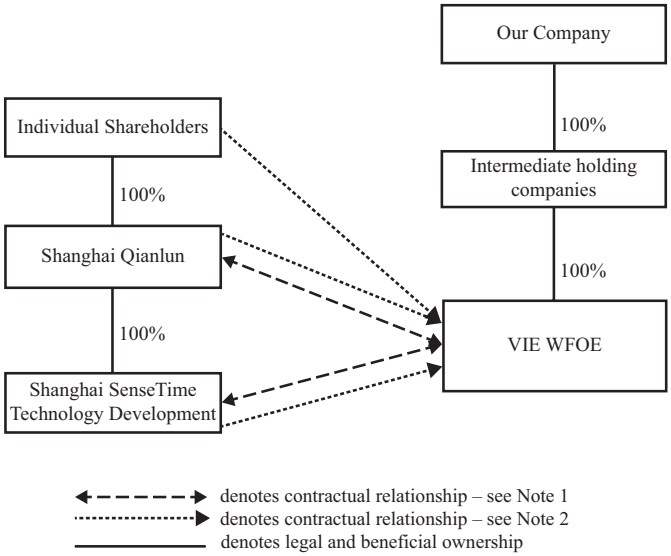
Overview

Because foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations as outlined above, we do not directly own any equity interest in our Consolidated Affiliated Entities. Our Consolidated Affiliated Entities were set up in 2020, where Shanghai SenseTime Technology Development is wholly-owned by Shanghai Qianlun, which is held by Mr. Yang Fan and Mr. Ma Kun as to 50% each (Mr. Yang Fan and Mr. Ma Kun are collectively known as the "**Individual Shareholders**"). Mr. Yang Fan is our co-founder and has been our vice president since November 2014. He is one of our senior management and is primarily responsible for strategic planning and corporate development of our Group, in particular he assists Dr. Xu Li and Mr. Xu Bing in various project and product management (for example he was responsible for the set up of the Shanghai Lingang AIDC and the former chairman of our Data Security and Personal Information Protection Management Committee) and is the head of our strategic synergy department and product committee chairman. See "Directors and Senior Management" for details of Mr. Yang Fan. Mr. Ma Kun is our co-founder and has been appointed the

technical executive director of our Company since June 2015. He is primarily responsible for the product development of AI system and smart devices, in particular, he works with Dr. Wang in the research and development of the Group's computer vision & deep learning technology and use case. Before joining our Group, Mr. Ma Kun worked at Wochacha Information Technology (Shanghai) Ltd. (我查查信息技術（上海）有限公司） and was a PhD candidate in the Electronic Engineering Program at the Chinese University of Hong Kong with a master degree in engineering from Xidian University (西安電子科技大學).

In view of the aforementioned PRC regulatory background, after consultation of the PRC legal matters and regime with our PRC Legal Advisor, we determined that it was not viable for our Company to hold our Consolidated Affiliated Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entities through the Contractual Arrangement between the VIE WFOE, on the one hand, and our Consolidated Affiliated Entities and the their respective shareholders, on the other. The Contractual Arrangement allows the results of operations and assets and liabilities of our Consolidated Affiliated Entities to be consolidated into our results of operations and assets and liabilities under IFRS as if they were wholly-owned subsidiaries of our Group. The total revenue of the Group's Consolidated Affiliated Entities account for nil, nil, nil and approximately 0.2% of the Group's total revenue and the total assets of the Group's Consolidated Affiliated Entities account for nil, nil, approximately 1.2% and 4.5% of the Group's total assets, for the three years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021 respectively. Based on the above, we believe that the Contractual Arrangement is narrowly tailored, as it is used to enable our Group to conduct businesses in industries that are subject to foreign investment restrictions in the PRC.

Our Directors believe that the Contractual Arrangement is fair and reasonable because: (i) the Contractual Arrangement was freely negotiated and entered into between the VIE WFOE and our Consolidated Affiliated Entities; (ii) by entering into the exclusive business cooperation agreement with the VIE WFOE, which is our wholly-owned subsidiary incorporated in PRC, our Consolidated Affiliated Entities will enjoy better economic and technical support from us, as well as a better market reputation after the **[REDACTED]**, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.



Notes:

1. Shanghai Yuqin provides business support, technical and consulting services in exchange for service fees from Shanghai Qianlun and Shanghai SenseTime Technology Development respectively. Please refer to "— Our Contractual Arrangement — Exclusive Business Cooperation Agreements."

2. The Individual Shareholders executed exclusive options agreement in favor of Shanghai Yuqin, to acquire all or part of the equity interests in and all or part of the assets in Shanghai Qianlun and Shanghai SenseTime Technology Development correspondingly. See "— Our Contractual Arrangement — Exclusive Options Agreements."

   The Individual Shareholders executed powers of attorney in favor of Shanghai Yuqin, to exercise all shareholders' rights in Shanghai Qianlun and Shanghai SenseTime Technology Development correspondingly. See "— Our Contractual Arrangement — Powers of Attorney."

   The Individual Shareholders granted first priority security interests in favor of Shanghai Yuqin, over the entire equity interests in Shanghai Qianlun and Shanghai SenseTime Technology Development correspondingly. See "— Our Contractual Arrangement — Equity Pledge Agreement."

Circumstances under which we will unwind the Contractual Arrangement

If the relevant business is no longer falling in the catalog of prohibitions or certain conditions and permission of foreign investment access required under the applicable laws, and we can legally operate our business under PRC laws, regulations and policies, the VIE WFOE will exercise the call option under the exclusive options agreement to acquire the equity interest/assets of the Consolidated Affiliated Entities and unwind the Contractual Arrangement subject to any application or approval procedures and the approval by the relevant governmental authorities.

Summary of the agreements under the Contractual Arrangement and other key terms thereunder

A description of each of the specific agreements that comprise the Contractual Arrangement is set out below.

Exclusive Business Cooperation Agreement

As part of the Contractual Arrangement, the Consolidated Affiliated Entities and the VIE WFOE have entered into exclusive business cooperation agreement. Pursuant to the exclusive business cooperation agreement, the Consolidated Affiliated Entities agreed to engage the VIE WFOE as its exclusive provider of business support, technical and consult services, including but not limited to, technical services, network support, business consultation, licensing of intellectual properties, system integration, product research and development, system maintenance and management consultancy services. In exchange for these services, the Consolidated Affiliated Entities shall pay a service fee, which equal to its profit before tax, deducting any of its accumulated losses from the preceding fiscal year, costs, expenses, tax and other statutory contribution in relation to the respective fiscal year, which will be wired to the designated account of the VIE WFOE upon issuance of payment notification by the VIE WFOE. The VIE WFOE enjoys all the economic benefits derived from the businesses of the Consolidated Affiliated Entities and bears the relevant portion of the business risks of the Consolidated Affiliated Entities. If the Consolidated Affiliated Entities run into financial deficit or suffer severe operation difficulties, the VIE WFOE will provide financial support to the Consolidated Affiliated Entities.

The exclusive business cooperation agreement also provides that, among others, (a) the VIE WFOE has the exclusive proprietary rights to all intellectual property rights developed or created by the VIE WFOE or the Consolidated Affiliated Entities during the performance of the exclusive business cooperation agreement; (b) the Consolidated Affiliated Entities shall not transfer, assign, pledge, license or otherwise encumber its rights, ownership, interests and all intellectual property rights, including but not limited to copyright, patents, patent applications, trademarks, trade names, branding, software, technical secrets, trade secrets, all associated goodwill, domain names and others; (c) the Consolidated Affiliated Entities shall appoint persons designated by the VIE WFOE as their respective directors, general manager, chief financial officer and other senior management and shall not remove or dismiss such persons unless with the prior written consent of the VIE WFOE. The Consolidated Affiliated Entities shall procure their directors and senior management to act according to the instruction of the VIE WFOE; (d) the VIE WFOE has the right to provide the services on behalf of the Consolidated Affiliated Entities and the Consolidated Affiliated Entities shall provide all necessary authorization; (e) the VIE WFOE has the right to inspect the accounts of the Consolidated Affiliated Entities regularly or at any time; and (f) the Consolidated Affiliated Entities shall pass the custody, use and control of the certificates and seals (including business license, certificate of organization code, company seal, contractual seal, financial seal and legal representative seals) which are key to their business and financial operation (including bank accounts) to persons designated by the VIE WFOE.

In addition, absent the prior written consent of the VIE WFOE, during the term of the exclusive business cooperation agreement, with respect to the services and other matters thereunder, the respective Consolidated Affiliated Entity shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish cooperation relationships similar to that formed under the exclusive business cooperation agreements with any third party. The VIE WFOE may appoint other parties, who may enter into certain agreements with the respective Consolidated Affiliated Entity, for the provisions of the services under the exclusive business cooperation agreements.

The exclusive business cooperation agreement is for an initial term of ten years and is extended automatically until (i) the VIE WFOE holds the entire equity interests or the entire assets of the respective Consolidated Affiliated Entity under the exclusive option agreement and that the VIE WFOE is able to conduct the business of the respective Consolidated Affiliated Entity legally or (ii) the VIE WFOE serves a notice stipulating the end of the term. It shall remain effective unless terminated in writing by the VIE WFOE with 30 days' notice. The Consolidated Affiliated Entities have no right to terminate the exclusive business cooperation agreement unilaterally.

Exclusive Options Agreement

As part of the Contractual Arrangement, the Consolidated Affiliated Entities and the VIE WFOE have entered into an exclusive options agreement. Pursuant to the exclusive options agreement, the VIE WFOE has the irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from the Individuals Shareholders (i) all or any part of their equity interests in the respective Consolidated Affiliated Entity and/or (ii) all or any part of the assets of the respective Consolidated Affiliated Entity at any time and from time to time in the VIE WFOE's absolute discretion to the extent permitted by PRC laws. The consideration shall be a nominal price or other price approved by the VIE WFOE, while if the relevant governmental authority or PRC Law requires that the consideration shall be other price, the consideration shall be the lowest price as permitted under applicable PRC laws or other price approved by the VIE WFOE. The Individual Shareholders and the respective Consolidated Affiliated Entity have also undertaken that, they will return to the VIE WFOE or an entity designated by it any consideration they receive in the event that any of the options under the exclusive options agreements is exercised.

The Individual Shareholders and the respective Consolidated Affiliated Entity among other things, have covenanted in the exclusive options agreement that:

(a) without the prior written consent of the VIE WFOE, the Individual Shareholders shall not, and the respective Consolidated Affiliated Entity's shareholders meeting and/or the board of directors (or the executive director) shall not approve to sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in the respective Consolidated Affiliated Entity, or allow the encumbrance thereon of any security interest, except for the equity pledge agreement;

(b) without the prior written consent of the VIE WFOE, the respective Consolidated Affiliated Entity shall not, and the Individual Shareholders shall procure them not to, sell, transfer, pledge or dispose of in any manner any assets of the respective Consolidated Affiliated Entity or the legal or beneficial interest in the business or revenues of the respective Consolidated Affiliated Entity, or allow the encumbrance thereon;

(c) they shall perform their obligations under the exclusive business operation agreement by following good financial and business standards and practices and prudently and effectively operating their business and handling their affairs. They shall refrain from any action or omission that could possibly have material adverse effect on the respective Consolidated Affiliated Entity's business operation, asset value and/or reputation;

(d) the respective Consolidated Affiliated Entity shall, and the Individual Shareholders shall use their best effort to, maintain the respective Consolidated Affiliated Entity's corporate existence. Unless otherwise required by the applicable PRC Law, the respective Consolidated Affiliated Entity shall not be liquidated, save as agreed by the VIE WFOE in writing;

(e) the respective Consolidated Affiliated Entity shall, and the Individual Shareholders shall use their best effort to, maintain the legality and validity of all necessary government licenses and permits and renew them on time according to law;

(f) the respective Consolidated Affiliated Entity shall, and the Individual Shareholders shall procure, appoint any persons or remove any persons designated by the VIE WFOE as the director, supervisor and/or senior management of the respective Consolidated Affiliated Entity and comply with the relevant corporate and filing procedures;

(g) the respective Consolidated Affiliated Entity shall, and the Individual Shareholders shall procure, approve in the shareholders meeting and/or the board meeting of the respective Consolidated Affiliated Entity of resolutions as instructed by the VIE WFOE, including the transfer of the shares and or assets pursuant to the exclusive option agreement and to take any and all other actions as the VIE WFOE requests;

(h) the respective Consolidated Affiliated Entity shall, and the Individual Shareholders shall procure, provide the VIE WFOE with information on respective Consolidated Affiliated Entity's business operations and financial condition at the request of the VIE WFOE, and the VIE WFOE shall have the right to supervise and evaluate the assets of the respective Consolidated Affiliated Entity to confirm whether it has control of the assets of the respective Consolidated Affiliated Entity. If the VIE WFOE considers that the operation activities of the respective Consolidated Affiliated Entity affect the value of its assets or affect its control of the respective Consolidated Affiliated Entity, the respective Consolidated Affiliated Entity and the Individual Shareholders shall unconditionally accept the legal counsels or other professionals engaged by the VIE WFOE to deal with such issues;

(i) without the prior written consent of the VIE WFOE, the respective Consolidated Affiliated Entity shall not, and the Individual Shareholders shall procure them not to, in any manner distribute dividends to their shareholders, provided that upon the written request of the VIE WFOE, the respective Consolidated Affiliated Entity shall immediately distribute all distributable profits to their shareholders; the Individual Shareholders shall not request the respective Consolidated Affiliated Entity to in any manner distribute dividends or other forms of profits distribution on the equity interests owned by them, and raise such relevant board resolution. In any event, if the Individual Shareholders receive any income, profit distribution or dividend, they shall promptly forgo the income, profit distribution or dividend and transfer or pay such income, profit distribution or dividend to the VIE WFOE or any other person designated by the VIE WFOE to the extent permitted under applicable PRC laws;

(j) without the prior written consent of the VIE WFOE, the Consolidated Affiliated Entity shall not, and the Individual Shareholders shall procure them not to, cause or permit the respective Consolidated Affiliated Entity to merge, consolidate with, acquire or invest in any person, or in any manner supplement, change or amend their constitutional documents, increase or decrease their registered capital, or change the structure of their registered capital in other manner or liquidate the respective Consolidated Affiliated Entity;

(k) they shall immediately notify in writing the VIE WFOE immediately upon they become aware of the occurrence or possible occurrence of (a) the respective Consolidated Affiliated Entity defaulting on its loan, entering or intending to enter bankruptcy liquidation procedures, deciding to dissolve or being dissolved; (b) cease operation or its licenses and/or qualification being revoked; (c) any litigation, arbitration or the shareholders having any disputes with third parties over their assets; (d) the Individual Shareholders having any litigation, arbitration or administrative proceedings relating to the respective Consolidated Affiliated Entity's assets, business or revenue and equity interests held by the Individual Shareholders; and shall cooperate with the VIE WFOE to take all necessary action, execute all necessary legal documents to protect the interests of the VIE WFOE in the exclusive options agreement;

(l) without the prior written consent of the VIE WFOE, the Consolidated Affiliated Entity shall not, and the Individual Shareholders shall procure them not to, execute any material contract with a value above RMB100,000, except the contracts executed in the ordinary course of business and contracts executed with the parent company of the VIE WFOE;

(m) to maintain the ownership by the respective Consolidated Affiliated Entity of all of its assets, the Consolidated Affiliated Entity shall, and the Individual Shareholders shall procure them to, execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;

(n) they shall immediately notify the VIE WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to its assets, business or revenue and equity interests held by the Individual Shareholders in the respective Consolidated Affiliated Entity and take all necessary actions as reasonably requested by the VIE WFOE;

(o) without the prior written consent of the VIE WFOE, the respective Consolidated Affiliated Entity shall not, and the Individual Shareholders shall procure them not to, incur, inherit, guarantee or assume any debt, except for debts incurred in the ordinary course of business other than payables incurred by a loan or debts disclosed to the VIE WFOE and as agreed by it;

(p) without the prior written consent of the VIE WFOE, the respective Consolidated Affiliated Entity shall not, and the Individual Shareholders shall procure them not to,

cause the respective Consolidated Affiliated Entity to provide any person with any loan, financial assistance, mortgage, pledge and other security in any form, or allow any mortgage or pledge by any third parties over its equity interests or assets.

The exclusive options agreement is for an initial term of ten years and is extended automatically until (i) the VIE WFOE holds the entire equity interests or the entire assets of the respective Consolidated Affiliated Entity under the exclusive option agreement and that the VIE WFOE is able to conduct the business of the respective Consolidated Affiliated Entity legally or (ii) the VIE WFOE servers a notice stipulating the end of the term. It shall remain effective unless terminated in writing by the VIE WFOE. The Consolidated Affiliated Entities and the Individual Shareholders have no right to terminate the exclusive options agreements unilaterally. In addition, the Individual Shareholders [have] executed and passed to the VIE WFOE transfer agreements in blank in favor of the VIE WFOE in relation to the Individual Shareholders' equity interests in each of the Consolidated Affiliated Entity.

Powers of Attorney

The Individual Shareholders have executed the power of attorney, each of which contains similar terms and conditions, whereby the Individual Shareholders appointed the VIE WFOE, any directors authorized by the VIE WFOE or his/her successors or a liquidator replacing such person as their exclusive agent and attorney to act on their behalf on all matters concerning the respective Consolidated Affiliated Entity and to exercise all of its rights as a registered shareholder of the respective Consolidated Affiliated Entity in accordance with PRC laws and the articles of the respective Consolidated Affiliated Entity. These rights include (i) the right to propose, convene and attend shareholders meetings; (ii) the rights to vote but are not limited to sell, transfer, pledge or dispose of part or all of the equity and participate in the distribution of profits of the respective Consolidated Affiliated Entity or any other forms of distributable benefits; (iii) the right to designate and appoint the legal representative (chairperson), directors, supervisors, the chief executive officer (or general manager) and other senior management members of the respective Consolidated Affiliated Entity; (iv) the right to sign the documents related to the exercise of the shareholders' right to the equity interests in the respective Consolidated Affiliated Entity and file documents with the relevant companies registry; (v) the right to exercise voting rights on the bankruptcy, liquidation, dissolution or termination of the respective Consolidated Affiliated Entity on behalf of the Individual Shareholders; (vi) the right to distribute the remaining assets after the bankruptcy, liquidation, dissolution or termination of the respective Consolidated Affiliated Entity; (vii) the right to decide on the submission and registration of documents regarding the respective Consolidated Affiliated Entity to governmental authorities; and (viii) the right to exercise any shareholder's right to dispose of assets of the respective Consolidated Affiliated Entity according to law, including but not limited to the right to manage its assets, draw on its revenue, and obtain its assets.

The powers of attorney shall continue to remain effective until terminated in writing by the VIE WFOE or the VIE WFOE holds the entire equity interests or the entire assets of the respective Consolidated Affiliated Entity under the relevant exclusive option agreement and that the VIE WFOE is able to conduct the business of the respective Consolidated Affiliated Entity legally.

Equity Pledge Agreement

As part of the Contractual Arrangement, the respective Individual Shareholders have entered into the equity pledge agreements with the VIE WFOE and Consolidated Affiliated Entity, each of which contains similar terms and conditions. Pursuant to the equity pledge agreements, the Individual Shareholders agreed to pledge as all of their respective equity interests in the Consolidated Affiliated Entities that they own, including any interest or dividend paid for the shares, to the VIE WFOE as collateral security for any or all of their payments due to the VIE WFOE and to secure performance of their obligations under the Contractual Arrangement.

The pledge in favor of the VIE WFOE takes effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Individual Shareholders and the respective Consolidated Affiliated Entity under the Contractual Arrangement have been fully performed and such having been confirmed by the VIE WFOE.

Should an event of default (as provided in the equity pledge agreement) occur, unless it is successfully resolved to the VIE WFOE's satisfaction within 30 days upon being notified, the VIE WFOE is entitled to all rights to the remedies for breach of contract, including but not limited to: (1) the right to demand that the respective Consolidated Affiliated Entity immediately pay all outstanding payments due and all other amounts due and payable to the pledgee, and/or repay loan; and/or (2) the right to have priority in compensation with the proceeds from the discount of all or part of the equity interests, or the auction or disposal of the equity interests.

The pledges under the equity pledge agreements have been duly registered with the relevant PRC legal authority pursuant to PRC laws and regulations.

Other key terms thereunder

Dispute resolution

The Contractual Arrangement stipulates that the parties shall negotiate in good faith to resolve the dispute in the event of any dispute with respect to the construction and performance of the provisions. In the event the parties fail to reach an agreement on the resolution of such a dispute within 30 days after a party's request for resolution of the dispute through negotiations, any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission ("**CIETAC**") and Shanghai International Economic and Trade Arbitration Commission for arbitration respectively, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing or Shanghai, and the language used during arbitration shall be Chinese. The arbitration ruling shall be final and binding on all parties. Any party shall have the right to apply to the courts with competent jurisdiction for enforcement of arbitration rulings after the arbitration rulings come into force.

The Contractual Arrangement also provides that (i) the arbitral tribunal may award remedies over the equity interests, assets or property interest of the Consolidated Affiliated Entities, compulsory relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the Consolidated Affiliated Entities; (ii) a court of competent jurisdiction may grant interim relief to a party when requested for the purpose of preserving the assets and property or enforcement measures, subject to the requirements under the PRC laws; and (iii) the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and other jurisdictions (being the place of domicile of the Consolidated Affiliated Entities and where the principal assets of the Consolidated Affiliated Entities are located) also have jurisdiction over the foregoing matters.

Our PRC Legal Advisor has advised that (i) the arbitral tribunal normally would not grant such kind of injunctive relief or winding up order of the Consolidated Affiliated Entities under PRC laws; (ii) interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in mainland China; but (iii) even if the abovementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangement.

As a result of the above, in the event that our Consolidated Affiliated Entities or the Individual Shareholders breach any of the Contractual Arrangement, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over the Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See "Risk Factors — Risks Relating to Our Corporate Structure" and "Risk Factors — Risks Relating to Doing Business in China" for details.

Succession

The provisions set out in the Contractual Arrangement are also binding on the successors of the Individual Shareholders, as if the successors were signing parties to the Contractual Arrangement. Under the succession laws of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the Contractual Arrangement. In case of a breach, the VIE WFOE can enforce its rights against the successors. Pursuant to the Contractual Arrangement, any inheritor of the Individual Shareholders shall inherit any and all rights and obligations of the Individual Shareholders under the Contractual Arrangement as a result of their death, loss of capacity, marriage, divorce, bankruptcy or under other circumstances which would affect their exercise of equity interest in the Consolidated Affiliated Entities, as if the inheritor was a signing party to such Contractual Arrangement.

According to the terms of the exclusive option agreement, each of the Individual Shareholders has undertaken, in the event of death or any other event which causes the inability of such Individual Shareholder to perform their day-to-day obligations, or any other events that could possibly affect his/her holding or exercise of the rights and obligations in the Consolidated Affiliated Entities, his/her successor shall be deemed to be party to the Contractual Arrangement, who would assume all rights and obligations under the Contractual Arrangement.

In addition, the spouses of the Individual Shareholders had respectively executed an irrevocable undertaking in respect of the Consolidated Affiliated Entities respectively, whereby each of them expressly and irrevocably acknowledged and has undertaken that (i) any equity interests in the respective Consolidated Affiliated Entity, as held by the respective Individual Shareholder, will not be claimed as their communal properties; (ii) she/he will not have any claim on the interests of the respective Consolidated Affiliated Entity obtained through the Contractual Arrangement; (iii) she/he has never participated and will not participate in the operation or management of the respective Consolidated Affiliated Entity.

Arrangements to address potential conflicts of interest

The Individual Shareholders have undertaken that, (a) in any circumstances, they shall not commit, directly or indirectly, actively or passively, any conduct, measures, action or omission against the purpose and intention of the Contractual Arrangement, that lead or may lead to any conflicts of interests between the Consolidated Affiliated Entities and our Company (including its subsidiaries) and (b) if during their performance of the Contractual Arrangement, there is a conflict of interests between the Individual Shareholders and our Company (including its subsidiaries), the Individual Shareholders shall protect the legal interests of the VIE WFOE under the Contractual Arrangement and follow the instructions of our Company.

In addition, the Individual Shareholders have granted a power of attorney in favor of the VIE WFOE, any directors authorized by the VIE WFOE or his/her successors, or a liquidator replacing the VIE WFOE's directors as their exclusive agent and attorney to act on their behalf on all matters concerning the Consolidated Affiliated Entities and to exercise all of its rights as a registered shareholder of the Consolidated Affiliated Entities in accordance with PRC laws and the articles of the Consolidated Affiliated Entities, respectively.

Loss sharing

None of the agreements constituting the Contractual Arrangement provides that our Company or its wholly-owned PRC subsidiaries, the VIE WFOE, are obligated to share the losses of the Consolidated Affiliated Entities, but if the respective Consolidated Affiliated Entity suffers any losses or material difficulties of business, the VIE WFOE may provide financial support as permitted under PRC laws at its discretion to the respective Consolidated Affiliated Entity under the terms of the exclusive business cooperation agreement. Further, each of the Consolidated Affiliated Entities is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, our Company or the VIE WFOE is not expressly required to share the losses of the respective Consolidated Affiliated Entity or provide financial support to the respective Consolidated Affiliated Entity. Despite the foregoing, given that our Group conducts the relevant businesses in the PRC through the Consolidated Affiliated Entities which hold the requisite PRC licenses and approvals, and that the Consolidated Affiliated Entities' results of operations and assets and liabilities are consolidated into our Group's results of operations and assets and liabilities under the applicable accounting principles, the Company's business, financial condition and results of operations would be adversely affected if the Consolidated Affiliated Entities suffered losses.

Liquidation

Pursuant to the exclusive option agreement, in the event of a mandatory liquidation required by PRC laws, the respective Consolidated Affiliated Entity shall sell all of its assets to the extent permitted by PRC laws to the VIE WFOE or an entity designated by it, at the lowest selling price permitted by applicable PRC laws. Any obligation for the VIE WFOE to pay the respective Consolidated Affiliated Entity as a result of such transaction shall be waived by the respective Consolidated Affiliated Entity and any profits arising from the above transaction shall be paid to the VIE WFOE or the entity designated by the VIE WFOE in partial satisfaction of the service fees under the exclusive business cooperation agreement, as applicable under the then current PRC laws.

Termination

The exclusive business cooperation agreement provides that the initial term is ten years and the term is extended automatically until (i) the VIE WFOE holds the entire equity interests or the entire assets of the respective Consolidated Affiliated Entity under the exclusive option agreement and that the VIE WFOE is able to conduct the business of the respective Consolidated Affiliated Entity legally or (ii) the VIE WFOE serves a notice stipulating the end of the term. In addition, pursuant to the exclusive business cooperation agreement, the VIE WFOE has the unilateral right to terminate the agreement at any time by providing a 30 days' notice in writing to the respective Consolidated Affiliated Entity. The Consolidated Affiliated Entities have no right to terminate the exclusive business cooperation agreement unilaterally. The term of the exclusive option agreement, the powers of attorney and the equity pledge agreement shall have the same term as the exclusive business cooperation agreement.

Insurance

The Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangement.

Company's confirmation

As of the Latest Practicable Date, the Company has not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through the Consolidated Affiliated Entities under the Contractual Arrangement.

Legality of the Contractual Arrangement

Based on the above, we believe that the Contractual Arrangement is narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations. Our PRC Legal Advisor has also advised that, as of the Latest Practicable Date:

(1) each of the VIE WFOE and the Consolidated Affiliated Entities has obtained all necessary corporate approvals and authorizations to execute and perform the Contractual Arrangement;

(2) each of the agreements is binding on the parties thereto and none of them would be deemed as "concealment of illegal intentions within a lawful form", nor be void under Contract Law of the People's Republic of China nor violate the mandatory provisions of the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**") which would render the agreements become invalid pursuant to the Civil Code;

(3) the Contractual Arrangement does not violate any provisions of the articles of association of our Consolidated Affiliated Entities or the VIE WFOE;

(4) the execution and performance of the Contractual Arrangement are not required to obtain any approval or authorization from the PRC governmental authorities, except that:

a. the exercise of the option by the VIE WFOE or its designee of its rights under the exclusive option agreement to acquire all or part of the equity interests and/or the assets of our Consolidated Affiliated Entities is subject to the approvals of and/or registrations with the PRC regulatory authorities respectively;

b. any share pledge contemplated under the equity pledge agreement is subject to the registration with local administration bureau for market regulation; and

c. the arbitration awards/interim remedies provided under the dispute restitution provision of the Contractual Arrangement shall subject to the PRC courts' recognition.

(5) the Contractual Arrangement is valid, legal and binding under PRC laws, except for the following provisions regarding dispute resolution:

a. the Contractual Arrangement provides that any dispute shall be submitted to Shanghai International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shanghai. It also provides that the arbitrator may award interim remedies over the shares or assets of the Consolidated Affiliated Entities or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of our Consolidated Affiliated Entities; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and mainland China (being the place of incorporation of our Consolidated Affiliated Entities) also have jurisdiction for the grant and/or enforcement of the interim remedies against the shares or properties of the Consolidated Affiliated Entities. However, our PRC Legal Advisor has advised that the interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in mainland China.

However, we have been advised by our PRC Legal Advisor that there are uncertainties regarding the interpretation and application of the current and future PRC laws and regulations over

the validity of the Contractual Arrangement, as well as whether we or our Consolidated Affiliated Entities can obtain any of the approvals that may be required by PRC regulatory authorities from time to time. Accordingly, there can be no assurance that the PRC regulatory authorities will not take a view that is contrary to or otherwise different from the above opinions of our PRC Legal Advisor in the future. See "Risk Factors — Risks Relating to our Corporate Structure" and "Risk Factors — Risks Relating to Doing Business in China."

Notwithstanding the foregoing, according to the query and confirmation during the interview in relation to the IDC License with the competent authority conducted by the Joint Sponsors' PRC legal advisor and our PRC Legal Advisor and the above analysis, our PRC Legal Advisor is of the view that our Contractual Arrangement would not be challenged or subject to penalty imposed by them due to violation of any relevant PRC laws or regulations.

Our PRC Legal Advisor is of the view that (a) the authorities being interviewed and consulted are the competent regulatory authorities for the Consolidated Affiliated Entities' principal business activities and therefore have competent authorities to give the confirmations above; (b) based on the aforementioned interview as well as their understanding of applicable PRC laws and regulations, the adoption of the Contractual Arrangement is unlikely to be deemed ineffective or invalid under the current applicable PRC laws and regulations; and (c) the adoption of the Contractual Arrangement does not constitute a breach of the relevant mandatory requirements of PRC laws and regulations as of the Latest Practicable Date.

Based on the above analysis and PRC legal advice from our PRC Legal Advisor, the Directors are of the view that the adoption of the Contractual Arrangement is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. See "Risk Factors — Risks Relating to Our Corporate Structure" and "Risk Factors — Risks Relating to Doing Business in China."

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Foreign Investment Law

The PRC Foreign Investment Law (the "**FIL**") became effective on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法)》, the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law (《外資企業法》). The FIL constitutes the legal foundation for foreign investment in the PRC. The FIL is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the FIL, China adopts a system of national treatment plus 2020 Negative List with respect to foreign investment administration, and the 2020 Negative List will be issued by, amended or released upon approval by the State Council, from time to time. The 2020 Negative List sets out the industries in which foreign investments are prohibited or restricted. Foreign investors would not be allowed to make investments in prohibited industries, while foreign investments must satisfy certain conditions stipulated in the 2020 Negative List for investment in restricted industries. Foreign investment and domestic investment in industries outside the scope of the 2020 Negative List shall be treated

equally. On December 26, 2019, the State Council issued the Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) which became effective on January 1, 2020. The Implementation Regulations provide that foreign investments in sectors on the 2020 Negative List shall comply with special management measures in respect of shareholding, senior management personnel and other matters stipulated under the 2020 Negative List.

The FIL defines the foreign investment as the investment activities directly or indirectly conducted by foreign investors in the PRC, and sets forth the specific situations that should be regarded as foreign investment. Furthermore, the FIL stipulates that foreign investment includes the investment made in the PRC by foreign investors through any other means under the laws, administrative regulations and provisions stipulated by the State Council. The FIL does not specify contractual arrangement as a form of foreign investment. In that regard, as advised by our PRC Legal Advisor, as of the Latest Practicable Date if there is no other promulgated national laws, administrative regulations or administrative rules prohibiting or restricting the operation of or affecting the legality of contractual arrangement, the FIL will not have a material impact on the Contractual Arrangement and each of the agreements under the Contractual Arrangement, and the legality and validity of the Contractual Arrangement would not be adversely affected.

However, as advised by our PRC Legal Advisor, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws. Accordingly, PRC regulatory authorities or courts may take a view that is contrary to the opinion of our PRC Legal Advisor. It is uncertain whether any new PRC laws relating to contractual arrangement will be adopted, what the laws would provide. See "Risk Factors — Risks Relating to Our Corporate Structure" and "Risk Factors — Risks Relating to Doing Business in China" for further details of the risks we face relating to our Contractual Arrangement.

IMPLEMENTATION OF AND COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENT

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangement and our compliance with the Contractual Arrangement:

(1) major issues arising from the implementation and compliance with the Contractual Arrangement or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(2) our Board will review the overall performance of and compliance with the Contractual Arrangement at least once a year;

(3) our Company will disclose the overall performance and compliance with the Contractual Arrangement in our annual reports; and

(4) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangement, review the legal compliance of the VIE WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangement.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENT

Consolidation of financial results of Consolidated Affiliated Entities

Under the exclusive business cooperation agreement, it was agreed that, in consideration of the services provided by the VIE WFOE, the Consolidated Affiliated Entities shall pay services fees to the VIE WFOE accordingly. The services fee shall equal to Consolidated Affiliated Entities' profit before tax, deducting any accumulated losses of Consolidated Affiliated Entities and its subsidiaries from the preceding fiscal year, costs, expenses, tax and other statutory contribution in relation to the respective fiscal year. VIE WFOE has the right to periodically receive or inspect the accounts of the Consolidated Affiliated Entities.

In addition, under the exclusive business cooperation agreement and the exclusive options agreement, the VIE WFOE has absolute contractual control over the distribution of dividends or any other amounts to the Individual Shareholders as VIE WFOE's prior written consent is required before any distribution can be made. If the Individual Shareholders receive any income, profit distribution or dividend, they shall promptly transfer or pay, as part of the services fee under the exclusive business cooperation agreement, such income, profit distribution or dividend to VIE WFOE or any other person designated by VIE WFOE to the extent permitted under applicable PRC laws.

As a result of the Contractual Arrangement between the VIE WFOE, Consolidated Affiliated Entities, and the Individual Shareholders, the VIE WFOE is able to effectively control, recognize and receive substantially all the economic benefit of the business and operations of the Consolidated Affiliated Entities respectively. Accordingly, the Consolidated Affiliated Entities are treated as controlled structured entities of our Company and consolidated by our Company. The basis of consolidating the results of the Consolidated Affiliated Entities is disclosed in Note 2.2(a)(i) to the Accountant's Report set out in Appendix I.

Upon **[REDACTED]**, transactions between our Group and our connected persons will constitute our connected transactions or continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

We have entered into certain transactions with the following connected persons, which will constitute our continuing connected transactions upon **[REDACTED]**:

Connected Person	Connected Relationship
SVF Sense (Singapore) Pte. Ltd. ("**SoftBank SPV**")	As of the Latest Practicable Date, Softbank SPV directly held approximately 14.88% interest in our share capital. Immediately following the completion of the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised, and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share of US$0.000000025 par value each and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share of US$0.000000025 par value each), Softbank SPV will hold approximately **[REDACTED]**% interest in our share capital, and will therefore be our substantial Shareholder and a connected person.
33 Wyndham Street Tenant Limited ("**WeWork HK**")	WeWork HK is an indirect subsidiary of WeWork Inc., a 30%-controlled company of SoftBank Group Corp which is in turn the holding company of Softbank SPV. Therefore, WeWork HK is our connected person.
WeWork Middle East Gazelle Limited ("**WeWork Abu Dhabi**")	WeWork Abu Dhabi is an indirect subsidiary of WeWork Inc., a 30%-controlled company of SoftBank Group Corp which is in turn the holding company of Softbank SPV. Therefore, WeWork Abu Dhabi is our connected person.
ST Solutions Taiwan Co., Ltd. (台灣思佰股份有限公司) ("**ST Solutions Taiwan**")	ST Solutions Taiwan is a wholly-owned subsidiary of SoftBank Corp., a 30%-controlled company of SoftBank Group Corp which is in turn the holding company of Softbank SPV. Therefore, ST Solutions Taiwan is our connected person.
Japan Computer Vision Corp. ("**JCV**")	JCV is a wholly-owned subsidiary of SoftBank Corp., a 30%-controlled company of SoftBank Group Corp which is in turn the holding company of Softbank SPV. Therefore, JCV is our connected person.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

No.	Nature of transactions	Applicable Listing Rule(s)	Waiver sought	Proposed annual caps for the year ending December 31,			
				2021	2022	2023	2024
				(RMB in millions)			
A.	**Fully Exempt Continuing Connected Transactions**						
1.	Membership agreements with WeWork Hong Kong and WeWork Abu Dhabi	14A.76	N/A	N/A	N/A	N/A	N/A
2.	Framework agreement with ST Solutions Taiwan	14A.76	N/A	N/A	N/A	N/A	N/A
B.	**Non Exempt Continuing Connected Transaction**						
3.	Distributorship agreement with JCV	14A.35, 14A.36, 14A.53 and 14A.105	Announcement, circular and independent Shareholders' approval requirements	169.8	238.0	333.5	466.5
C.	**Contractual Arrangement**						
4.	Contractual Arrangement	14A.34 to 36, 14A.49,14A.52 to 53,14A.59,14A.105	Announcement, circular, independent Shareholders' approval, annual cap and term of agreements limited to three years requirements	N/A	N/A	N/A	N/A

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Membership agreements with WeWork HK and WeWork Abu Dhabi

During the Track Record Period, (i) SenseTime HK entered into a membership agreement with WeWork HK, pursuant to which SenseTime HK leased co-working office space from WeWork HK for a period from January 1, 2019 to December 31, 2021; and (ii) SenseTime Abu Dhabi entered into a membership agreement with WeWork Abu Dhabi, pursuant to which SenseTime Abu Dhabi leased co-working office space from WeWork Abu Dhabi for a period from January 1, 2021 to December 31, 2021. The membership fees were determined by the parties at arm's length negotiations with reference to prevailing market rate.

As the membership agreements were entered into and has been conducted in the ordinary and usual course of business and on normal commercial terms or better, and the highest applicable percentage ratio for the membership fees payable by our Group to WeWork Hong Kong and WeWork Abu Dhabi are expected to be less than 0.1% on an annual basis, such transactions will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1).

2. Framework agreement with ST Solutions Taiwan

SenseTime International Pte. Ltd., Taiwan Branch (新加坡商湯視覺科技有限公司台灣分公司) ("**SenseTime Singapore Taiwan Branch**") entered into a framework agreement with ST Solutions Taiwan dated September 9, 2021, pursuant to which SenseTime Singapore Taiwan Branch agreed to provide ST Solutions Taiwan with deep learning smart algorithm software and hardware products as may be stipulated in the relevant purchase order for a period from the date of the framework agreement to December 31, 2022. The prices of such software and hardware products will be determined by the parties at arm's length negotiations with reference to prevailing market rate.

As the framework agreement was entered into and has been conducted in the ordinary and usual course of business and on normal commercial terms or better, and the highest applicable percentage ratio for the revenue attributable to our Group under the framework agreement is expected to be less than 0.1% on an annual basis, such transactions will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1).

NON EXEMPT CONTINUING CONNECTED TRANSACTION

3. Distributorship Agreement with JCV

Principal terms

SenseTime HK entered into a distributorship agreement with JCV dated August 30, 2019, which were subsequently amended on October 13, 2020, December 18, 2020 and [•], 2021 (the "**Distributorship Agreement**") for a term expiring on December 31, 2024, subject to renewal upon the mutual consent of both parties. Pursuant to the Distributorship Agreement, (i) SenseTime HK grants to JCV the distributorship rights to import, distribute and sell in various markets (including Japan) hardware products and software products; and (ii) SenseTime HK provides professional services to JCV which will be required for JCV's customers to use or consume the hardware products and software products sold to them by JCV.

Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement for continuing connected transactions shall not exceed three years, except in special circumstances where the nature of the transaction requires a longer period. Our Directors believe that the term arrangement of the Distributorship Agreement is appropriate and necessary on the basis of the following:

(i) it is crucial for our Group to maintain long-term relationship with JCV to secure and continue to expand our customer base in the relevant markets;

(ii) the 5-year term provides certainty, comfort and protection to our Group and JCV, enabling the parties to plan and invest over the longer term; and

(iii) Frost & Sullivan has confirmed that the duration is generally in line with market practice in the software industry for similar cooperate agreements after taking into account the exclusive and strategic nature of the cooperation agreement.

Reasons for and benefit of the transaction

Our Directors consider that the provision of hardware products, software products and professional services to JCV would benefit our Company for the following reasons:

(i) during the Track Record Period and up to the Latest Practicable Date, we provided hardware products, software products and professional services to JCV in our ordinary and usual course of business. The transactions contemplated under the Distributorship Agreement will ensure a stable source of revenue for our Group during its term.;

(ii) maintaining stable relationship with JCV allows us to reach and gain access to the vast and extensive customer base of SoftBank Group Corp in the relevant markets, which accelerates the momentum of our customer network expansion and business development;

(iii) the transactions enable us to keep pace with the evolving digital transformation requirements from customers in the relevant markets so that we could consistently enhance the security features of our offerings to meet international norms;

(iv) JCV and our Group have established a stable and long-term relationship and understand the operational procedures, quality control and other special requirements of each other; and

(v) prices and terms for the hardware and software products as well as professional services provided by us to JCV are no less favorable than those offered to Independent Third Parties and therefore on normal commercial terms. According to Frost & Sullivan, the transactions contemplated under the Distributorship Agreement are also in line with market practice.

Pricing policies

For the hardware products, prior to January 1, 2021, JCV shall pay to the Company (i) the relevant per unit price, which is determined on arm's length basis, taking into account the costs of the hardware products (including production costs, material costs and research and development costs) and with reference to prices generally offered by our Group to Independent Third Parties; and (ii) part of the revenue generated from the sales by JCV as recognized under Japan GAAP (the "**JCV Sales Revenue**"). Under such pricing arrangement, JCV shall pay to the Company, on monthly basis, 60% of the JCV Sales Revenue generated from the Company's hardware after deducting the sum of

the hardware product price JCV pays on per-order basis. The parties agreed to the change of pricing policies in December 2020 after accumulating experience in distributing the hardware products. It was agreed that in order to provide more incentive for JCV to expand into the local markets and increase the competitiveness of the sale of the Company's products in the relevant markets, which would translate into an increase of JCV's procurement from the Company, with effect from January 1, 2021, JCV shall only pay to the Company per unit price of the relevant hardware products, which is determined on arm's length basis and as adjusted from time to time.

For the software products, JCV shall pay to the Company part of the JCV Sales Revenue, being 60% (for before July 31, 2021) or 50% (for after August 1, 2021) of the JCV Sales Revenue generated from the Company's software on monthly basis. To cover the Company's costs incurred in localizing the products when entering into the relevant markets (such as adding new features which cater to the customers of the local markets, improving the quality and level of security of the software products and translating the user interface and documentation into various local languages), the parties agreed to a higher revenue sharing ratio of 60% for the Company during the initial two years of the Distributorship Agreement. It was contemplated that after two years, the relevant localization of the products would become more cost efficient with the leverage on previous work done, so that the parties agreed to a 50/50 revenue sharing ratio after two years.

For the professional services, JCV shall pay to the Company the services fees based on the nature and scope of the services, and the man-hour used for the relevant services.

Historical amounts

For the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021, the aggregate transaction amounts in connection with the Distributorship Agreements were nil, RMB2.7 million, RMB164.4 million and RMB66.0 million, respectively.

Annual Caps

In relation to the Distributorship Agreements, the transaction amounts to be paid by JCV to SenseTime HK for the four years ending December 31, 2024 shall not exceed the proposed annual caps as set out in the table below:

	Proposed annual caps for the year ending December 31,			
	2021	**2022**	**2023**	**2024**
	(RMB in millions)			
Transaction amounts to be paid by JCV to SenseTime HK	169.8	238.0	333.5	466.5

Basis of caps

In arriving at the above annual caps, our Directors have considered, among other things, the following factors:

(i) the estimated increase of demand of our hardware and software products and services in the relevant markets for the four years ending December 31, 2021, 2022, 2023 and 2024, taking into account the overall development of the markets, our business and the industry. In particular, the demand for our hardware and software products and services in Japan is expected to increase at a higher rate in the second half of 2021 as a result of the anticipated economic recovery benefiting from the Tokyo Olympics. We expect there will be a steady increase in the number and size of orders in the second half of 2021 compared to the first half of 2021 as evidenced by (1) the monthly average number of orders made by JCV to us between July and October 2021 is higher than that for the first half of 2021 and (2) JCV have been engaging with multiple new enterprise customers which made or intended to make bulk purchases of our software and hardware products. Further, the COVID-19 pandemic is expected to gradually accelerate the digital transformation of enterprises and city management, indicating more opportunities for the AI industry;

(ii) the costs and prices of the hardware and software products as well as the service fee rates for the professional services offered to JCV;

(iii) our business strategies to extend the deployment of our AI models to empower more IoT devices across industries and regions and to expand our product offerings. We have become more familiar with the local markets and developed capabilities to identify demand and offer products appealing to the relevant markets. For instance, for the Japanese market, we first established our local presence by offering quality hardware products catering to Japanese customers, and at the same time gradually developed our localized software products to increase customer loyalty;

(iv) the trend of our customer mix. There was an increasing number of well-established and large-scale enterprise customers in the relevant markets during the Track Record Period. These customers span across a wide spectrum of industries (including global conglomerates, market leaders in the retail, construction, logistics and pharmaceutical sectors, public transport companies and recreational facilities such as airports, railway companies and sports stadiums) and have greater purchasing power and more sophisticated needs. Their contract amounts with JCV are relatively higher on average. They generally enter into long-term agreements with JCV and make recurring and repeated purchases. These customers are also more inclined to purchase a broader range of products due to their diversified business lines. We expect that there will be more large-scale enterprise customers who will need a variety of our technologies and solutions as well as long term technical support; and

(v) the historical transaction amounts with JCV during the Track Record Period.

Listing Rules implications

As the highest applicable percentage ratio of the transactions under the Distributorship Agreements for each of the years ending December 31, 2021, 2022, 2023 and 2024 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5%, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon **[REDACTED]**, constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

CONTRACTUAL ARRANGEMENT

4. Contractual Arrangement

Background

Due to regulatory restrictions on foreign ownership in the PRC, our Consolidated Affiliated Entities in the PRC are consolidated and controlled through Contractual Arrangement. See "Contractual Arrangement" in this document for further detailed terms of the Contractual Arrangement.

Listing Rules implications

The transactions contemplated under the Contractual Arrangement constitute continuing connected transactions of our Company under the Listing Rules upon **[REDACTED]** as certain parties to the Contractual Arrangement, namely Yang Fan and Ma Kun, are connected persons of our Group.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangement and the transactions contemplated therein are fundamental to our Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangement and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of our Consolidated Affiliated Entities and any member of our Group ("**New Intergroup Agreements**" and each of them, a "**New Intergroup Agreement**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangement, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules, the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules and the requirement of limiting the term of the Contractual Arrangement to three years or less under Rule 14A.52 of the Listing Rules.

INTERNAL CONTROL PROCEDURES

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, and no less favorable to us than terms available to or from Independent Third Parties, and the connected transactions are carried out under normal commercial terms, we have adopted the following internal control procedures:

- we have adopted and implemented a management system on connected transactions. Under such system, the audit committee under our Board is responsible for the review on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the audit committee under our Board, our Board and various internal departments of our Company (including but not limited to the finance department and legal department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;

- the audit committee under our Board, our Board and various internal departments of our Company also regularly monitor the fulfillment status and the transaction updates under the framework agreements. In addition, the management of the Company also regularly reviews the pricing policies of the framework agreements;

- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the pricing policy; and

- when considering the service fees, and other fees provided to us by the above connected persons, our Company will continue to regularly research in prevailing market conditions and practices and make reference to the pricing and terms between our Company and Independent Third Parties for similar transactions, to ensure that the pricing and terms offered by the above connected persons are fair, reasonable and are no less favorable than those offered to Independent Third Parties.

CONFIRMATION BY DIRECTORS

Our Directors (including independent non-executive Directors) are of the view that (i) the non exempt continuing connected transactions set out above have been and will be entered into in the ordinary and usual course of business on normal commercial terms or better which are fair and reasonable and in the interests of our Company and our Shareholders as a whole; (ii) the proposed annual caps in respect of non-fully exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (iii) the duration of the Distributorship Agreement is justifiable and normal business practice for agreements of this type to provide certainty, comfort and protection to the Group and that therefore the duration is fair and reasonable and in the interests of our Shareholders as a whole.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangement and the transactions contemplated therein have been entered into and will be entered into during our ordinary and usual course of business on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. The Directors are of the view that with respect to the terms of the relevant agreements underlying the Contractual Arrangement, which are of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangement of this type to be of such duration to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by VIE WFOE; (ii) VIE WFOE can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

CONFIRMATION BY THE JOINT SPONSORS

Based on due diligence findings, including but not limited to the confirmation of the industry consultant and information provided by the Company, the Joint Sponsors are of the view that (i) the continuing connected transactions set out above have been and will continue to be carried out in the ordinary and usual course of business of the Company on normal commercial terms or better that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) the proposed annual caps (if any) of the continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the duration of the Distributorship Agreement is normal business practice for agreements of this type.

With respect to the term of the relevant agreements underlying the Contractual Arrangement which are of a duration longer than three years, the Joint Sponsors are of the view that it is normal business practice for the Contractual Arrangement to be a term greater than three years.

WAIVER GRANTED BY THE STOCK EXCHANGE

Non exempt connected transaction (excluding the Contractual Arrangement)

In respect of the non exempt continuing connected transaction as described above under " Non Exempt Connected Transaction – 2. Distributorship Agreement with JCV", the highest applicable percentage ratio of the transactions under the Distributorship Agreement for each of the years ending December 31, 2021, 2022, 2023 and 2024 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5%, pursuant to Rule 14A.76(2) of the Listing Rules, such transaction will, upon **[REDACTED]**, constitute continuing connected transaction of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

As the above non exempt continuing connected transaction is expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement and

independent Shareholders' approval requirements will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with (i) the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the transactions under the Distributorship Agreement, provided that the total amount of transactions December 31, 2021, 2022, 2023 and 2024 will not exceed the relevant proposed annual caps as set out in this section; and (ii) the requirement of independent Shareholders' approval under Rule 14A.36 of the Listing Rules. The independent non-executive Directors and auditors of the Company will review whether the transactions under the above continuing connected transaction have been entered into pursuant to the principal terms and pricing policies under the agreement as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

Contractual Arrangement

In respect of the Contractual Arrangement, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangement pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangement under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangement to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are **[REDACTED]** on the Stock Exchange, subject, however, to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Contractual Arrangement (including with respect to any fees payable to VIE WFOE) will be made without the approval of our independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangement will be made without our independent Shareholders' approval. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of our independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangement in the annual reports of our Company (as set out in paragraph (e) below) will, however, continue to be applicable.

(c) Economic benefits and flexibility

The Contractual Arrangement shall continue to enable our Group to receive the economic benefits derived by our Consolidated Affiliated Entities through (i) our Group's option (if and when

so allowed under the applicable PRC laws) to acquire all or part of the entire equity interests and assets for nil consideration or the minimum amount of consideration as permitted by applicable PRC laws, (ii) the business structure under which the profit generated by our Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to VIE WFOE by our Consolidated Affiliated Entities under the exclusive business cooperation agreements, and (iii) our Group's right to control the management and operation of, as well as, in substance, the controlling voting rights of our Consolidated Affiliated Entities.

(d) Renewal and reproduction

On the basis that the Contractual Arrangement provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and our Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced (i) upon the expiry of the existing arrangements or (ii) in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch companies), engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangement. The directors, chief executives or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch companies) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangement, however, be treated as connected persons of our Company and the transactions between these connected persons and our Company other than those under similar contractual arrangement shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

All renewed or reproduced framework will be on substantially the same terms and conditions as the existing Contractual Arrangement.

(e) Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangement on an on-going basis as follows:

- The Contractual Arrangement in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules;

- Our independent non-executive Directors will review the Contractual Arrangement annually and confirm in our Company's annual report for the relevant years that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangement; (ii) no dividends or other

distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, as far as our Group is concerned and in the interests of our Shareholders as a whole;

- Our Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangement and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangement, and that no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the Consolidated Affiliated Entities will be treated as our Company's subsidiaries, and at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and its respective associates will be treated as connected persons of our Company (excluding, for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including, for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangement, will be subject to requirements under Chapter 14A of the Listing Rules;

- Our Consolidated Affiliated Entities will undertake that, for as long as the Class B Shares are **[REDACTED]** on the Stock Exchange, the Consolidated Affiliated Entities will provide our Group's management and our Company's auditors full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions;

- In addition, we have applied to the Stock Exchange, and the Stock Exchange [has granted], a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated in any New Intergroup Agreements, (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from our Consolidated Affiliated Entities pursuant to any New Intergroup Agreements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less under Rule 14A.52 of the Listing Rules, for so long as Shares are **[REDACTED]** on the Stock Exchange subject however to the condition that the Contractual Arrangement subsist and that the Consolidated Affiliated Entities will continue to be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of our Consolidated Affiliated Entities and their associates will be treated as connected persons of our Company (including, for this purpose, our Consolidated Affiliated Entities), other than those under the Contractual Arrangement, will be subject to requirements under Chapter 14A of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

DIRECTORS

Upon **[REDACTED]**, our Board will consist of eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth certain information regarding our Directors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Executive Directors						
Dr. Xu Li (徐立)	39	Co-founder, executive Chairman of our Board, executive Director, chief executive officer and member of the remuneration committee and the nomination committee	March 2015	December 15, 2015	Responsible for our Group's vision strategy, business development and daily operations	None
Prof. Tang Xiao'ou (湯曉鷗)	53	Founder and executive Director	October 2014	August 23, 2021	Responsible for designing our Group's research and innovation strategies and driving research partnerships with leading universities and academic institutions	Brother-in-law of Dr. Wang
Dr. Wang Xiaogang (王曉剛)	44	Co-founder, executive Director and chief scientist	October 2016	October 10, 2016	Responsible for overseeing and supervising our Group's research team	Brother-in-law of Prof. Tang
Mr. Xu Bing (徐冰)	31	Co-founder, executive Director and Board secretary	October 2014	December 15, 2015	Responsible for corporate development strategies and overseeing fundraising and strategic investments	None
Non-executive Director						
Ms. Fan Yuanyuan (范瑗瑗)	46	Non-executive Director and member of the audit committee	January 2017	January 25, 2017	Providing advice to the overall development of our Group	None
Independent non-executive Directors						
Prof. Xue Lan (薛瀾)	62	Independent non-executive Director, chairperson of the corporate governance committee and member of the nomination committee	[•]	[•]	Responsible for offering independent advice to our Board on the operations and management of our Group	None
Mr. Lyn Frank Yee Chon (林怡仲)	62	Independent non-executive Director, chairperson of the audit committee and member of the remuneration committee and the corporate governance committee	[•]	[•]	Responsible for offering independent advice to our Board on the operations and management of our Group	None

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Li Wei (厲偉)	57	Independent non-executive Director, chairperson of the remuneration committee and the nomination committee and member of the audit committee and the corporate governance committee	[•]	[•]	Responsible for offering independent advice to our Board on the operations and management of our Group	None

Executive Directors

Dr. Xu Li (徐立), aged 39, is our co-founder, executive Chairman of our Board, executive Director and chief executive officer. He was appointed as a Director on December 15, 2015 and re-designated as an executive Director on August 23, 2021. He is primarily responsible for our Group's vision strategy, business development and daily operations. He has been an adjunct professor at Shanghai Jiao Tong University since December 2018.

Prior to joining our Group, Dr. Xu Li was a research scientist at Lenovo Group Ltd. from August 2013 to March 2015, and a postdoctoral fellow at the Chinese University of Hong Kong from October 2010 to July 2013.

Dr. Xu Li obtained his bachelor's degree in computer science and engineering in July 2004 and his master's degree in computer engineering in March 2007 from Shanghai Jiao Tong University (上海交通大學), and his Ph. D. degree in computer science and engineering in December 2010 from the Chinese University of Hong Kong, where he focused on research on computer vision and computational imaging.

Dr. Xu Li was ranked top ten in Fortune's Global List of 40 Under 40 in 2018, an annual ranking published by Fortune featuring the most influential young people in business sector. He was also listed on Fortune China's 40 Under 40, a list featuring 40 young business elites in China, for five consecutive years from 2017 to 2021. He was named as the Technology Category Winner of Ernst & Young Entrepreneur of The Year China 2018 and the Hong Kong InnoStars Award (香港創新領軍人物大獎) by Our Hong Kong Foundation (團結香港基金) in 2019.

Prof. Tang Xiao'ou (湯曉鷗), aged 53, is our founder and was appointed as our executive Director on August 23, 2021. He is primarily responsible for designing the Group's research and innovation strategies and driving research partnerships with leading universities and academic institutions.

Prof. Tang has been a professor at the Department of Information Engineering at the Chinese University of Hong Kong since January 1998, and an associate director of the Shenzhen Institute of

Advanced Technology of the Chinese Academy of Science (中國科學院深圳先進技術研究院) since January 2009. He has also been a director of HKAI Lab since May 2018, and the head of the Shanghai Artificial Intelligence Innovation Center (上海人工智能創新中心) since August 2020. He was a board member of Khazanah Nasional Berhad from June 2019 to April 2020 and Hong Kong Science and Technology Parks Corporation from July 2018 to March 2021.

Prof. Tang has been a fellow at the IEEE since 2009. He was the Editor-in-Chief of IJCV (a leading journal on computer vision) and a general chair of the ICCV (a leading conference on computer vision). Prof. Tang was ranked as Asia's top five computer scientists by Guide2Research in 2020. He established the Multimedia Lab (MMLab) of the Chinese University of Hong Kong in 2001. He received the Best Paper Award at CVPR in 2009, which was the first one ever from Asia.

Prof. Tang obtained a Bachelor of Science degree from the University of Science and Technology of China in July 1990, and a Master of Science degree from the University of Rochester in October 1991. He further received a Ph.D. degree from the Massachusetts Institute of Technology in June 1996.

Dr. Wang Xiaogang (王曉剛), aged 44, is our co-founder, executive Director and chief scientist. He was appointed as a Director on October 10, 2016 and re-designated as an executive Director on August 23, 2021. He is primarily responsible for overseeing and supervising our Group's research team. He joined the Department of Electronic Engineering at the Chinese University of Hong Kong as an assistant professor in August 2009 and has been a professor since August 2020. He has been the Chairman of China Augmented Reality Core Technology Industry Alliance (中國增強現實核心技術產業聯盟) since June 2019.

Dr. Wang has published numerous papers at major conferences and journals and his publications have received over 65,000 citations according to Google Scholar, with H-Index of 120. He was awarded the honorable mention of PAMI Young Researcher Award by the IEEE Computer Society in 2016, and the Hong Kong RGC Early Career Award in 2012. He was the area chair of various international conferences between 2011 and 2017, including the CVPR, ICCV and ECCV.

Dr. Wang obtained his bachelor's degree in electronic engineering and information science from the Special Class of Gifted Young at the University of Science and Technology of China in July 2001. He further obtained an MPhil degree from the Chinese University of Hong Kong in December 2003, and a Ph.D. degree in computer science from the Massachusetts Institute of Technology in June 2009.

Mr. Xu Bing (徐冰), aged 31, is our co-founder, executive Director and Board secretary. He was appointed as a Director on December 15, 2015 and re-designated as an executive Director on August 23, 2021. He is primarily responsible for our Group's corporate development strategies and overseeing fundraising and strategic investments.

Prior to founding our Group, Mr. Xu Bing was a Ph.D. candidate at the Multimedia Lab of the Chinese University of Hong Kong since August 2012, focusing on research on deep learning and computer vision. He obtained his dual bachelor's degrees in information engineering and mathematics from the Chinese University of Hong Kong in November 2012. Mr. Xu Bing was named Innovators Under 35 by MIT Technology Review in 2017 and listed on Forbes Asia's 30 Under 30 in 2019.

Non-executive Director

Ms. Fan Yuanyuan (范瑗瑗), aged 46, was appointed as a Director on January 25, 2017 and re-designated as a non-executive Director on August 23, 2021. She is primarily responsible for providing advice to the overall development of our Group.

Ms. Fan has years of experience in private equity investments, management consulting and financial services. She joined Sailing Capital in January 2013 and has been a partner and managing director since January 2016 responsible for cross-border private equity investments. She was a director of Jianpu Technology Inc., a company listed on the New York Stock Exchange (stock code: JT) from October 2017 to May 2019. She served as an adjunct professor at the college of business of the Shanghai University of Finance and Economics (上海財經大學) from December 2017 to December 2019. She had previously worked at Pacific Asset Management from July 2010 to December 2012 and McKinsey & Company from October 2008 to June 2010.

Ms. Fan obtained a bachelor's degree and a master's degree in economics from the Shanghai University of Finance and Economics in July 1996 and January 1999, respectively. She further received an MBA degree from Cornell University in May 2003 and an EMBA degree from Tsinghua University in July 2015.

Independent non-executive Directors

Prof. Xue Lan (薛瀾), aged 62**,** was appointed as our independent non-executive Director on [•], 2021. He is primarily responsible for offering independent advice to our Board on the operations and management of our Group.

Prof. Xue has been a professor at Tsinghua University since September 1998 and the Dean of Schwarzman College since September 2018. He was the Dean of the School of Public Policy and Management at the same university from October 2008 to November 2018. He has also been an independent non-executive director of Neusoft Corporation (東軟集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600718), since May 2020, where he acquired corporate governance experience. His corporate governance experience includes, among others, (i) regularly attending board meetings and providing independent opinions to Neusoft Corporation on certain corporate governance matters to ensure that it is operated and managed for the benefit of all of its shareholders and in compliance with the relevant laws and regulations; (ii) reviewing and opining on related party transactions; (iii) monitoring the appointment and remuneration of directors and senior management; and (iv) reviewing and understanding the implementation of internal control measures of Neusoft Corporation.

Prof. Xue has been serving as the vice chairman of the board of Chinese Association of Science of Science and S&T Policy (CASSSP) (中國科學學與科技政策研究會) since October 2015, a member and chair of the National Expert Committee on New Generation of Artificial Intelligence Governance (國家新一代人工智能治理專業委員會) since March 2019 and a member of the Standing

Committee of the China Association for Science and Technology since May 2021. Prof. Xue was awarded the Fudan Distinguished Contribution Award for Management Science in November 2011, the Outstanding Contribution Award by the CASSSP in October 2018 and the National Award for Excellence in Innovation (全國創新爭先獎章) in May 2020. He was also recognized as a Changjiang Scholar by the Ministry of Education of the PRC in 2008.

Prof. Xue obtained his bachelor's degree in optics and fine mechanics from the Changchun Institute of Optics and Fine Mechanics (長春光學精密機械學院) (currently known as Changchun University of Science and Technology (長春理工大學)) in January 1982. He obtained a Master of Science degree from the State University of New York at Stony Brook in December 1987. He further received a Master of Science degree and a Ph.D. degree in engineering and public policy from Carnegie-Mellon University in May 1989 and December 1991, respectively.

Mr. Lyn Frank Yee Chon (林怡仲), aged 62**,** was appointed as our independent non-executive Director on [•], 2021. He is primarily responsible for offering independent advice to our Board on the operations and management of our Group.

Mr. Lyn has been an independent non-executive director and the chairman of the audit committee of Standard Chartered Bank (China) Ltd. since October 2020 and November 2020, respectively. He served the same positions at Mox Bank Limited since July 2020. He was previously a partner at PricewaterhouseCoopers (PwC) from 1993 to 2019 and has held multiple senior positions at PwC China & Hong Kong, including markets leader, member of management board, corporate finance leader and Hong Kong senior partner. Mr. Lyn acquired corporate governance experience through his positions as an independent non-executive director of Standard Chartered Bank (China) Ltd. and Mox Bank Limited. His corporate governance experience includes, among others, (i) attending all board meetings covering various key matters including corporate governance, internal controls, risk management, regulatory compliance, financial reporting and strategy; (ii) facilitating effective communication between the board of directors and management; and (iii) understanding the relevant regulatory requirements and directors' duty to act in the best interests of the company and the shareholders as a whole. These were also some of the key corporate experience accumulated by Mr. Lyn during his service at PwC for over 30 years.

Mr. Lyn served at The Community Chest (香港公益金) as a director from June 2015 to June 2021 and as a treasurer during the financial years between 2015/2016 to 2019/2020. He was a member of the Chinese People's Political Consultative Committee of the Guangxi Zhuang Autonomous Region (中國人民政治協商會議廣西壯族自治區委員會) from 2000 to 2018. Mr. Lyn obtained a Bachelor of Arts degree in accounting and finance from Nottingham Trent University (Trent Polytechnic) in July 1983. He has been a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) since October 1989 and the Institute of Chartered Accountants in England and Wales (ICAEW) since July 1988.

Mr. Li Wei (厲偉), aged 57, was appointed as our independent non-executive Director on [•], 2021. He is primarily responsible for offering independent advice to our Board on the operations and management of our Group.

Mr. Li is the chairman of the board of Songhe Venture Capital Co., Ltd. (松禾創業投資有限公司) and the founding partner of Green Pine Capital Partners, a venture capital firm specializing on strategic emerging industries including artificial intelligence. He gained corporate governance experience through serving as directors of various investee companies of Green Pine Capital Partners. His corporate governance experience includes, among others, (i) communication with the board of directors and shareholders; and (ii) understanding the duty of directors to act in the best interests of the investee companies and the shareholders as a whole.

Mr. Li was listed by Forbes China as one of China's top 100 venture capitalists for three consecutive years from 2018 to 2020. He was also listed on Fortune China's list of 30 most influential Chinese investors in 2020. Mr. Li obtained a bachelor's degree in chemistry from Peking University in July 1985. He further obtained a master's degree in economics and an EMBA degree from the same university in January 1991 and January 2005, respectively.

Save as disclosed above, none of our Directors held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this document. Save as disclosed herein, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of our Shareholders and there is no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table provides information about members of our senior management:

Name	Age	Position	Date of joining our Group	Date of appointment as a senior management	Roles and responsibilities	Relationship with other Directors and senior management
Dr. Xu Li (徐立)	39	Co-founder, executive Chairman of our Board, executive Director, chief executive officer, member of the remuneration committee and the nomination committee	March 2015	March 2015	Responsible for our Group's vision strategy, business development and daily operations	None
Prof. Tang Xiao'ou (湯曉鷗)	53	Founder and executive Director	October 2014	August 2021	Responsible for designing our Group's research and innovation strategies and driving research partnerships with leading universities and academic institutions	Brother-in-law of Dr. Wang
Dr. Wang Xiaogang (王曉剛)	44	Co-founder, executive Director and chief scientist	October 2016	July 2017	Responsible for overseeing and supervising our Group's research team	Brother-in-law of Prof. Tang
Mr. Xu Bing (徐冰)	31	Co-founder, executive Director and Board secretary	October 2014	October 2014	Responsible for corporate development strategies and overseeing fundraising and strategic investments	None
Mr. Wang Zheng (王征)	44	Chief financial officer	May 2019	May 2019	Responsible for overall financial planning and management of our Group	None
Mr. Yang Fan (楊帆)	38	Co-founder and vice president	December 2014	December 2014	Responsible for strategic planning and corporate development of our Group	None

Dr. Xu Li (徐立) is our co-founder, executive Chairman of our Board, executive Director and chief executive officer. See "— Directors" in this section for his biographical details.

Prof. Tang Xiao'ou (湯曉鷗), is our founder and executive Director. See "— Directors" in this section for his biographical details.

Dr. Wang Xiaogang (王曉剛) is our co-founder, executive Director and chief scientist. See "— Directors" in this section for his biographical details.

Mr. Xu Bing (徐冰) is our co-founder, executive Director and Board secretary. See "— Directors" in this section for his biographical details.

Mr. Wang Zheng (王征), aged 44, has been our chief financial officer since May 2019. He is primarily responsible for overall financial planning and management of our Group.

Prior to joining our Group, Mr. Wang worked at Silver Lake from May 2008 to December 2018, with his last position as managing director and head of Greater China, primarily responsible for sourcing and executing private equity investments in the technology and technology-enabled industries. He worked at General Atlantic from May 2005 to April 2008, with his last position as vice president focusing on technology, media and telecom (TMT) and healthcare related private equity investments in North Asia. During his tenure with Silver Lake and General Atlantic, Mr. Wang had served as board director or board observer at several investee companies. Earlier in his career, Mr. Wang was a senior business analyst at corporate finance practice at McKinsey & Company from October 2003 to May 2005. He served as financial analyst at Morgan Stanley from November 2002 to August 2003 and at Credit Suisse First Boston from July 2001 to October 2002.

Mr. Wang obtained a bachelor's degree, *summa cum laude*, in computer science and economics from Yale College in May 2001.

Mr. Yang Fan (楊帆), aged 38, is our co-founder and has been our vice president since November 2014. He is primarily responsible for strategic planning and corporate development of our Group.

Mr. Yang has been serving as an industry expert at the Shenzhen Stock Exchange from June 2020 and the vice president of the Strategic Cooperation and Development Committee of the Institute for AI International Governance of Tsinghua University from April 2021. Prior to joining our Group, Mr. Yang was the research software development engineer at Microsoft (China) Co., Ltd. from July 2006 to November 2014.

Mr. Yang obtained his bachelor's and master's degree in electronic engineering from Tsinghua University in July 2003 and July 2006, respectively.

JOINT COMPANY SECRETARIES

Ms. Lin Jiemin (林潔敏), aged 38, was appointed as one of our joint company secretaries on August 23, 2021. Ms. Lin joined our Group in August 2018 and has been serving as our vice president since then.

Prior to joining our Group, Ms. Lin worked at Hong Kong Exchanges and Clearing Limited from August 2010 to February 2015, with her last position as senior vice president of chief executive's office. She then joined WeLab Limited in February 2015 to October 2015. She later

re-joined Hong Kong Exchanges and Clearing Limited and served as its deputy chief operating officer from October 2015 to August 2018. In the early days of her career, Ms. Lin had served as an analyst at J.P. Morgan Securities (Asia Pacific) Limited and as an associate at Citigroup Global Markets Asia Limited.

Ms. Lin obtained her dual bachelor's degrees in statistics and economics from Peking University in July 2005. She further received an MBA degree from Harvard University in May 2010.

Ms. Wong Wai Yee Ella (黃慧兒), aged 46, was appointed as one of our joint company secretaries on August 23, 2021. Ms. Wong is a director of corporate services at Tricor Services Limited. She has over 20 years of experience in the corporate secretarial field and provides corporate secretarial and compliance services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Wong currently holds company secretary or joint company secretary positions in multiple companies listed on the Stock Exchange, including China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司) (stock code: 1988), China Vered Financial Holding Corporation Limited (中薇金融控股有限公司) (stock code: 245), China Harmony Auto Holding Limited (中國和諧汽車控股有限公司) (stock code: 3836), Precision Tsugami (China) Corporation Limited (津上精密機床(中國)有限公司) (stock code: 1651) and Vedan International (Holdings) Limited (味丹國際(控股)有限公司) (stock code: 2317).

Ms. Wong is a chartered secretary, chartered governance professional and fellow of The Hong Kong Chartered Governance Institute (HKCGI) (formerly known as The Hong Kong Institute of Chartered Secretaries) and a fellow of The Chartered Governance Institute (CGI) (formerly known as The Institute of Chartered Secretaries and Administrators). Ms. Wong received her bachelor's degree of Economics from the University of Hong Kong in December 1997 and her postgraduate diploma in corporate administration from the City University of Hong Kong in November 2000.

REMUNERATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of senior management receive remuneration from our Company in the form of fees, wages and salaries, discretionary bonuses, share-based compensation and other benefits in kind.

The aggregate amount of remuneration (including fees, wages and salaries, discretionary bonuses, share-based compensation and other benefits in kind) of our Directors for years ended December 31, 2018, 2019 and 2020, and for the six months ended June 30, 2021 was RMB15.1 million, RMB15.9 million, RMB680.9 million and RMB1,192.7 million, respectively.

The aggregate amount of remuneration (including fees, wages and salaries, discretionary bonuses, share-based compensation and other benefits in kind) we paid to the five highest paid individuals for years ended December 31, 2018, 2019 and 2020, and for the six months ended June 30, 2021 amounted to RMB24.4 million, RMB51.5 million, RMB738.0 million and RMB1,212.6 million, respectively.

Further information on the remuneration of each Director and the five highest paid individuals during the Track Record Period is set out in Appendix I to this document.

Under the arrangement currently in force, the total remuneration (including fees, wages and salaries, discretionary bonuses, share-based compensation and other benefits in kind) payable to our Directors for the year ending December 31, 2021 is estimated to be RMB1,200.0 million.

During the Track Record Period, no remuneration was paid to our Directors or any of the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or receivable by, any of our Directors, former directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

For the details of the service contracts and letters of appointment that we have entered into with our Directors, see "Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 3. Directors' service contracts and appointment letters" in Appendix IV to this document.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, following the **[REDACTED]**, receive recommendation from our remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

CORPORATE GOVERNANCE

Board Committees

Our Board has established the audit committee, the remuneration committee, the nomination committee and the corporate governance committee, and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit Committee

We have established an audit committee (with effect from the **[REDACTED]**) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to (i) review and supervise the financial reporting process and the internal control system of our Group,

(ii) oversee the audit process, (iii) provide advice and comments to our Board and (iv) perform other duties and responsibilities as assigned by our Board. Our audit committee comprises three members, namely Mr. Lyn Frank Yee Chon, Ms. Fan Yuanyuan and Mr. Li Wei. Mr. Lyn Frank Yee Chon, being the chairperson of the audit committee and an independent non-executive Director, has appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established a remuneration committee (with effect from the **[REDACTED]**) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to (i) establish, review and provide advice to our Board on the policy and structure of the remuneration for our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning remuneration, (ii) determine the terms of the specific remuneration package of each Director and member of our senior management and (iii) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time. Our remuneration committee comprises three members, namely Mr. Li Wei, Dr. Xu Li and Mr. Lyn Frank Yee Chon. Mr. Li Wei is the chairperson of our remuneration committee.

Nomination Committee

We have established a nomination committee (with effect from the **[REDACTED]**) with written terms of reference in compliance with Rule 8A.27 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to (i) review the structure, size and composition of the Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board, (ii) identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members, (iii) assess the independence of our independent non-executive Directors and (iv) make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors. Our nomination committee comprises three members, namely Mr. Li Wei, Dr. Xu Li and Prof. Xue Lan. Mr. Li Wei is the chairperson of our nomination committee.

Corporate Governance Committee

We have established a corporate governance committee (with effect from the **[REDACTED]**) in compliance with Chapter 8A of the Listing Rules. The primary duties of the corporate governance committee are to (i) ensure that our Company is operated and managed for the benefit of all Shareholders and (ii) ensure our 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. For details of their experience in corporate governance related matters, see "— Directors — Independent Non-Executive Directors."

In accordance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 of the Listing Rules, the work of our corporate governance committee as set out in its terms of reference includes:

(a) to develop and review our Company's policies and practices on corporate governance and make recommendations to our Board;

(b) to review and monitor the training and continuous professional development of our Directors and senior management;

(c) to review and monitor our Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and our Directors;

(e) to review our Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;

(f) to review and monitor whether our Company is operated and managed for the benefit of all of its Shareholders;

(g) to confirm, on an annual basis, that the WVR Beneficiaries have been members of our Board throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year;

(h) to confirm, on an annual basis, whether or not the WVR Beneficiaries have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;

(i) to review and monitor the management of conflicts of interests and make a recommendation to our Board on any matter where there is a potential conflict of interest between our Company, its subsidiary and/or Shareholder on one hand and any WVR Beneficiary on the other;

(j) to review and monitor all risks related to the WVR Structure, including connected transactions between our Company and/or its subsidiary on one hand and any WVR Beneficiary on the other and make a recommendation to our Board on any such transaction;

(k) to make a recommendation to our Board as to the appointment or removal of the Compliance Adviser;

(l) to seek to ensure effective and on-going communication between our Company and the Shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules; and

(m) to report on the work of the corporate governance committee on at least a half-yearly and annual basis covering all areas of its terms of reference, including disclosing, on a comply or explain basis, its recommendations to our Board in respect of the matters in items (i) to (k) above.

Pursuant to Rule 8A.32 of the Listing Rules, the Corporate Governance Report prepared by our Company for inclusion in our interim and annual reports after **[REDACTED]** will include a summary of the work of the corporate governance committee for the relevant period.

Role of our Independent Non-executive Directors

Pursuant to Rule 8A.26 of the Listing Rules, the role of the independent non-executive directors of a listed company with WVR Structure must include, but is not limited to, the functions described in code provisions A.6.2, A.6.7 and A.6.8 of the Corporate Governance Code. The functions of our independent non-executive Directors include:

(a) participating in Board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;

(b) taking the lead where potential conflicts of interests arise;

(c) serving on the audit, remuneration, nomination, corporate governance and AI ethics committees, if invited;

(d) scrutinizing our Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;

(e) giving our Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation;

(f) making a positive contribution to the development of our Company's strategy and policies through independent, constructive and informed comments; and

(g) attending general meetings and developing a balanced understanding of the views of our Shareholders.

Corporate Governance Code

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, save as disclosed below, we expect to comply with the corporate governance requirements under the Corporate Governance Code set out in Appendix 14 to the Listing Rules after the **[REDACTED]**.

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

Directors' service contract and appointment letters

Each of our executive directors [has] entered into a service contract with our Company while each of our non-executive director and independent non-executive Director [has] entered into an appointment letter with our Company. See "Appendix IV — Statutory and General Information — C. Further Information About Our Directors and Substantial Shareholders — 3. Directors' Service Contracts and Appointment Letters".

In light of the pivotal role of Prof. Tang in the foundation of our Group's success, in addition to the customary terms for the engagement of an executive Director, the service contract also sets out the following obligations of Prof. Tang:

(1) Non-competition provisions

(a) For as long as Prof. Tang is a director, officer, employee, consultant, or a direct or indirect holder in any securities of our Group and within five years after Prof. Tang cease to hold any position as a director, officer, employee, consultant, or a direct or indirect holder in any securities of our Group, Prof Tang shall not, and shall cause any company controlled by him not to, directly or indirectly:

(i) own, manage, engage in, operate, control, work for, consult with, render services for, do business with, maintain any interest in (proprietary, financial or otherwise) or

participate in the ownership, management, operation or control of, any business, whether in corporate, proprietorship or partnership form or otherwise, that is related to the Group's business or otherwise competes with our Group's business (each, a "**Restricted Business**"); provided, however, the restrictions contained in this subsection (i) shall not restrict the acquisition by Prof. Tang, directly or indirectly, of less than one percent (1%) of the outstanding share capital of any publicly traded company engaged in a Restricted Business;

(ii) solicit any person who is or has been at any time a customer of our Group for the purpose of offering to such customer goods or services similar to or competing with those offered by our Group, or canvass or solicit any person who is or has been at any time a supplier or licensor or customer of our Group for the purpose of inducing any such person to terminate its business relationship with our Group; or

(iii) solicit or entice away or endeavor to solicit or entice away any director, officer, consultant or employee of our Group;

(b) Prof. Tang shall use his best efforts to develop the business and interests of our Group for so long as he remains as a director, officer, employee, consultant, or a direct or indirect holder of any securities of our Group;

(2) Proprietary rights provisions: The proprietary rights in respect of the discoveries, technological improvements, trade names, brand, service marks, copyrights, copyrightable works, developments, designs, procedures, methods, know-how, data and analysis, whether registrable or not, visualized or developed by Prof. Tang as a result of providing any services to our Company, or otherwise based on or by reference to and any confidential information relating to our Company's business, plans and/or technology shall remain the exclusive property of our Company.

BOARD DIVERSITY

We recognize and embrace the benefits of having a diverse Board and see increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our competitive advantage and enhancing our ability to attract, retain and motivate employees from the widest possible pool of available talent. We have adopted a board diversity policy (the "**Board Diversity Policy**") with the aim of achieving an appropriate level of diversity among Board members according to the circumstances of our Group from time to time.

Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a director of our Company, our nomination committee would consider a range of diversity of perspectives with reference to the Company's business model and specific needs, including but not limited to skills, knowledge, professional experience and qualifications, industry and regional experience, cultural and educational background, age, gender and the potential contributions that the

candidate is expected to bring to our Board. All Board appointments will be based on merits and candidates will be considered against objective criteria, having due regard to the benefits of diversity to our Board. After **[REDACTED]**, our nomination committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose the policy or a summary thereof in our corporate governance report on an annual basis.

Our Board has a balanced mix of experiences and skills, including but not limited to overall business management, research and development as well as finance and accounting. Our Board has a relatively wide range of age, ranging from 31 years old to 62 years old. Furthermore, we have a female Director. After due consideration, our Board believes that based on the meritocracy of our Directors, the composition of our Board satisfies our Board Diversity Policy.

DISCLOSURE UNDER RULE 8.10(2) OF THE LISTING RULES

As of the Latest Practicable Date, (i) Dr. Wang held 14.45% of equity interests in Chengdu Xinzhouruishi Technology Co., Ltd (成都新舟鋭視科技有限公司) ("**Chengdu Xinzhouruishi**"), a company established in the PRC with intelligent visual processing technology specializing in research and development, production and sales of intelligent security products. Our Company has also invested in Chengdu Xinzhouruishi and holds 13.50% of its equity interests; and (ii) Mr. Xu Bing is a director of two companies that our Company has invested in. Mr. Xu Bing's role as a director in these two investees was appointed by our Company.

Save as disclosed above, each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in any business which competes, or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10(2) of the Listing Rules.

COMPLIANCE ADVISER

We have appointed Haitong International Capital Limited as our compliance adviser (the "**Compliance Adviser**") pursuant to Rule 8A.33 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rules 3A.23 and 8A.34 of the Listing Rules, our Compliance Adviser will advise our Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where the business activities, developments or results of our Group deviate from any forecast, estimate, or other information in this document;

(d) where the Stock Exchange makes an inquiry to our Company concerning unusual movements in the price or trading volume of its listed securities or any other matters under Rule 13.10 of the Listing Rules;

(e) the WVR Structure;

(f) transactions in which any beneficiary of weighted voting rights in the Company has an interest; and

(g) where there is a potential conflict of interest between our Company, its subsidiary and/or Shareholders (considered as a group) on one hand and any beneficiary of weighted voting rights in our Company on the other.

The term of appointment of our Compliance Adviser shall commence on the **[REDACTED]**. Pursuant to Rule 8A.33 of the Listing Rules, our Company is required to engage a compliance adviser on a permanent basis.

CONTROLLING SHAREHOLDERS

Immediately after the completion of the **[REDACTED]**, Prof. Tang, our founder and executive Director, will through Amind beneficially own 6,906,080,602 Class A Shares and be indirectly interested in and control 1,891,820,000 Class B Shares. Each Class A Share has 10 votes per share and each Class B Share has one vote per share capable of being exercised on resolutions in general meetings of our Company. However, for the Reserved Matters, all Class A Shares carry one vote per share.

Assuming (a) the **[REDACTED]** is not exercised, (b) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide and each Preferred Share is converted into one Class B Share immediately, Prof. Tang will through Amind beneficially own 6,906,080,602 Class A Shares, and be indirectly interested in and control 1,891,820,000 Class B Shares through SenseFancy, which is indirectly held by Amind. SenseFancy is the general partner of each of SenseSmart, SenseVision, SenseForest, SenseLight, SensePoint, SenseSpace and SenseBlue where each of their limited partners are Independent Third Parties. Therefore, immediately upon the completion of the **[REDACTED]**:

(1) Prof. Tang's shareholding will be approximately **[REDACTED]**% of our total issued share capital and he will be entitled to exercise approximately **[REDACTED]**% of the voting rights in the Company (except for any resolutions in relation to the Reserved Matters, in relation to which each Share carries one vote, as set out below); and

(2) In respect of the Reserved Matters, the Class A Shares beneficially owned by Prof. Tang carry one vote per share, and the aggregate percentage of voting rights which Prof. Tang may exercise on resolutions in relation to the Reserved Matter is therefore approximately **[REDACTED]**%.

Assuming (a) the **[REDACTED]** is fully exercised and (b) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share immediately upon the completion of the **[REDACTED]**:

(1) Prof. Tang's shareholding will be approximately **[REDACTED]**% of our total issued share capital and he will be entitled to exercise approximately **[REDACTED]**% of the voting rights in the Company (except for any resolutions in relation to the Reserved Matters, in relation to which each Share carries one vote, as set out below); and

(2) In respect of the Reserved Matters, the Class A Shares beneficially owned by Prof. Tang carry one vote per share, and the aggregate percentage of voting rights which Prof. Tang may exercise on resolutions in relation to the Reserved Matter is therefore approximately **[REDACTED]**%.

Therefore, Prof. Tang and Amind will be our Controlling Shareholders after our **[REDACTED]**.

For further information on the weighted voting rights attached to the Class A Shares, see "Share Capital."

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the **[REDACTED]**.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon **[REDACTED]**, our Board will consist of eight Directors comprising four executive Directors, one non-executive Director and three independent non-executive Directors. For more information, see "Directors and Senior Management."

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders and their respective close associates because:

(a) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;

(c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;

(d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; and

(e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders and their respective close associates which would support our independent management. See "— Corporate Governance Measures" for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role independently from our Controlling Shareholders.

Operational Independence

We have full rights to make business decisions and to carry out our business independently from our Controlling Shareholders and their respective close associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and their respective close associates after the **[REDACTED]**:

(a) we are not reliant on trademarks or patents owned by our Controlling Shareholders, or by other companies controlled by our Controlling Shareholders and their respective close associates;

(b) we are the holder of all relevant licenses material to the operation of our business;

(c) we have independent access to our users, customers and suppliers;

(d) we have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders and their respective close associates;

(e) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and

(f) none of our Controlling Shareholders or their respective close associates have any interests in any business which competes or is likely to compete with the business of our Group.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders and their respective close associates.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function and making financial decisions based on our Group's needs. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders and their respective close associates.

No loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective close associates will be outstanding as at the **[REDACTED]**.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders and their respective close associates after the **[REDACTED]**.

DISCLOSURE UNDER RULE 8.10(1) OF THE LISTING RULES

Our Controlling Shareholders confirm that, as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10(1) of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company and Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders. In light of this, our Company has established a Corporate Governance Committee pursuant to Rule 8A.30 which has adopted terms of reference consistent with Code Provision D.3.1 of Appendix 14 to, and Rule 8A.30 of, the Listing Rules. The members of the Corporate Governance Committee are independent non-executive Directors with extensive experience in overseeing corporate governance related functions of private and Hong Kong listed companies. The primary duties of the Corporate Governance Committee are to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to the weighted voting rights structure of the Company.

Under the Articles of Association, extraordinary general meetings of the Company may be convened and resolutions may be added to the meeting agenda on the written requisition of any one or more members holding, as at the date of deposit of the requisition, in aggregate shares representing not less than 10% of the paid up capital of the Company which carry voting rights at general meetings of our Company (on a one share one vote basis). In addition, pursuant to the Shareholder communication policy to be adopted by the Company upon **[REDACTED]**, Shareholders are encouraged to put governance related matters to the Directors and to the Company directly in writing.

We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

(a) under the Articles, where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective associates has a material interest, the relevant Controlling Shareholders or associates will not vote on the relevant resolutions;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the **[REDACTED]**, if our Company enters into connected transactions with our Controlling Shareholders or any of its associates, our Company will comply with the applicable Listing Rules;

(c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;

(e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;

(g) we have appointed Haitong International Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and

(h) we have established our Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules. Majority of the members of our Audit Committee, including the chairman, are independent non-executive Directors.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the **[REDACTED]**.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the **[REDACTED]**, assuming (i) the **[REDACTED]** is not exercised and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share each and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share each, the following persons will have interests and/or short positions (as applicable) in the Shares or underlying shares of our Company that (a) would 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, or, (b) will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

(a) Interests in Shares of our Company

Name of substantial shareholder	Capacity / nature of interest	Number and class of shares held	Approximate percentage of shareholding of each class of shares in our Company (1)	Approximate percentage of shareholding in the issued and outstanding share capital of our Company (1)
Class A Shares — Prof. Tang				
Amind(2)	Beneficial interest	6,906,080,602 Class A Shares	**[REDACTED]**	**[REDACTED]**
Prof. Tang	Interest in a controlled corporation	6,906,080,602 Class A Shares	**[REDACTED]**	**[REDACTED]**
Class A Shares — Dr. Xu Li				
XWorld(3)	Beneficial interest	286,317,668 Class A Shares	**[REDACTED]**	**[REDACTED]**
Dr. Xu Li	Interest in a controlled corporation	286,317,668 Class A Shares	**[REDACTED]**	**[REDACTED]**
Class A Shares — Dr. Wang				
Infinity Vision(4)	Beneficial interest	232,171,633 Class A Shares	**[REDACTED]**	**[REDACTED]**
Dr. Wang	Interest in a controlled corporation	232,171,633 Class A Shares	**[REDACTED]**	**[REDACTED]**
Class A Shares — Mr. Xu Bing				
Vision Worldwide(5)	Beneficial interest	104,190,097 Class A Shares	**[REDACTED]**	**[REDACTED]**
Mr. Xu Bing	Interest in a controlled corporation	104,190,097 Class A Shares	**[REDACTED]**	**[REDACTED]**

Name of substantial shareholder	Capacity / nature of interest	Number and class of shares held	Approximate percentage of shareholding of each class of shares in our Company (1)	Approximate percentage of shareholding in the issued and outstanding share capital of our Company (1)
Class B Shares — Prof. Tang				
SenseSmart(6)	Beneficial interest	206,660,000 Class B Shares	**[REDACTED]**	**[REDACTED]**
SenseVision(6)	Beneficial interest	690,440,000 Class B Shares	**[REDACTED]**	**[REDACTED]**
SenseForest(6)	Beneficial interest	269,850,000 Class B Shares	**[REDACTED]**	**[REDACTED]**
SenseLight(6)	Beneficial interest	239,150,000 Class B Shares	**[REDACTED]**	**[REDACTED]**
SensePoint(6)	Beneficial interest	283,420,000 Class B Shares	**[REDACTED]**	**[REDACTED]**
SenseSpace(6)	Beneficial interest	191,890,000 Class B Shares	**[REDACTED]**	**[REDACTED]**
SenseBlue(6)	Beneficial interest	10,410,000 Class B Shares	**[REDACTED]**	**[REDACTED]**
SenseFancy(6)	Interest in a controlled corporation	1,891,820,000 Class B Shares	**[REDACTED]**	**[REDACTED]**
Amind Holding Inc.(6)	Interest in a controlled corporation	1,891,820,000 Class B Shares	**[REDACTED]**	**[REDACTED]**
Amind(6)	Interest in a controlled corporation	1,891,820,000 Class B Shares	**[REDACTED]**	**[REDACTED]**
Prof. Tang	Interest in a controlled corporation	1,891,820,000 Class B Shares	**[REDACTED]**	**[REDACTED]**
Class B Shares — Dr. Xu Li				
Dr. Xu Li through SenseTalent	Beneficial interest	565,386,529 Class B Shares	**[REDACTED]**	**[REDACTED]**
Class B Shares — Dr. Wang				
Dr. Wang through SenseTalent	Beneficial interest	302,140,243 Class B Shares	**[REDACTED]**	**[REDACTED]**
Class B Shares — Mr. Xu Bing				
Mr. Xu Bing through SenseTalent	Beneficial interest	252,236,581 Class B Shares	**[REDACTED]**	**[REDACTED]**

Name of substantial shareholder	Capacity / nature of interest	Number and class of shares held	Approximate percentage of shareholding of each class of shares in our Company (1)	Approximate percentage of shareholding in the issued and outstanding share capital of our Company (1)
Class B Shares — SenseTalent				
SenseTalent	Beneficial interest	3,869,258,603 Class B Shares	**[REDACTED]**	**[REDACTED]**
Ms. Lin Jiemin	Interest in a controlled corporation	3,869,258,603 Class B Shares	**[REDACTED]**	**[REDACTED]**
Class B Shares — Softbank				
SVF Sense (Singapore) Pte. Ltd.(7)	Beneficial interest	4,730,521,397 Class B Shares	**[REDACTED]**	**[REDACTED]**
SVF II Holdings	Interest in a controlled corporation	4,730,521,397 Class B Shares	**[REDACTED]**	**[REDACTED]**
SVF Holdings (UK) LLP	Interest in a controlled corporation	4,730,521,397 Class B Shares	**[REDACTED]**	**[REDACTED]**
SoftBank Vision Fund L.P.	Interest in a controlled corporation	4,730,521,397 Class B Shares	**[REDACTED]**	**[REDACTED]**
SB Investment Advisers (UK) Limited	Interest in a controlled corporation	4,730,521,397 Class B Shares	**[REDACTED]**	**[REDACTED]**
SVF GP (Jersey) Limited	Interest in a controlled corporation	4,730,521,397 Class B Shares	**[REDACTED]**	**[REDACTED]**
SoftBank Group Corp.	Interest in a controlled corporation	4,730,521,397 Class B Shares	**[REDACTED]**	**[REDACTED]**
Class B Shares — Alibaba				
Taobao China Holding Limited(8)	Beneficial interest	2,411,030,000 Class B Shares	**[REDACTED]**	**[REDACTED]**
Taobao Holding Limited	Interest in a controlled corporation	2,411,030,000 Class B Shares	**[REDACTED]**	**[REDACTED]**
Alibaba Group Holding Limited	Interest in a controlled corporation	2,411,030,000 Class B Shares	**[REDACTED]**	**[REDACTED]**

Notes:

(1) Assuming (i) the **[REDACTED]** is not exercised and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share of US$0.000000025 par value each and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share of US$0.000000025 par value each, each immediately following the completion of the **[REDACTED]**.

(2) The entire interest in Amind is held by Prof. Tang.

(3) The entire interest in XWorld is held by Dr. Xu Li.

(4) The entire interest in Infinity Vision is held by Dr. Wang.

(5) The entire interest in Vision Worldwide is held by Mr. Xu Bing.

(6) The general partner of each of SenseSmart, SenseVision, SenseForest, SenseLight, SensePoint, SenseSpace and SenseBlue is SenseFancy, the entire interest of which is held by Amind Holding Inc. which is in turn owned by Amind. The limited partners of each of SenseSmart, SenseVision, SenseForest, SenseLight, SensePoint, SenseSpace and SenseBlue are Independent Third Parties.

(7) SVF Sense (Singapore) Pte. Ltd. is indirectly wholly owned by SVF Holdings (UK) LLP. SoftBank Vision Fund L.P. is the managing member of SVF Holdings (UK) LLP. The general partner of SoftBank Vision Fund L.P. is SVF GP (Jersey) Limited, which is ultimately wholly owned by SoftBank Group Corp. (TYO: 9984). SVF GP (Jersey) Limited appointed SB Investment Advisers (UK) Limited, ultimately wholly owned by SoftBank Group Corp. (TYO: 9984), as the manager of SoftBank Vision Fund L.P.. SB Investment Advisers (UK) Limited is exclusively responsible for making all decisions related to the acquisition, structuring, financing, voting, and disposal of investments held by SoftBank Vision Fund L.P.

(8) Taobao China Holding Limited is a wholly-owned subsidiary of Taobao Holding Limited, which is in turn a wholly-owned subsidiary of Alibaba Group Holding Limited, whose American depositary shares are listed on the New York Stock Exchange (stock symbol: BABA) and ordinary shares are listed on the Main Board of the Stock Exchange (stock code: 9988).

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share each and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share each), have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company immediately prior to and upon the completion of the **[REDACTED]**, assuming that (i) the **[REDACTED]** becomes unconditional and the **[REDACTED]** are issued pursuant to the **[REDACTED]** and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share of US$0.000000025 par value each and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share of US$0.000000025 par value each; and (iii) no Class A Shares are converted to Class B Shares.

1. Share capital as at the date of this Document

(i) Authorized share capital

Number	Description of Shares	Approximate aggregate nominal value of shares (US$)
1,979,934,858,603	Ordinary Shares of US$0.000000025 par value each	49,498.37
475,000,000	Series A-1 Preferred Shares of US$0.000000025 par value each	11.88
55,360,000	Series A-2 Preferred Shares of US$0.000000025 par value each	1.38
300,600,000	Series B-1 Preferred Shares of US$0.000000025 par value each	7.52
2,357,970,000	Series B-2 Preferred Shares of US$0.000000025 par value each	58.95
243,320,000	Series B-3 Preferred Shares of US$0.000000025 par value each	6.08
602,550,000	Series C-1 Preferred Shares of US$0.000000025 par value each	15.06
2,895,440,000	Series C-2 Preferred Shares of US$0.000000025 par value each	72.39
2,761,100,000	Series C+ Preferred Shares of US$0.000000025 par value each	69.03
2,307,091,397	Series C++ Preferred Shares of US$0.000000025 par value each	57.68
1,825,210,000	Series C-prime Preferred Shares of US$0.000000025 par value each	45.63
4,524,880,000	Series D Preferred Shares of US$0.000000025 par value each	113.12
1,716,620,000	Series D+ Preferred Shares of US$0.000000025 par value each	42.92
2,000,000,000,000	**Total**	**50,000.00**

(ii) Issued, fully paid or credited to be fully paid

Number	Description of Shares	Approximate aggregate nominal value of shares (US$)
11,717,258,603	Ordinary Shares of US$0.000000025 par value each	292.93
475,000,000	Series A-1 Preferred Shares of US$0.000000025 par value each	11.88
55,360,000	Series A-2 Preferred Shares of US$0.000000025 par value each	1.38
300,600,000	Series B-1 Preferred Shares of US$0.000000025 par value each	7.52
2,357,970,000	Series B-2 Preferred Shares of US$0.000000025 par value each	58.95
243,320,000	Series B-3 Preferred Shares of US$0.000000025 par value each	6.08
602,550,000	Series C-1 Preferred Shares of US$0.000000025 par value each	15.06
2,895,440,000	Series C-2 Preferred Shares of US$0.000000025 par value each	72.39
2,761,100,000	Series C+ Preferred Shares of US$0.000000025 par value each	69.03
2,307,091,397	Series C++ Preferred Shares of US$0.000000025 par value each	57.68
1,825,210,000	Series C-prime Preferred Shares of US$0.000000025 par value each	45.63
4,524,880,000	Series D Preferred Shares of US$0.000000025 par value each	113.12
1,716,620,000	Series D+ Preferred Shares of US$0.000000025 par value each	42.92
31,782,400,000	**Total**	**794.56**

2. Share capital immediately following the completion of the [REDACTED]

(i) Authorized share capital

Number	Description of Shares	Approximate aggregate nominal value of shares (US$)
[8,000,000,000]	Class A Shares of US$0.000000025 par value each	[200.00]
[1,992,000,000,000]	Class B Shares of US$0.000000025 par value each	[49,800.00]
[2,000,000,000,000]	**Total**	**[50,000.00]**

(ii) Issued and to be issued, fully paid or credited to be fully paid (assuming the **[REDACTED]** *is not exercised)*

Number	Description of Shares	Approximate aggregate nominal value of shares (US$)
7,528,760,000	Class A Shares of US$0.000000025 par value each	188.219
24,253,640,000	Class B Shares of US$0.000000025 par value each	606.341
[REDACTED]	Class B Shares of US$0.000000025 par value each to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	**Total**	**[REDACTED]**

(iii) Issued and to be issued, fully paid or credited to be fully paid (assuming the* [REDACTED] *is fully exercised)

Number	Description of Shares	Approximate aggregate nominal value of shares (US$)
7,528,760,000	Class A Shares of US$0.000000025 par value each	[188.219]
24,253,640,000	Class B Shares of US$0.000000025 par value each	[606.341]
[REDACTED]	Class B Shares of US$0.000000025 par value each to be issued pursuant to the **[REDACTED]** (before the exercise of the **[REDACTED]**)	**[REDACTED]**
[REDACTED]	Class B Shares of US$0.000000025 par value each to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	**Total**	**[REDACTED]**

The tables above do not take into account any Shares that may be issued or repurchased by the Company under the general mandate granted to our Directors as referred to below.

WEIGHTED VOTING RIGHTS STRUCTURE

The Company is proposing to adopt a WVR Structure effective immediately upon the completion of the **[REDACTED]**. Under the WVR Structure, our Company's share capital will comprise Class A Shares and Class B Shares. Each Class A Share will entitle the holder to exercise 10 votes, and each Class B Share will entitle the holder to exercise one vote, respectively on resolutions in general meetings of our Company, except for resolutions in relation to the Reserved Matters, in relation to which each Share carry one vote.

The Reserved Matters are:

(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.

In addition, Shareholders, including holders of Class B Shares, holding not less than 10% of the paid up capital of the Company (on a one share, one vote basis) which carries voting rights in general meetings of our Company are entitled to convene an extraordinary general meeting of the Company and to add resolutions to the meeting agenda.

For further details, see the summary of the Articles of Association as set out in Appendix III to this Document.

The table below sets out the ownership and voting rights to be held by the WVR Beneficiaries upon the completion of the **[REDACTED]**, assuming (i) the **[REDACTED]** is not exercised; and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share of US$0.000000025 par value each and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share of US$0.000000025 par value each:

	Number of Shares	Approximate ownership percentage of issued share capital	Approximate percentage of voting rights [(1)]
Class A Shares held by the WVR Beneficiaries	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Class B Shares held by the WVR Beneficiaries	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total		**[REDACTED]**	**[REDACTED]**

Notes:

(1) On the basis that each Class A Share entitle their holders to 10 votes per share and each Class B Share entitle their holders to one vote per share.

Class A Shares may be converted into Class B Shares on a one to one ratio. Upon the conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue 7,528,760,000 Class B Shares, representing approximately **[REDACTED]**% of the total number of issued and outstanding Class B Shares (assuming (i) the **[REDACTED]** is not exercised and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share immediately upon the completion of the **[REDACTED]**).

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

(i) 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;

(ii) when the holders of Class A Shares have transferred to other persons the beneficial ownership of, or economic interest in, all of the Class A Shares or the control over the voting rights attached to them, other than in the circumstances permitted by Rules 8A.18 of the Listing Rules;

(iii) 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

(iv) when all of the Class A Shares have been converted to Class B Shares.

WVR Beneficiaries

Immediately upon the completion of the **[REDACTED]**, the WVR Beneficiaries will be Prof. Tang, Dr. Xu Li, Dr. Wang and Mr. Xu Bing.

Assuming (i) the **[REDACTED]** is not exercised; and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share immediately upon the completion of the **[REDACTED]**:

- Prof. Tang will beneficially own 6,906,080,602 Class A Shares and will be indirectly interested in and control 1,891,820,000 Class B Shares, representing approximately **[REDACTED]**% of the voting rights in the Company on resolutions in general meetings of our Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carry one vote). The Class A Shares beneficially owned, and Class B Shares indirectly controlled by, Prof. Tang, are held by Amind, a company wholly owned by Prof. Tang;

- Dr. Xu Li will beneficially own 286,317,668 Class A Shares and 565,386,529 Class B Shares, representing approximately **[REDACTED]**% of the voting rights in the Company on resolutions in general meetings of our Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carry one vote). The Class A Shares beneficially owned by Dr. Xu Li are held by XWorld, a company wholly owned by Dr. Xu Li, and the Class B Shares are held through SenseTalent.

- Dr. Wang will beneficially own 232,171,633 Class A Shares and 302,140,243 Class B Shares, representing approximately **[REDACTED]**% of the voting rights in the Company on resolutions in general meetings of our Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carry one vote). The Class A Shares beneficially owned by Dr. Wang are held by Infinity Vision, a company wholly owned by Dr. Wang, and the Class B Shares are held through SenseTalent.

- Mr. Xu Bing will beneficially own 104,190,097 Class A Shares and 252,236,581 Class B Shares, representing approximately **[REDACTED]**% of the voting rights in the Company on resolutions in general meetings of our Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carry one vote). The Class A Shares beneficially owned by Mr. Xu Bing are held by Vision Worldwide, a company wholly owned by Mr. Xu Bing, and the Class B Shares are held through SenseTalent.

Assuming (i) the **[REDACTED]** is fully exercised and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision

Worldwide, and each Preferred Share is converted into one Class B Share immediately upon the completion of the **[REDACTED]**:

- Prof. Tang will beneficially own 6,906,080,602 Class A Shares and will be indirectly interested in and control 1,891,820,000 Class B Shares, representing approximately **[REDACTED]**% of the voting rights in the Company on resolutions in general meetings of our Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carry one vote). The Class A Shares beneficially owned, and Class B Shares indirectly exercisable by, Prof. Tang, are held by Amind, a company wholly owned by Prof. Tang;

- Dr. Xu Li will beneficially own 286,317,668 Class A Shares and 565,386,529 Class B Shares, representing approximately **[REDACTED]**% of the voting rights in the Company on resolutions in general meetings of our Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carry one vote). The Class A Shares beneficially owned by Dr. Xu Li are held by XWorld, a company wholly owned by Dr. Xu Li, and the Class B Shares are held through SenseTalent.

- Dr. Wang will beneficially own 232,171,633 Class A Shares and 302,140,143 Class B Shares, representing approximately **[REDACTED]**% of the voting rights in the Company on resolutions in general meetings of our Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carry one vote). The Class A Shares beneficially owned by Dr. Wang are held by Infinity Vision, a company wholly owned by Dr. Wang, and the Class B Shares are held through SenseTalent.

- Mr. Xu Bing will beneficially own 104,190,097 Class A Shares and 252,236,581 Class B Shares, representing approximately **[REDACTED]**% of the voting rights in the Company on resolutions in general meetings of our Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carry one vote). The Class A Shares beneficially owned by Mr. Xu Bing are held by Vision Worldwide, a company wholly owned by Mr. Xu Bing, and the Class B Shares are held through SenseTalent.

The Company is adopting the WVR Structure to enable the WVR Beneficiaries to exercise voting control over the Company notwithstanding the WVR Beneficiaries do not hold a majority economic interest in the share capital of the Company. This will enable 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.

Prospective investors are advised to be aware of the potential risks of investing in companies with weighed 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. For further information about the risks associated with the WVR Structure adopted by the Company, see "Risk Factors — Risks Relating to our WVR Structure."

Save for the weighted voting rights attached to Class A Shares, the rights attached to all classes of Shares are identical. For further information about the rights, preferences, privileges and restrictions of the Class A Shares and Class B Shares, see "Summary of the Constitution of our Company and Cayman Companies Act — 2. Articles of Association" in Appendix III to this Document.

Undertakings by the WVR Beneficiaries

Pursuant to Rule 8A.43 of the Listing Rules, each WVR Beneficiary is required to give a legally enforceable undertaking to the Company that he will comply with the relevant requirements as set out in Rule 8A.43, which is intended to be for the benefit of and enforceable by the Shareholders.

On [*], each of Prof. Tang, Dr. Xu Li, Dr. Wang and Mr. Xu Bing made an undertaking to the Company (the "**Undertaking**"), that for so long as he is a WVR Beneficiary:

(i) he shall comply with (and, if the shares to which the weighted voting rights that he is beneficially interested in are attached are held through a limited partnership, trust, private company or other vehicle, use his best endeavors to procure that such limited partnership, trust, private company or other vehicle complies with) all applicable requirements under Rules 8A.09, 8A.14, 8A.15, 8A.17, 8A.18 and 8A.24 of the Listing Rules from time to time in force (the "**Requirements**"); and

(ii) he shall use his best endeavors to procure that the Company complies with all applicable Requirements.

For the avoidance of doubt, the Requirements are subject to Rule 2.04 of the Listing Rules. Each WVR Beneficiary acknowledged and agreed that the Shareholders rely on the Undertaking in acquiring and holding their shares. Each WVR Beneficiary acknowledged and agreed that the Undertaking is intended to confer a benefit on the Company and all Shareholders and may be enforced by the Company and/or any Shareholder against the WVR Beneficiary.

The Undertaking with respect to a WVR Beneficiary shall automatically terminate upon the earlier of (i) the date of delisting of the Company from the Stock Exchange; and (ii) the date on which such WVR Beneficiary ceases to be a beneficiary of weighted voting rights in the Company. For the avoidance of doubt, the termination of the Undertaking shall not affect any rights, remedies, obligations or liabilities of the Company and/or any Shareholder and/or such WVR Beneficiary himself that have accrued up to the date of termination, including the right to claim damages and/or apply for any injunction in respect of any breach of the Undertaking which existed at or before the date of termination.

The Undertaking shall be governed by the laws of Hong Kong and all matters, claims or disputes arising out of the Undertaking shall be subject to the exclusive jurisdiction of the courts of Hong Kong.

RANKING

The **[REDACTED]** will rank pari passu in all respects with all Class B Shares currently in issue or to be issued as mentioned in this Document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this Document.

ALTERATIONS OF CAPITAL

Pursuant to the Cayman Companies Act and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide all or any of its capital into shares of larger amount; (iii) convert all or any of its paid up shares into stock and reconvert that stock into paid up shares of any denomination; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Act, reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See "Summary of the Constitution of the Company and the Cayman Islands Companies Laws — 2.5 Alteration of Capital" in Appendix III to this Document for further details.

SHARE INCENTIVE SCHEMES

The Company has adopted the Pre-**[REDACTED]** RSU Plan and the Pre-**[REDACTED]** ESOP. See "Statutory and General Information — 1. Pre-**[REDACTED]** RSU Plan" and "Statutory and General Information — 2. Pre-**[REDACTED]** ESOP" to this Document for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate, to allot, issue and deal with Class B Shares with a total nominal value of not more than the sum of:

- 20% the aggregate nominal value of the Shares in issue immediately following completion of the **[REDACTED]** (excluding (i) the additional Class B Shares which may be issued pursuant to the exercise of the **[REDACTED]**; and (ii) the Class B Shares that are issuable upon conversion of the Class A Shares on a one to one basis); and

- the aggregate nominal value of Shares repurchased by the Company under the authority referred to in the paragraph headed "— General Mandate to Repurchase Shares" in this section.

This general mandate to issue Class B Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See "Statutory and General Information — 4. Resolutions of the Shareholders of our Company dated [*] 2021" in Appendix IV to this Document for further details of the general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Subject the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate, to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the **[REDACTED]** (excluding (i) the additional Class B Shares which may be issued pursuant to the exercise of the **[REDACTED]**; and (ii) the Class B Shares that are issuable upon conversion of the Class A Shares on a one to one basis).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in "Statutory and General Information — 5. Repurchase of Our Own securities" in Appendix IV to this Document.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See "Statutory and General Information — 4. Resolutions of the Shareholders of our Company dated [*] 2021" in Appendix IV to this Document for further details of the repurchase mandate.

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2018, 2019 and 2020 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading AI software company with customers across a broad spectrum of industries and the largest in Asia in terms of revenue in 2020, according to Frost & Sullivan. We have achieved market leadership by providing AI software platforms to help our customers drive productivity, creativity, and efficiency. We have built a first-of-its-kind universal AI infrastructure to achieve mass production of a variety of AI models with rich functionality and superior accuracy. We develop scalable AI software platforms to facilitate rapid deployment of AI models into numerous scenarios.

OUR BUSINESS MODEL

Our business model is highly scalable. Our universal AI infrastructure, SenseCore, offers a smooth, standardized, and end-to-end production flow of AI models and unifies our research and production capabilities into a single underlying platform. Leveraging SenseCore, we can produce various AI models in large scale that are extensible and adaptable to a wide range of scenarios. With our mass production capabilities, we have broadened our offerings to cover perception intelligence, decision intelligence, and AI-enabled content generation and enhancement. Such comprehensive technologies enable us to deliver full-suite offerings for richer and diversified AI applications across a wide range of industry verticals. As of June 30, 2021, we had accumulated over 22,000 AI models to power different applications.

We generate revenue primarily from sales of our software platforms, comprising software licenses, AI software-embedded hardware and related services. Software platforms are delivered primarily through (i) license of software installed on customers' devices or on-premise at customers' servers; and (ii) AI software-embedded hardware combining AI chips and/or AI sensors to effectively run our AI models, both of which allow integration of our AI models and applications with customers' devices or IT infrastructure. Hardware, including those designed by us, is sourced from third parties.

The price of our software platforms is primarily based on (i) the number and complexity of the AI models provided; (ii) the number and types of IoT devices empowered; (iii) hardware and computing resources required to run the AI models; and (iv) services for deployment and maintenance. Through our software platforms, we also provide SenseCore's capabilities as a versatile AI-as-a-Service offering to customers for customized model production. As customers expand the scale and diversity of AI applications, they are expected to purchase additional products and services from us, which will generate recurring revenue for us.

We also generate revenue by providing research and development services with pricing based primarily on our proprietary technologies involved and research and development resources consumed.

We have a large and growing customer base in a broad range of verticals in China and internationally. Our customer number increased from 732 in 2018 to 1,165 in 2019, and further to 1,225 in 2020, and from 730 in the first half of 2020 to 853 in the first half of 2021.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Company Specific Factors

Advancement in AI Infrastructure to Underpin Research-Production Flywheel and Improve Operating Leverage

Our commercial success is built upon our leading technology capability and universal AI infrastructure. To enable efficient mass-production of AI models, we have made significant investment in our AI infrastructure, SenseCore, which integrates our research and production capabilities into a unified platform. Leveraging cutting-edge technologies on AI algorithms, systems, AI chips and AI sensors, SenseCore enables quick, power-efficient and low-cost mass production of AI models. Our engagement with customers in various industry verticals provides abundant feedback to foster continuous improvement of SenseCore capabilities. This flywheel effect gives us competitive advantage to AI companies working in individual industry vertical separately.

To further enhance SenseCore's production capability, we are investing in the construction of our Shanghai Lingang AIDC. This AIDC is an open, large-scale, low-carbon, and energy-efficient advanced computing infrastructure, with a designed computing capacity of 3.74 exaFLOPS, which will bring our total computation capacity to 4.91 exaFLOPS. We believe that our AIDCs will not only accelerate our innovations and enhance our competitiveness, but also cultivate an open and rapidly growing ecosystem that further strengthens the connections with our customers and the research community. We expect it to make the production of AI models and the development of AI capabilities more efficient and affordable across industries, thus extending the boundary of AI industrialization. Going forward, we may cooperate with third parties to reduce our capital needs in expanding our overall AIDC capacity.

We have incurred substantial research and development expenses during the Track Record Period to support our innovative product and service offerings. As we continuously enhance SenseCore's capabilities and capacity, we have benefited from improving efficiency in AI model productions. Our R&D staff developed an aggregate of 1,152, 9,673 and 8,377 commercial AI models in 2019, 2020 and the first half of 2021, respectively, representing an annual average of 0.44, 3.45 and 5.24 AI models per person in the same periods, respectively. Leveraging the increasing productivity and capabilities, we aim to reduce the marginal cost for the production of AI models as well as accelerate revenue growth, resulting in considerable operating leverage. Our research and development expenses increased by 45.3% from RMB1,219.5 million in the six months ended June 30, 2020 to RMB1,771.7 million in the six months ended June 30, 2021. Meanwhile, our revenue increased by 91.8% from RMB861.2 million to RMB1,651.8 million in the same periods. Going forward, we expect our revenue growth rate to remain higher than that of our research and development expenses, leading to a continuous improvement in our operating leverage.

Commercialization through Software Platforms and Expansion in Revenue Streams with Full-Stack Capabilities

We deliver AI models to customers through our software platforms. Capitalizing on our industry-leading technological capabilities, we have been standardizing the development and deployment of our easy-to-use AI software platforms to integrate them with customers' devices or IT infrastructures seamlessly. In addition, our software platforms are compatible with an increasingly broad range of third-party hardware, and our AI models can be deployed both on edge device and on cloud through our software platforms, which allows rapid and cost-efficient deployment for our customers across verticals. As our software platforms are being widely used in an increasing number of scenarios such as automobiles, mobile phones, urban spaces and commercial spaces, our revenue growth relies on our ability (i) to develop, adapt, promote and upgrade our software platforms; (ii) to provide more customer value through a growing number of AI models and applications; and (iii) to further expand our customer base with cross-industry innovation. In 2019, 2020, and the first half of 2021, we had produced 1,152, 9,673 and 8,377 AI models, respectively. As of June 30, 2021, we had accumulated over 22,000 commercialized AI models to power varied applications across industry verticals.

We provide SenseCore's capabilities as a versatile AI-as-a-Service offering to customers through our platforms, enabling them to produce AI models tailored to their business needs with minimal efforts, expertise, and investment. SenseCore operates on customers' IT infrastructure via a set of standard interfaces and allows users to utilize their own data for continuous model training and model upgrades. By opening up SenseCore capabilities to customers, we build long-term co-development partnerships to create opportunities for recurring revenue.

We continuously innovate and expand revenue streams. We have introduced software on a subscription basis and expect to significantly expand our subscription offerings. In addition, we aim to offer cloud-based full-stack AI model production and deployment services through AIDCs, providing customers with flexible subscriptions for pre-trained AI models for various AI functions. We have developed our chips tailored to our AI software, and are further designing our AI ISP chips. With ever-expanding portfolio of products and services, we will have greater flexibilities in

optimizing our offerings and cost structure, eventually bringing more long-term value to our customers.

Our Ability to Grow Our Customer Base and Deepen Customer Relationships

We continuously focus on growing our customer base and deepening our customer relationships. When we expand to new scenarios for specific industry vertical, we usually work with launch customers to develop an in-depth understanding of the vertical as well as customers' specific needs. The launch customers are generally market leaders, with deep industry knowledge and rich scenario data accumulation to support model production. Such collaboration increases our brand awareness in various industries and regions and boosts our customer acquisition capabilities. With well-developed offerings and an established track record, we are able to attract new customers in the same or similar verticals at low cost, to iteratively upgrade our software, and to standardize our software platform for the entire industry. Upon implementation of platforms to similar customers, we also leverage synergies across industry verticals to iteratively upgrade and refine our offerings, thereby creating cost-effective standardized offerings to accelerate the commercialization of AI technology.

We believe that there is a significant opportunity to expand our customer base in overseas markets. We plan to strengthen our sales and marketing capabilities and enhance strategic partnerships with leading companies in target geographies. Our revenue from markets outside the mainland China was RMB319.7 million, RMB475.2 million, RMB762.1 million and RMB238.8 million in 2018, 2019, 2020 and in the six months ended June 30, 2021, respectively.

Management of Working Capital

Our ability to effectively control our working capital is crucial to our operating cash flows. Our net cash used in operating activities decreased by 57.2% from RMB2,869.4 million in 2019 to RMB1,228.8 million in 2020. We had relatively long trade receivables turnover days during the Track Record Period, primarily because a significant portion of our revenue is derived from the public sector, which typically features a long payment cycle. Due to our stable and enhanced relationship with suppliers, we were granted increasingly long credit term by certain suppliers during the Track Record Period. We aim to further leverage our scale to negotiate attractive contractual terms with our customers and suppliers. In addition, we intend to maintain appropriate inventory levels of hardware and components to meet the market demand for our products.

General Factors

Our business and operating results are affected by general factors affecting the AI industry, which include:

- the digital transformation of cities, enterprises and everyday life;

- the development of communication network and computing infrastructure;
- the prevalence of IoT devices;
- the interconnection of physical and digital worlds and emergence of the Metaverse;
- market acceptance of AI technologies; and
- relevant laws and regulations, governmental policies and initiatives.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in Notes 2 and 4 of Appendix I to this document.

Revenue Recognition

Revenue is recognized when or as control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of goods and services may be transferred over time or at a point in time. Control of goods and services is transferred over time if our performance: (i) provides all of the benefits received and consumed simultaneously by the customer; (ii) creates and enhances an asset that the customer controls as we perform; or (iii) does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date. If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using an expected cost plus a margin or an adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

A contract asset is our right to consideration in exchange for goods and services that we have transferred to a customer. A receivable is recorded when we have an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or we have a right to an amount of consideration that is unconditional, before we transfer a good or service to the customer, we present the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

The revenue is measured at the transaction price agreed under the contract. Amounts disclosed as revenue are net of return, trade allowances and amounts collected on behalf of third parties. In those agreements where the transaction with period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year, revenue is measured at transaction prices adjusted for the time value of money. The variable consideration is estimated by applying the most likely amount method. For sales- or usage-based royalties that are attributable to a license of intellectual property, the amount is recognized at the later of: 1) when the subsequent sale or usage occurs; and 2) the satisfaction or partial satisfaction of the performance obligation to which some or all of the sales- or usage-based royalty has been allocated.

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether we are acting as the principal or an agent in the transactions. If we provide significant integration service to the hardware and are responsible for the overall management of the contract, we are the principal in the transaction and recognize revenue in the gross amount of consideration to which it is entitled from the customer. We report the amount received from the customers and the amounts paid to the suppliers related to these transactions on a net basis if we are not primarily obligated in a transaction, do not generally bear the inventory risk and do not have the ability to establish the price. Significant judgments have been made in determining whether we act as a principal or an agent in the sales transactions. Changes in judgments could materially impact the amounts of revenue recognized.

Sales of Advanced AI Software

We use AI models produced from SenseCore to develop advanced AI software. The AI software normally includes software platform, software license or plug-and-play SDKs. In some industries

and verticals, the AI software is sold separately, which is a single performance obligation for these contracts. Revenue is recognized at a point in time when AI software is delivered to the customer's designated place, inspected and accepted by the customer because the software has standalone functionality and the customer can use the software as it is available at a point in time. For development and sales of AI software, we also provide related maintenance and upgrade services for a specific period (normally one to five years after the customer's acceptance) after sale as stipulated in the same contract. These maintenance and upgrade services are provided to maintain and improve the effectiveness of the software and therefore are accounted for as a separate performance obligation. Revenue from provision of maintenance and upgrade services is deferred and recognized over the service period. A contract liability is recognized for advances from the customer in which revenue has not yet been recognized.

Sales of AI software platform and related services

AI software platform and related services consist primarily of deployment of AI software, software-embedded hardware and hardware infrastructures, provision of integration services and standard warranty services. We deliver AI software platform and related services for projects with cities and business enterprises. These AI software platform and related services are provided through integrating the AI software, hardware infrastructures and services, all of which are highly interdependent and interrelated with each other and represent multiple inputs to a combined output that is transferred to the customer. Accordingly, the AI software platform and related services, i.e. the integrated solution, is accounted for as a single performance obligation. Certain sales contracts contain provision of extended maintenance and upgrade services which are considered as a separate performance obligation.

Revenue is recognized at a point in time when the AI software platform and related services are delivered to the customer's designated place, inspected and accepted by the customer. For certain sales contracts in which we provide a total solution, revenue is recognized over time since the performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date. Such revenue is recognized based on the progress towards complete satisfaction in the contracts using input method which is determined as the proportion of the costs incurred for the work performed to date relative to the estimated total costs to complete the contract, to the extent that the amount can be measured reliably and its recovery is considered probable.

Input method requires us to make estimates of costs to complete our projects on an ongoing basis. Significant judgment is required to evaluate assumptions related to these estimates. The effect of revisions to estimates related to the transaction price or costs to complete a project are recorded in the period in which the estimate is revised.

The stand-alone selling price for the performance obligation of the AI software platform and related services and extended maintenance and upgrade services are generally observable directly. The transaction price will be allocated to each performance obligation based on the standalone selling prices.

Sale of AI Software-Embedded Hardware

We also provide software embedded in various forms of hardware, ranging from servers to personal devices. These sales contracts generally have a single performance obligation. Revenue is recognized at a point in time when AI software-embedded hardware is delivered to the customer's designated place, inspected and accepted by the customer.

Research and Development Services

Research and development services consist primarily of the provision of research and development services for healthcare and automotive industry customers. Revenue is recognized upon the transfer of control, over time or at a point in time, depending on the nature of the arrangements.

See Note 2.26 of Appendix I to this document.

Convertible Redeemable Preferred Shares

Our Company has issued preferred shares that are redeemable upon the occurrence of certain future events. These instruments can also be converted into ordinary shares of our Company at the option of the holders, or automatically upon the occurrence of an initial **[REDACTED]** of our Company, or when agreed by a majority of the preferred holders as detailed in Note 30 of Appendix I to this document. We designated such preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in profit or loss. Subsequent to initial recognition, the preferred shares are carried at fair value with changes in fair value recognized in profit or loss, except for the portion attributable to own credit risk change that should be charged to other comprehensive income. The preferred shares were classified as non-current liabilities unless the preferred shareholders can demand that our Company redeem the preferred shares within 12 months after the end of the reporting period.

Taxation

Cayman Islands

Our Company was redomiciled in 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.

British Virgin Islands

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

Hong Kong

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

PRC

Our subsidiaries and our Consolidated Affiliated Entities in mainland China are subject to Enterprise Income Tax ("EIT") on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the Enterprise Income Tax Law ("EIT Law"). Pursuant to the EIT Law, our subsidiaries in mainland China are generally subject to EIT at the statutory rate of 25%, subject to preferential tax treatments available to qualified enterprises.

Beijing SenseTime and Shenzhen SenseTime 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 Track Record Period. This status is subject to a requirement that Beijing SenseTime and Shenzhen SenseTime reapply for HNTEs status every three years.

In addition, according to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year during the Track Record Period.

See Note 13 of Appendix I to this document.

Level 3 of Fair Value Measurement

In respect of the valuation of level 3 fair value measurement financial liabilities, with reference to the guidance under the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by the SFC in May 2017 (the "Guidance") applicable to directors of companies listed on the Stock Exchange, our Directors adopted the following procedures: (i) selected qualified persons with adequate knowledge and conducted valuation on the financial assets without readily determinable fair value; (ii) carefully considered available information in assessing the financial data and assumptions including but not limited to discount rate, risk free interest rate, expected volatility, political and industry conditions; (iii) engaged independent valuer to appraise the fair value of certain financial assets that are significant, provided necessary financial to the valuer for the valuer to assess our performed valuation procedures and discussed with the valuer on relevant assumptions; and (iv) reviewed the valuation reports prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis is fair and reasonable and our financial statements are properly prepared.

Details of the fair value measurement of financial assets and liabilities, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs,

the relationship of unobservable inputs to fair value are disclosed in Note 3.3 of the Accountant's Report in Appendix I to this document, which was reported on by the reporting accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The reporting accountant's opinion on our Historical Financial Information, as a whole, for the Track Record Period is set out on I-1 to I-3 to this document.

The Joint Sponsors have performed the following due diligence work in relation to the valuation of the Level 3 Financial Assets and Liabilities: (i) discussed and conducted due diligence with us to understand, amongst other things, the nature and details of the financial instruments, the relevant valuation work performed by us, and the methodology, assumptions and key parameters adopted for the valuation of such financial instruments; (ii) obtained and reviewed the underlying contracts for the Level 3 Financial Assets and Liabilities; (iii) obtained and reviewed the valuation reports prepared by the external valuer; (iv) interviewed the external valuer to understand, amongst other things, the methodology, assumptions and key parameters used by such external valuer; (v) obtained and reviewed the relevant internal policies and procedures of our Group; (vi) reviewed the relevant notes in the Accountant's Report as contained in Appendix I to this document; and (vii) conducted due diligence with the reporting accountant in respect of the audit procedures they have conducted for the purpose of expressing an opinion on the historical financial information of our Group as a whole.

Based on the due diligence work conducted by the Joint Sponsors as stated above, and having considered the work performed by our management and audit procedures carried out by the reporting accountant, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation analysis in relation to the Level 3 Financial Assets and Liabilities performed by us and the audit procedures carried out by the reporting accountant for the purpose of expressing an opinion on the historical financial information of our Group as a whole.

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic harms the Chinese and global economy in general. Our results of operations have been and could continue to be affected directly or indirectly by uncertainties brought by the pandemic. Due to the COVID-19 pandemic, our business operations faced challenges from primarily the following areas: (i) city administrators focused on containing and combating the pandemic and diverted their budget accordingly, resulting in the temporary slowdown and delay of our Smart City software platforms deployment; (ii) the impact on our enterprise customers' business and financial performance which in turn restricted their ability to make further investment in technology including AI upgrade; and (iii) the reduced level of liquidity of certain customers, which resulted in delays in their payments to us and longer turnover days of our receivables. We also experienced certain difficulties in obtaining sufficient supplies in a timely manner, as well as in carrying out the physical delivery and deployment of our AI software-embedded hardware and services. We took a series of measures in response to the pandemic to protect our employees, including the temporary closure of our offices, remote working arrangements, and travel restrictions or suspension. These measures temporarily reduced the capacity and efficiency of our operations and incurred additional costs.

Despite the negative impact of the COVID-19 pandemic, our revenue growth continued, though at a lower rate in 2020 than in 2019, primarily due to the policy and customer behavior changes that benefited our industry. The impact was particularly pronounced in China in 2020. As the pandemic continued to hit overseas markets, our international growth suffered, while China saw a growth recovery in the first half of 2021. In addition, our cross-industry and cross-region coverage allows us to be more resilient to uncertainties, and deliver stable business performance throughout cycles. The broad coverage paved a solid foundation for our business continuity and stable growth during the COVID-19 pandemic.

The COVID-19 pandemic is expected, in the long run, to accelerate the digital transformation of enterprises and city management, indicating more opportunities for the AI industry, especially under China's new national policy of "New Infrastructure" which aims to promote the development of the 5G network, large data centers and AI, among other things. In addition, as China and many other countries adopted various social distancing initiatives in response to the pandemic, many enterprises and city administrators turned to automated solutions in business and city management to reduce the level of human physical intervention required. Such trend created new demands for our AI software platforms. We also promptly reacted to the surging demand from public space management and healthcare by launching upgraded software products for contactless temperature measurement and medical image analysis. However, there remains significant uncertainties associated with the COVID-19 pandemic. See "Risk Factors — Risks Relating to Our Business — Our and our business partners' business operations have been adversely affected by the COVID-19 pandemic, and may in the future continue to be affected by the COVID-19 pandemic" for details. Since late July 2021, the delta variant of COVID-19 has recurred in several provinces across China. As of the Latest Practicable Date, substantially all of the Chinese cities had eased or lifted domestic travel restrictions and resumed normal social activities, work and production. The recurrence did not impose any material impact on our business operations and financial performance.

KEY OPERATING DATA

The total number of AI models that we have produced as of December 31, 2018, 2019 and 2020 and June 30, 2021 was 2,994, 4,146, 13,819 and 22,196, respectively.

Our total computing capacity was 0.3 exaFLOPS, 0.7 exaFLOPS, 0.8 exaFLOPS and 1.2 exaFLOPS as of December 31, 2018, 2019 and 2020 and June 30, 2021, respectively.

Smart Business: The number of customers increased from 539 in 2018 to 834 in 2019, further to 848 in 2020, and from 532 in the first half of 2020 to 635 in the first half of 2021.

Smart City: The number of cities served increased from 21 as of December 31, 2018 to 47 as of December 31, 2019, and further to 94 as of December 31, 2020 and 119 as of June 30, 2021.

Smart Life: The number of customers increased from 126 in 2018 to 211 in 2019, and further to 236 in 2020, and from 152 in the first half of 2020 to 155 in the first half of 2021.

Smart Auto: The number of customers increased from 9 in 2018 to 19 in 2019, and further to 25 in 2020, and from 9 in the first half of 2020 to 13 in the first half of 2021.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss which are carried at fair value.

The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 in Appendix I to this document.

All relevant standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by us consistently throughout the Track Record Period.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets out a summary of our results of operations for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%	RMB million	%
							(Unaudited)			
Revenue	1,853.4	100.0	3,026.6	100.0	3,446.2	100.0	861.2	100.0	1,651.8	100.0
Cost of sales	(806.6)	(43.5)	(1,307.4)	(43.2)	(1,014.1)	(29.4)	(240.3)	(27.9)	(446.7)	(27.0)
Gross profit	**1,046.8**	**56.5**	**1,719.2**	**56.8**	**2,432.1**	**70.6**	**620.9**	**72.1**	**1,205.1**	**73.0**
Research and development expenses	(848.7)	(45.9)	(1,916.0)	(63.3)	(2,453.9)	(71.3)	(1,219.5)	(141.6)	(1,771.7)	(107.3)
Selling expenses	(204.7)	(11.0)	(453.2)	(15.0)	(536.5)	(15.6)	(238.1)	(27.6)	(292.4)	(17.7)
Administrative expenses	(452.5)	(24.4)	(765.7)	(25.3)	(1,589.5)	(46.1)	(1,037.5)	(120.5)	(1,443.0)	(87.4)
Net impairment losses on financial assets	(60.7)	(3.3)	(278.1)	(9.2)	(522.0)	(15.1)	(227.2)	(26.4)	(178.7)	(10.8)
Other income	206.7	11.2	252.8	8.4	352.8	10.2	42.2	4.9	123.6	7.5
Other (losses)/gains, net	(25.7)	(1.4)	(165.5)	(5.5)	505.3	14.7	(108.2)	(12.6)	206.4	12.5
Operating loss	**(338.8)**	**(18.3)**	**(1,606.5)**	**(53.1)**	**(1,811.7)**	**(52.6)**	**(2,167.4)**	**(251.7)**	**(2,150.7)**	**(130.2)**
Finance income, net	75.8	4.1	118.2	3.9	62.4	1.8	27.8	3.2	74.8	4.5
Share of losses of investments accounted for using the equity method	(11.2)	(0.6)	(3.1)	(0.1)	(6.1)	(0.2)	(2.0)	(0.2)	(3.4)	(0.2)
Fair value losses of preferred shares and other financial liabilities	(3,182.0)	(171.7)	(3,681.5)	(121.6)	(10,563.6)	(306.5)	(3,341.6)	(388.0)	(1,713.6)	(103.7)
Loss before income tax	**(3,456.2)**	**(186.5)**	**(5,172.9)**	**(170.9)**	**(12,319.0)**	**(357.5)**	**(5,483.2)**	**(636.7)**	**(3,792.9)**	**(229.6)**
Income tax credit	23.5	1.3	205.2	6.8	160.7	4.7	150.4	17.5	80.0	4.8
Loss for the year/period	**(3,432.7)**	**(185.2)**	**(4,967.7)**	**(164.1)**	**(12,158.3)**	**(352.8)**	**(5,332.8)**	**(619.2)**	**(3,712.9)**	**(224.8)**
Loss is attributable to:										
Owners of the Company	(3,427.8)	(184.9)	(4,962.5)	(164.0)	(12,158.2)	(352.8)	(5,323.8)	(618.2)	(3,702.6)	(224.2)
Non-controlling interests	(4.9)	(0.3)	(5.2)	(0.1)	(0.1)	—	(9.0)	(1.0)	(10.3)	(0.6)
	(3,432.7)	**(185.2)**	**(4,967.7)**	**(164.1)**	**(12,158.3)**	**(352.8)**	**(5,332.8)**	**(619.2)**	**(3,712.9)**	**(224.8)**

Non-IFRS measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use EBITDA/adjusted EBITDA (non-IFRS measure) and adjusted net loss (non-IFRS measure) 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. 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.

We define EBITDA as loss before income tax for the period adjusted for finance income and depreciation and amortization expenses. We add back fair value losses of preferred shares and other financial liabilities and share-based compensation expenses to EBITDA to derive adjusted EBITDA. We have made the following adjustments consistently during the Track Record Period complying with Guidance Letter HKEX-GL103-19 issued by the Stock Exchange:

- Fair value changes of preferred shares and other financial liabilities mainly represent changes in the fair value of the preferred shares, convertible liabilities and warrant liabilities issued by us and relate to changes in our valuation. Fair value changes of the preferred shares and other financial liabilities are not directly related to our ability to generate revenue from our daily operations, and we do not expect to record any further fair value changes of the preferred shares and other financial liabilities as (i) convertible liabilities have been converted to preferred shares liabilities during the Track Record Period; (ii) preferred shares liabilities will be redesignated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the **[REDACTED]**; and (iii) warrant liability has been settled during the six months ended June 30, 2021.

- Share-based compensation expenses represent the non-cash employee benefit expenses incurred in connection with our Pre-**[REDACTED]** RSU Plan and Pre-**[REDACTED]** ESOP. Such expenses in any specific period are not expected to result in future cash payments and are not indicative of our core operating results.

- Share-based compensation to a preferred shareholder represents the non-cash expenses incurred in connection with a preferred shareholder. Such expenses are not expected to result in future cash payments, nonrecurring and are not indicative of our core operating results.

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:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Reconciliation of loss before income tax to adjusted EBITDA (non-IFRS measure)					
Loss before income tax	(3,456.2)	(5,172.9)	(12,319.0)	(5,483.2)	(3,792.9)
Add:					
Finance income, net	(75.8)	(118.2)	(62.4)	(27.8)	(74.8)
Depreciation and amortization	159.5	377.5	569.7	276.2	301.4
EBITDA (Non-IFRS measure)	**(3,372.5)**	**(4,913.6)**	**(11,811.7)**	**(5,234.8)**	**(3,566.3)**
Add:					
Fair value losses of preferred shares and other financial liabilities	3,182.0	3,681.5	10,563.6	3,341.6	1,713.6
Share-based compensation expenses	15.1	131.0	887.0	840.5	1,421.0
Share based compensation to a preferred shareholder	85.6	—	—	—	—
Adjusted EBITDA (non-IFRS measure)	**(89.8)**	**(1,101.1)**	**(361.1)**	**(1,052.7)**	**(431.7)**

We define adjusted net loss (non-IFRS measure) as net loss for the period adjusted by adding back fair value losses of preferred shares and other financial liabilities and share-based compensation expenses. For the same reasons as stated above, we have made the adjustments consistently during the Track Record Period complying with Guidance Letter HKEX-GL103-19 issued by the Stock Exchange. The following table reconciles our adjusted net profit 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:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Reconciliation of net loss to adjusted net loss (non-IFRS measure)					
Net losses for the year/period	(3,432.7)	(4,967.7)	(12,158.3)	(5,332.8)	(3,712.9)
Add:					
Fair value losses of preferred shares and other financial liabilities	3,182.0	3,681.5	10,563.6	3,341.6	1,713.6
Share-based compensation expenses	15.1	131.0	887.0	840.5	1,421.0
Share-based compensation to a preferred shareholder	85.6	—	—	—	—
Adjusted net loss (non-IFRS measure)	**(150.0)**	**(1,155.2)**	**(707.7)**	**(1,150.7)**	**(578.3)**

During the Track Record Period, we incurred net losses primarily due to (i) fair value losses of preferred shares and other financial liabilities (ii) increased research and development expenses, as we continued to expand our research and development team; and (iii) share-based compensation

expenses to our employees. We expect to record increased net losses in 2021 and may continue to incur net losses in the short term, as we are in the stage of expanding our business and operations in the rapidly growing AI software market, and are continuously investing in research and development, especially our universal AI infrastructure, in expectation that such investments will improve our operating leverage in the long run. See "Risk Factors — We have incurred significant operating losses during the Track Record Period, and may not be able to achieve or subsequently maintain profitability in the future, and we had negative equity or net deficit during the Track Record Period."

During the Track Record Period, we have achieved improved operating leverage by improving our cost structure and increasing economies of scale. Leveraging our proprietary universal AI infrastructure SenseCore, which provides strong support for our talents to improve their work efficiency and quality, we expect to continuously reduce the marginal cost for production of AI models. Furthermore, as we expand our product and service offerings, we have gained more flexibility to promote different sets of our products and services and improve our cost structure. In 2018, 2019, 2020 and the first half of 2021, our gross profit amounted to RMB1,046.8 million, RMB1,719.2 million, RMB2,432.1 million and RMB1,205.1 million, respectively, corresponding to gross profit margin of 56.5%, 56.8%, 70.6% and 73.0%, respectively.

Revenue

The following table sets out a breakdown of our revenue by streams in absolute amounts and as percentages of our revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%	RMB million	%
							(Unaudited)			
Revenue										
Smart Business	853.9	46.1	1,203.1	39.8	1,485.0	43.1	406.6	47.2	647.1	39.2
Smart City[1]	530.4	28.6	1,270.7	41.9	1,368.9	39.7	231.3	26.9	786.3	47.6
Smart Life	330.3	17.8	413.5	13.7	433.9	12.6	155.8	18.1	147.8	8.9
Smart Auto	138.8	7.5	139.3	4.6	158.4	4.6	67.5	7.8	70.6	4.3
Total	**1,853.4**	**100.0**	**3,026.6**	**100.0**	**3,446.2**	**100.0**	**861.2**	**100.0**	**1,651.8**	**100.0**

Note:

(1) End users of Smart City are primarily municipal governments and their departments.

The following table sets out a breakdown of our revenue by geographical locations in absolute amounts and as percentages of our revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%	RMB million	%
							(Unaudited)			
Mainland China	1,533.7	82.8	2,551.4	84.3	2,684.1	77.9	457.7	53.1	1,413.0	85.5
Northeast Asia	201.4	10.9	188.9	6.2	443.7	12.9	227.2	26.4	203.0	12.3
Southeast Asia	84.9	4.5	257.3	8.5	192.2	5.5	94.7	11.0	21.7	1.3
Others(1)	33.4	1.8	29.0	1.0	126.2	3.7	81.6	9.5	14.1	0.9
	1,853.4	100.0	3,026.6	100.0	3,446.2	100.0	861.2	100.0	1,651.8	100.0

Note:

(1) Other geographical areas mainly represented Hong Kong China and Middle East.

Our revenue grew rapidly from RMB1,853.4 million in 2018 to RMB3,026.6 million in 2019, and further to RMB3,446.2 million in 2020. Furthermore, our revenue grew by 91.8% from RMB861.2 million in the six months ended June 30, 2020 to RMB1,651.8 million in the same period in 2021. Such increase was primarily attributable to: (i) our ever-expanding portfolio of products and services, which allows us to enter into more industry verticals, (ii) our technology capability to continuously develop new features, allowing us to increase customer spending; and (iii) our expansion in geographical coverage.

Smart Business

We offer SenseFoundry-Enterprise as our core software platform under Smart Business. We deliver software, hardware and/or services to enterprises directly or through systems integrators. See "Business — Our Software Platforms — Smart Business." We charge licensing fees, as well as software subscription fees to a lesser extent, for access to SenseFoundry-Enterprise and other software products. In addition, we generate revenue from sales of AI software-embedded hardware products.

Smart City

We offer SenseFoundry to enable the digital transformation and management of cities. We serve the needs of cities by delivering our software primarily to systems integrators that deliver packages comprising software, hardware and services to city administrators. See "Business — Our Software Platforms — Smart City." We charge licensing fees, as well as software subscription fees to a lesser extent, for access to SenseFoundry and other software products. In addition, we generate revenue from sales of AI software-embedded hardware products.

Smart Life

We offer SenseME, SenseMARS and SenseCare empowering IoT devices, Metaverse and smart healthcare, respectively. We primarily offer software to customers including mobile phone manufacturers and Internet app and content providers, and mainly charge licensing fees or shipment-based royalties for providing AI software functions. We also generate revenue by providing R&D services under Smart Life, see "Business — Our Software Platforms — Smart Life."

Smart Auto

We offer SenseAuto as our intelligent automotive application infrastructure for customers in the automotive industry. Autonomous driving is still at the early stages of commercialization. We provide SenseCore capabilities as an AI-as-a-Service offering and charge a service fee. We also start to offer software and AI software-embedded hardware to automobile companies, and charge them on a shipment basis. See "Business — Our Software Platforms — Smart Auto."

Cost of sales

Our cost of sales primarily consists of hardware costs and subcontracting service fees. Hardware costs are primarily costs of inventories sold including servers, components and semiconductors. Subcontracting service fees are primarily fees paid for outsourcing certain basic installation and maintenance services to third parties.

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:

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%	RMB million	%
							(Unaudited)			
Hardware costs and subcontracting service fees	766.8	95.1	1,228.2	93.9	909.5	89.7	204.9	85.3	383.0	85.7
Server operation and cloud-based service fees	10.3	1.3	32.2	2.5	1.4	0.1	0.2	0.1	0.9	0.2
Employee benefit expenses	4.1	0.5	13.8	1.1	57.0	5.6	17.9	7.4	24.1	5.4
Other expenses	25.4	3.1	33.2	2.5	46.2	4.6	17.3	7.2	38.7	8.7
Total	**806.6**	**100.0**	**1,307.4**	**100.0**	**1,014.1**	**100.0**	**240.3**	**100.0**	**446.7**	**100.0**

During the Track Record Period, our hardware costs and subcontracting service fees as a percentage of cost of sales decreased from 95.1% in 2018 and 93.9% in 2019 to 89.7% in 2020 and 85.7% in the six months ended June 30, 2021, respectively. Such costs as a percentage of revenue decreased from 41.4% in 2018 and 40.6% in 2019 to 26.4% in 2020 and 23.2% in the six months ended June 30, 2021, respectively. The decrease was primarily due to our strategy to prioritize standardized software offerings and decrease our procurement of hardware from third parties.

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee benefit expenses (primarily including salaries and bonuses and share-based compensation expenses); (ii) professional service and other consulting fees, which are primarily paid for outsourcing certain rudimentary design and development activities; and (iii) depreciation and amortization expenses. The following table sets out a breakdown of the major components of our research and development expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%	RMB million	%
							(Unaudited)			
Employee benefit expenses	512.7	60.4	1,116.4	58.3	1,569.3	63.9	820.8	67.2	1,285.3	72.5
Professional service and other consulting fees	65.8	7.8	312.4	16.3	327.7	13.4	136.0	11.2	168.2	9.5
Depreciation and amortization	75.9	8.9	184.0	9.6	286.4	11.7	135.9	11.1	160.7	9.1
Server operation and cloud-based service fees	72.1	8.5	140.2	7.3	148.4	6.0	73.2	6.0	94.1	5.3
Research and development tools and consumables	9.3	1.1	20.7	1.1	29.5	1.2	9.3	0.8	18.2	1.0
Conferences and traveling expenses	33.0	3.9	53.4	2.8	31.3	1.3	10.6	0.9	24.9	1.4
Data labeling fees	76.7	9.0	83.2	4.3	59.2	2.4	32.5	2.7	19.3	1.1
Other expenses	3.2	0.4	5.7	0.3	2.1	0.1	1.2	0.1	1.0	0.1
Total	**848.7**	**100.0**	**1,916.0**	**100.0**	**2,453.9**	**100.0**	**1,219.5**	**100.0**	**1,771.7**	**100.0**

Selling Expenses

Our selling expenses primarily consist of (i) employee benefit expenses (primarily including salaries and bonuses and share-based compensation expenses); and (ii) marketing and traveling expenses. We also incurred professional services and other consulting fees, which were primarily paid to external consultants for sales and marketing, as well as outsourced pre-sales support of product demonstration. The following table sets forth a breakdown of the major components of our selling expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%	RMB million	%
							(Unaudited)			
Employee benefit expenses	142.1	69.5	322.0	71.0	404.9	75.4	188.1	79.0	232.6	79.5
Marketing and traveling expenses	49.3	24.1	95.2	21.0	88.4	16.5	36.9	15.5	39.3	13.4
Depreciation and amortization	0.9	0.4	10.9	2.4	15.8	2.9	7.6	3.2	10.7	3.7
Professional services and other consulting fees	4.8	2.3	11.7	2.6	17.7	3.3	2.4	1.0	6.6	2.3
Utilities, property management and administrative expenses	7.3	3.6	12.5	2.8	7.8	1.5	2.9	1.2	2.0	0.7
Other expenses	0.3	0.1	0.9	0.2	1.9	0.4	0.2	0.1	1.2	0.4
Total	**204.7**	**100.0**	**453.2**	**100.0**	**536.5**	**100.0**	**238.1**	**100.0**	**292.4**	**100.0**

Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses (primarily including salaries and bonuses and share-based compensation expenses); (ii) depreciation and amortization expenses; and (iii) professional service and other consulting fees, which were primarily paid to professional institutions for patents registration and financing activities. The following table sets out a breakdown of the major components of our administrative expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%	RMB million	%
							(Unaudited)			
Employee benefit expenses	149.0	32.9	335.9	43.9	931.3	58.5	751.2	72.4	1,148.8	79.7
Depreciation and amortization	82.7	18.3	182.6	23.8	267.5	16.8	132.7	12.8	130.0	9.0
Professional service and other consulting fees	72.0	15.9	110.2	14.4	229.7	14.5	87.8	8.5	88.5	6.1
Utilities, property management and administrative expenses	40.9	9.0	92.5	12.1	102.6	6.5	48.0	4.6	32.1	2.2
Conferences and traveling expenses	16.3	3.6	31.3	4.1	19.7	1.2	8.0	0.8	11.3	0.8
Auditor's remuneration for audit service	2.6	0.6	3.7	0.5	4.4	0.3	—	—	—	—
Share based compensation to a preferred shareholder	85.6	18.9	—	—	—	—	—	—	—	—
[REDACTED] expenses	—	—	—	—	—	—	—	—	23.5	1.6
Other expenses	3.4	0.8	9.5	1.2	34.3	2.2	9.8	0.9	8.8	0.6
Total	**452.5**	**100.0**	**765.7**	**100.0**	**1,589.5**	**100.0**	**1,037.5**	**100.0**	**1,443.0**	**100.0**

Net Impairment Losses on Financial Assets

We evaluate the credit risk of financial assets, primarily including trade receivables and other receivables, by measuring expected credit losses under IFRS 9, with lifetime expected loss allowance or 12-month expected loss allowance depending on whether there has been a significant increase in credit risk since initial recognition. See "— Financial Risk Disclosure — Credit Risk." Trade and other receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade and other receivables are presented as net impairment losses within operating profit. See Note 3.1(b) of Appendix I to this document.

We had net impairment losses on financial assets of RMB60.7 million, RMB278.1 million, RMB522.0 million, RMB227.2 million and RMB178.7 million in 2018, 2019, 2020 and the six months ended June 30, 2020 and 2021, respectively.

Other Income

Our other income primarily consists of (i) government grants for technology innovations and research and development efforts; and (ii) value added-tax refund for sales of self-developed

software products which is typically a prescribed percentage of our revenue and is of a recurring nature.

We had other income of RMB206.7 million, RMB252.8 million, RMB352.8 million, RMB42.2 million and RMB123.6 million in 2018, 2019, 2020 and the six months ended June 30, 2020 and 2021, respectively. We recognized government grants attributable to the outbreak of COVID-19 in other income, being RMB12.5 million and RMB2.9 million in 2020 and the six months ended June 30, 2021, respectively.

Other (Losses)/Gains, Net

The following table sets out a breakdown of the major components of our other (losses)/gains for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Fair value gains/(losses) on financial assets at fair value through profit or loss	70.5	(118.1)	170.7	(51.2)	147.9
Fair value losses on foreign exchange forward contracts	—	—	(72.7)	(0.2)	—
Gain on disposal of an associate	2.2	—	—	—	—
Realization of gains from downstream transactions from associates[1]	0.2	0.6	0.2	0.1	0.1
Donations	(59.6)	(25.2)	(3.7)	(0.8)	(2.9)
Net foreign exchange (losses)/gains	(38.6)	(16.8)	407.5	(57.6)	63.1
Losses on disposal of property, plant and equipment	(0.1)	(0.4)	(1.6)	(0.8)	(3.6)
Loss on disposal of a subsidiary	—	(0.4)	—	—	—
Others	(0.3)	(5.2)	4.9	2.3	1.8
Total	**(25.7)**	**(165.5)**	**505.3**	**(108.2)**	**206.4**

Note:

(1) The realization of gains from downstream transactions from associates represented the recognition of the unrealized gains generated from the transfer of several intellectual properties to certain associates of us previously. The unrealized gains were recognized over the periods and in the proportions in which amortization expenses on those intellectual properties were recognized.

Our net other gains or losses primarily resulted from (i) fair value gains or losses on financial assets at fair value through profit or loss, which were mainly our debt and minority equity investment in certain entities and funds; (ii) net foreign exchange losses or gains; (iii) fair value losses on foreign exchange forward contracts; and (iv) donations.

Fair Value Losses of Preferred Shares and Other Financial Liabilities

Our fair value losses of preferred shares and other financial liabilities include changes in fair value of preferred shares and other financial liabilities and are generally related to the increase in

the valuation of our Company. We had fair value losses of preferred shares and other financial liabilities of RMB3,182.0 million, RMB3,681.5 million, RMB10,563.6 million, RMB3,341.6 million and RMB1,713.6 million in 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, respectively. See Note 2.21 and Note 30 of Appendix I to this document.

Finance Income, Net

Our finance income primarily consists of interest income from bank deposits. Our finance costs primarily consist of interest expenses on bank borrowings.

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Interest income	102.8	266.3	172.0	95.0	91.5
Accretion income for long-term receivables	2.6	1.8	2.9	1.5	5.1
Interest expenses on bank borrowings	(21.6)	(129.9)	(95.7)	(60.3)	(14.3)
Interest expenses on long-term payables	—	—	—	—	(1.6)
Interest and finance charges paid/payable for lease liabilities	(8.0)	(20.0)	(16.8)	(8.4)	(5.9)
Finance income — net	**75.8**	**118.2**	**62.4**	**27.8**	**74.8**

Income Tax Credit

We had income tax credit of RMB23.5 million, RMB205.2 million, RMB160.7 million, RMB150.4 million and RMB80.0 million in 2018, 2019, 2020 and the six months ended June 30, 2020 and 2021, respectively. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. We recorded income tax credit during the Track Record Period as a result of our net loss. See Notes 2.22 and 13 of Appendix I to this document. Our Directors confirm that, during the Track Record Period and as of the Latest Practicable Date, our Group had been in compliance with relevant tax regulations in all material aspects, and there is no material tax-related dispute, penalty or pending proceeding against our Group initiated by the PRC tax authorities.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended June 30, 2021 Compared to Six months ended June 30, 2020

Revenue

Our total revenue increased by 91.8% from RMB861.2 million in the six months ended June 30, 2020 to RMB1,651.8 million in the six months ended June 30, 2021, primarily due to the growth in Smart Business and Smart City. Our revenue from Smart Life and Smart Auto had remained relatively stable in the six months ended 2020 and 2021.

Our Smart Business revenue increased by 59.1% from RMB406.6 million in the six months ended June 30, 2020 to RMB647.1 million in the six months ended June 30, 2021, primarily due to (i) the expansion in our customer base for Smart Business with the number of customers increasing from 532 in the six months ended June 30, 2020 to 635 in the same period in 2021, as we upgraded our product offerings for our existing industry verticals, such as commercial space management and residential property management, and provided new features in areas such as safety management and facility maintenance; and (ii) increasing revenue from customers in infrastructure and transportation industries, as we developed our software platforms suitable for launch customers in these industry verticals.

Our Smart City revenue increased from RMB231.3 million in the six months ended June 30, 2020 to RMB786.3 million in the six months ended June 30, 2021, primarily due to (i) our expansion in domestic city coverage and stronger market penetration, largely driven by the recovery and increase in the demand for city management with the COVID-19 pandemic generally under control in the first half of 2021; and (ii) our expansion of offering and function upgrades to meet end users' growing demand for more comprehensive city management features.

Cost of Sales

Our cost of sales increased by 85.9% from RMB240.3 million in the six months ended June 30, 2020 to RMB446.7 million in the six months ended June 30, 2021. The increase in cost of sales was generally in line with the growth of our revenue.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 94.1% from RMB620.9 million in the six months ended June 30, 2020 to RMB1,205.1 million in the six months ended June 30, 2021. Our gross margin remained relatively stable, being from 72.1% in the six months ended June 30, 2020 to 73.0% in the same period in 2021.

Research and Development Expenses

Our research and development expenses increased by 45.3% from RMB1,219.5 million in the six months ended June 30, 2020 to RMB1,771.7 million in the six months ended June 30, 2021, primarily due to an increase in employee benefit expenses, which was due to (i) the expansion of our research and development team; and (ii) an increase in the share-based compensation expenses to our employees. Our research and development expenses as a percentage of our revenue decreased from 141.6% in the six months ended June 30, 2020 to 107.3% in the six months ended June 30, 2021. Such decrease was primarily due to the scale effect brought by SenseCore which improves our research and development efficiency. The share-based compensation expenses were RMB244.4 million and RMB464.6 million in the six months ended June 30, 2020 and 2021, respectively. Without regard to the effect of share-based compensation expenses, research and development expenses as a percentage of our revenue would have decreased from 113.2% in the six months ended June 30, 2020 to 79.1% in the six months ended June 30, 2021.

Selling Expenses

Our selling expenses increased by 22.8% from RMB238.1 million in the six months ended June 30, 2020 to RMB292.4 million in the six months ended June 30, 2021, primarily due to an increase in the employee benefit expenses as a result of the expansion of our sales and marketing force. Our selling expenses as a percentage of our revenue decreased from 27.6% in the six months ended June 30, 2020 to 17.7% in the six months ended June 30, 2021.

Administrative Expenses

Our administrative expenses increased by 39.1% from RMB1,037.5 million in the six months ended June 30, 2020 to RMB1,443.0 million in the six months ended June 30, 2021, primarily due to an increase in the employee benefit expenses as a result of (i) an increase in the share-based compensation expenses to our management team and administrative staff; and (ii) the expansion of our administrative team to support our growing business. Our administrative expenses as a percentage of our revenue decreased from 120.5% in the six months ended June 30, 2020 to 87.4% in the six months ended June 30, 2021. The share-based compensation expenses were RMB573.4 million and RMB931.4 million in the six months ended June 30, 2020 and the same period in 2021, respectively. Without regard to the effect of share-based compensation expenses, administrative expenses as a percentage of our revenue decreased from 53.9% in the six months ended June 30, 2020 to 31.0% in the six months ended June 30, 2021.

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets remained stable, being RMB227.2 million in the six months ended June 30, 2020 and RMB178.7 million in the six months ended June 30, 2021.

Other Income

Other income increased significantly from RMB42.2 million in the six months ended June 30, 2020 to RMB123.6 million in the six months ended June 30, 2021, primarily due to an increase in the government grants.

Other (Losses)/Gains, Net

We had net other gains of RMB206.4 million in the six months ended June 30, 2021, which primarily included our fair value gains/(losses) on financial assets at fair value through profit or loss. We had net other losses of RMB108.2 million in six months ended June 30, 2020, primarily including fair value losses on financial assets at fair value through profit or loss of RMB51.2 million, and net foreign exchange losses of RMB57.6 million. We had net foreign exchange gains in the six months ended June 30, 2021 compared to net foreign exchange losses in the six months ended June 30, 2020 due to the fluctuation in exchange rate of RMB against USD.

Finance Income, Net

Net finance income increased from RMB27.8 million in the six months ended June 30, 2020 to RMB74.8 million in the six months ended June 30, 2021, primarily due to a decrease in interest expenses as a result of decreased borrowings.

Fair Value Losses of Preferred Shares and Other Financial Liabilities

Fair value losses of preferred shares and other financial liabilities decreased significantly from RMB3,341.6 million in the six months ended June 30, 2020 to RMB1,713.6 million in the six months ended June 30, 2021, primarily due to a smaller increase in our valuation in the six months ended June 30, 2021 as compared to that in the six months ended June 30, 2020. See Note 30 in Appendix I to this document.

Income Tax Credit

Income tax credit decreased by 46.8% from RMB150.4 million in the six months ended June 30, 2020 to RMB80.0 million in the six months ended June 30, 2021, primarily due to the decrease in deductible tax losses.

2020 Compared to 2019

Revenue

Our total revenue increased by 13.9% from RMB3,026.6 million in 2019 to RMB3,446.2 million in 2020, primarily due to the significant growth in Smart Business, accompanied by the growth of Smart City, Smart Life and Smart Auto, despite the impact of the COVID-19 pandemic.

Our Smart Business revenue increased by 23.4% from RMB1,203.1 million in 2019 to RMB1,485.0 million in 2020, primarily due to: (i) increased average spending of our customers, as we expanded our offerings and continued to upgrade the functions of SenseFoundry-Enterprise to cover more use cases across more scenarios to support customers' digitalization efforts; and (ii) our expansion in certain overseas markets, such as Northeast Asia. Specifically, utilizing our local partner's sales resources, we introduced and deployed our software platforms enabling contactless temperature measurement, among other features, in response to the COVID-19 outbreak for commercial space management in Japan. Our revenue was partially negatively affected by the COVID-19 pandemic which (i) delayed certain enterprise customers' AI spending; and (ii) impeded delivery and deployment of AI software-embedded hardware.

Our Smart City revenue increased by 7.7% from RMB1,270.7 million in 2019 to RMB1,368.9 million in 2020, primarily due to (i) our expansion in geographical coverage, in

particular in overseas markets, such as Southeast Asia, where we leveraged our local sales and marketing team and provided our software platforms to facilitate local city management such as traffic optimization; and (ii) we expanded our offerings and continued to upgrade the functions of SenseFoundry to meet customers' growing demand for more comprehensive features, particularly the long-tail scenarios for city services and emergency response. Our revenue was negatively affected by the COVID-19 pandemic due to the delay in the deployment of certain Smart City operations with city administrators prioritizing counter-pandemic efforts.

Our Smart Life revenue increased by 4.9% from RMB413.5 million in 2019 to RMB433.9 million in 2020, primarily due to the expansion in our customer base for Smart Life across more industry verticals in 2020. In particular, we commenced AI sensors business with a strategic technology partner in 2020.

Our Smart Auto revenue increased by 13.7% from RMB139.3 million in 2019 to RMB158.4 million in 2020, as we entered into business relationships with several new customers on R&D collaboration for commercialization of SenseAuto Pilot products, leveraging our leading technological capabilities.

Cost of Sales

Our cost of sales decreased by 22.4% from RMB1,307.4 million in 2019 to RMB1,014.1 million in 2020. With our software platforms becoming increasingly compatible with a wider range of third-party hardware, we have strategically prioritized the expansion of our software offerings. This has resulted in lower hardware costs and contributed to the decrease in our cost of sales in 2020.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 41.5% from RMB1,719.2 million in 2019 to RMB2,432.1 million in 2020. Our gross margin increased from 56.8% in 2019 to 70.6% in 2020, primarily due to our strategic priority in expanding software offering. Generally, software products enjoy a higher gross margin than hardware products.

Research and Development Expenses

Our research and development expenses increased by 28.1% from RMB1,916.0 million in 2019 to RMB2,453.9 million in 2020, primarily due to an increase in employee benefit expenses, which was in line with the expansion of our research and development team. While our research and development expenses as a percentage of our revenue increased from 63.3% in 2019 to 71.3% in 2020, with a growing gross margin, our research and development expenses as a percentage of our gross profit decreased from 111.4% in 2019 to 100.9% in 2020.

Selling Expenses

Our selling expenses increased by 18.4% from RMB453.2 million in 2019 to RMB536.5 million in 2020, primarily due to an increase in the employee benefit expenses as a result of the expansion of

our sales and marketing force, which was in line with the growth of our business. Our selling expenses as a percentage of our revenue remained relatively stable in 2019 and 2020.

Administrative Expenses

Our administrative expenses increased significantly from RMB765.7 million in 2019 to RMB1,589.5 million in 2020, primarily due to (i) an increase in employee benefit expenses as a result of an increase in the share-based compensation expenses to our employees (ii) an increase in professional service and other consulting fees, which mainly represented (a) an increase of RMB47.5 million in professional services related to patents registration, which was in line with our technological innovation, and (b) an increase of RMB33.5 million in services provided by professional institutions for financing activities. Our administrative expenses as a percentage of our revenue increased from 25.3% in 2019 to 46.1% in 2020. The share-based compensation expenses were RMB45.6 million and RMB568.2 million in 2019 and 2020, respectively. Without regard to the effect of share-based compensation expenses, administrative expenses as a percentage of our revenue would have increased from 23.8% in 2019 to 29.6% in 2020.

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets increased by 87.7% from RMB278.1 million in 2019 to RMB522.0 million in 2020, which was primarily due to the increase in our trade receivables from December 31, 2019 to December 31, 2020. See "— Discussion of Certain Key Balance Sheet Items — Trade, Other Receivables and Prepayments."

Other Income

Other income increased by 39.6% from RMB252.8 million in 2019 to RMB352.8 million in 2020, primarily due to an increase in the government grants.

Other (Losses)/Gains, Net

We had net other gains of RMB505.3 million in 2020, primarily including (i) our net foreign exchange gains of RMB407.5 million and (ii) our fair value gains on financial assets at fair value through profit or loss of RMB170.7 million. We had net other losses of RMB165.5 million in 2019, primarily including fair value losses on financial assets at fair value through profit or loss of RMB118.1 million. We had net foreign exchange gains of RMB407.5 million in 2020 compared to net foreign exchange losses in 2019, primarily due to the unrealized foreign exchange gains on balances of offshore financial assets denominated in RMB, held by entities whose functional currency was HKD, derived from the increase of exchange rate of RMB against HKD by 6% in 2020.

Finance Income, Net

Net finance income decreased by 47.2% from RMB118.2 million in 2019 to RMB62.4 million in 2020, primarily due to a decrease in the market interest rate in 2020.

Fair Value Losses of Preferred Shares and Other Financial Liabilities

Fair value losses of preferred shares and other financial liabilities increased significantly from RMB3,681.5 million in 2019 to RMB10,563.6 million in 2020, primarily because our valuation increased more in 2020 than in 2019, resulting in a larger increase in the fair value of the preferred shares. See Note 30 in Appendix I to this document.

Income Tax Credit

Income tax credit remained relatively stable, being RMB160.7 million in 2020 compared to RMB205.2 million in 2019.

2019 Compared to 2018

Revenue

Our total revenue increased by 63.3% from RMB1,853.4 million in 2018 to RMB3,026.6 million in 2019, primarily due to increases in revenue from both Smart Business and Smart City. Our revenue from Smart Auto remained stable in 2018 and 2019.

Our Smart Business revenue increased by 40.9% from RMB853.9 million in 2018 to RMB1,203.1 million in 2019, primarily due to: (i) the expansion in our customer base for Smart Business in 2019, and the number of customers under our Smart Business increased from 539 in 2018 to 834 in 2019, as we expanded our offerings and continued to upgrade the functions to cover more use cases; and (ii) our expansion in geographical coverage, in particular in overseas markets, such as Southeast Asia where we introduced our SenseFoundry-Enterprise to meet the digital transformation needs of our customers.

Our revenue from Smart City increased significantly from RMB530.4 million in 2018 to RMB1,270.7 million in 2019, primarily because (i) we expanded our customer base, such as cities in Shandong and Yunnan provinces, and served a growing number of cities from 21 as of December 31, 2018 to 47 as of December 31, 2019; and (ii) we expanded and continuously upgraded our offering of SenseFoundry to meet the growing demand for AI-empowered Smart City management applications of customers, such as the needs to improve mobility and traffic management in cities.

Our revenue from Smart Life increased by 25.2% from RMB330.3 million in 2018 to RMB413.5 million in 2019, primarily due to the revenue increase of our new AI products, including healthcare and education applications.

Cost of Sales

Our cost of sales increased by 62.1% from RMB806.6 million in 2018 to RMB1,307.4 million in 2019, which was generally in line with the growth of our revenue.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 64.2% from RMB1,046.8 million in 2018 to RMB1,719.2 million in 2019, and our gross margin remained stable, being 56.8% in 2019 compared to 56.5% in 2018.

Research and Development Expenses

Our research and development expenses increased significantly from RMB848.7 million in 2018 to RMB1,916.0 million in 2019, primarily due to the increasing investment in technology innovation and our R&D team to expand and enhance our AI infrastructure and software platforms. Our research and development expenses as a percentage of our revenue increased from 45.9% in 2018 to 63.3% in 2019.

Selling Expenses

Our selling expenses increased significantly from RMB204.7 million in 2018 to RMB453.2 million in 2019, primarily due to an increase in the employee benefit expenses as a result of the expansion of our sales and marketing force, which was in line with the growth of our business. Our selling expenses as a percentage of our revenue increased from 11.0% in 2018 to 15.0% in 2019.

Administrative Expenses

Our administrative expenses increased by 69.2% from RMB452.5 million in 2018 to RMB765.7 million in 2019, primarily due to an increase in employee benefit expenses as a result of increasing number of administrative staff to support our business growth, despite the fact that we had a one-off share-based compensation to preferred share holder in 2018. Our administrative expenses as a percentage of our revenue remained relatively stable, being 25.3% in 2019 compared to 24.4% in 2018.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased from RMB60.7 million in 2018 to RMB278.1 million in 2019, which was generally in line with the increases in our trade receivables and other receivables. See "— Discussion of Certain Key Balance Sheet Items — Trade, Other Receivables and Prepayments."

Other Income

Our other income increased by 22.3% from RMB206.7 million in 2018 to RMB252.8 million in 2019, primarily due to an increase in government grants.

Other (Losses)/Gains, Net

We had net other losses of RMB165.5 million in 2019, which primarily included fair value losses on financial assets at fair value through profit or loss of RMB118.1 million. We had net other losses of RMB25.7 million in 2018, primarily due to our donations of RMB59.6 million and net foreign exchange losses of RMB38.6 million, which were partially offset by fair value gains on financial assets at fair value through profit or loss of RMB70.5 million.

Finance Income, Net

Our net finance income increased by 55.9% from RMB75.8 million in 2018 to RMB118.2 million in 2019, primarily due to a significant increase in interest income, primarily due to an increase in restricted cash.

Fair Value Losses of Preferred Shares and Other Financial Liabilities

Our fair value losses of preferred shares and other financial liabilities increased by 15.7% from RMB3,182.0 million in 2018 to RMB3,681.5 million in 2019, primarily because our valuation increased more in 2019 than in 2018, resulting in a larger increase in the fair value of the preferred shares. See Note 30 in Appendix I to this document.

Income Tax Credit

Our income tax credit increased significantly from RMB23.5 million in 2018 to RMB205.2 million in 2019 primarily as a result of our recognition of deferred tax assets in 2019.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The following table sets out selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB million	RMB million	RMB million	RMB million
Total non-current assets	3,193.4	5,716.9	6,752.5	7,977.6
Total current assets	13,754.8	18,231.2	31,726.1	24,254.0
Total assets	16,948.2	23,948.1	38,478.6	32,231.6
Total deficits	(5,364.4)	(10,654.3)	(20,932.6)	(22,961.0)
Total non-current liabilities	19,165.1	27,746.6	49,588.7	53,287.1
Total current liabilities	3,147.5	6,855.8	9,822.5	1,905.5
Total liabilities	22,312.6	34,602.4	59,411.2	55,192.6
Total deficits and liabilities	16,948.2	23,948.1	38,478.6	32,231.6
Net current assets	10,607.3	11,375.4	21,903.6	22,348.5

Our net current assets increased from RMB21,903.6 million as of December 31, 2020 to RMB22,348.5 million as of June 30, 2021, primarily due to (i) a decrease in total current liabilities mainly resulting from decreased amount due to preferred shareholders, partially offset by (ii) a decrease in total current assets as a result of decreased amount due from preferred shareholders.

The following table sets out a breakdown of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB million	RMB million	RMB million	RMB million
Current assets				
Inventories	117.3	430.1	715.5	667.2
Contract assets	5.0	0.8	22.5	21.6
Trade, other receivables and prepayments	1,467.2	4,678.1	4,583.5	4,036.8
Amount due from preferred shareholders	1,391.5	878.9	8,593.1	—
Restricted cash	2,139.0	4,284.3	493.4	477.5
Financial assets at fair value through profit or loss	—	—	—	2,186.4
Term deposits	1,407.7	1,286.1	5,890.2	7,938.7
Cash and cash equivalents	7,227.1	6,672.9	11,427.9	8,925.8
Total current assets	**13,754.8**	**18,231.2**	**31,726.1**	**24,254.0**
Current liabilities				
Borrowings	1,557.2	3,356.5	593.6	212.4
Trade and other payables	887.1	3,103.3	1,724.5	1,438.5
Amount due to preferred shareholders	494.8	92.2	5,206.0	—
Lease liabilities	131.1	123.0	109.5	109.6
Contract liabilities	70.2	152.9	244.1	138.6
Current income tax liabilities	1.5	20.2	33.2	6.4
Preferred share liabilities	—	—	1,897.6	—
Other financial liabilities	5.6	7.7	14.0	—
Total current liabilities	3,147.5	6,855.8	9,822.5	1,905.5
Net current assets	10,607.3	11,375.4	21,903.6	22,348.5

The following table sets out a breakdown of our non-current assets and liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB million	RMB million	RMB million	RMB million
Non-current assets				
Property, plant and equipment	585.2	1,893.9	1,906.5	2,226.1
Right-of-use assets	454.8	404.2	335.9	278.6
Intangible assets	39.6	139.7	108.0	93.5
Contract assets	0.3	3.3	2.7	1.4
Investments accounted for using the equity method	60.7	59.1	70.3	67.0
Deferred income tax assets	39.9	261.2	450.3	538.9
Financial assets at fair value through profit or loss	1,851.4	2,901.4	3,738.6	4,500.6
Long-term receivables	96.9	46.2	127.5	221.1
Other non-current assets	64.6	7.9	12.7	50.4
Total non-current assets	**3,193.4**	**5,716.9**	**6,752.5**	**7,977.6**
Non-current liabilities				
Borrowings	—	—	423.0	409.5
Lease liabilities	334.6	295.7	184.1	134.4
Deferred income tax liabilities	8.3	5.5	7.6	10.4
Contract liabilities	—	—	9.3	19.2
Deferred revenue	61.4	59.1	349.6	385.9
Preferred share liabilities	18,506.2	27,105.7	48,288.0	52,037.0
Long-term payables	—	—	66.1	32.3
Other financial liabilities	254.6	—	—	—
Other non-current liabilities	—	280.6	261.0	258.4
Total non-current liabilities	**19,165.1**	**27,746.6**	**49,588.7**	**53,287.1**

We recorded net liabilities as of December 31, 2018, 2019, 2020 and June 30, 2021, primarily due to preferred share liabilities, which mainly represented the increases in the fair value of our preferred shares that we issued under our financing arrangements. We expect to achieve a net assets position upon **[REDACTED]**, as the convertible redeemable preferred shares will be re-designated from financial liabilities to equity as a result of the automatic conversion into ordinary shares.

Trade, Other Receivables and Prepayments

Our trade, other receivables and prepayments increased significantly from RMB1,467.2 million as of December 31, 2018 to RMB4,678.1 million as of December 31, 2019. Our trade, other receivables and prepayments remained relatively stable as of December 31, 2019 and 2020 and June 30, 2021, being RMB4,678.1 million, RMB4,583.5 million and RMB4,036.8 million, respectively.

Trade Receivables

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

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB million	RMB million	RMB million	RMB million
Trade Receivables	1,331.6	2,614.9	3,748.4	3,926.2
— Due from related parties	279.8	159.2	186.7	146.1
— Due from third parties	1,051.8	2,455.7	3,561.7	3,780.1
Provision for impairment	(102.0)	(211.6)	(609.8)	(784.8)
Total	1,229.6	2,403.3	3,138.6	3,141.4

Our net trade receivables increased by 95.5% from RMB1,229.6 million as of December 31, 2018 to RMB2,403.3 million as of December 31, 2019, further increased by 30.6% to RMB3,138.6 million as of December 31, 2020. Such increasing trend was generally in line with the growth of our business. Our net trade receivables remained stable as of June 30, 2021, being RMB3,141.4 million, due to the increase in the collection of trade receivables. Our net trade receivables from Smart City, defined as the net trade receivables from customers whose primary source of revenue throughout the Track Record Period was from Smart City, were RMB491.2 million, RMB1,303.6 million, RMB2,113.9 million and RMB2,164.7 million, as of December 31, 2018, 2019, 2020, and June 30, 2021, respectively. Our net trade receivables from non-Smart City revenue streams, defined as the remaining net trade receivables, were RMB738.4 million, RMB1,099.7 million, RMB1,024.7 million and RMB976.7 million as of the same dates, respectively.

The aging analysis of the trade receivables as at the balance sheet dates based on date of revenue recognition was as follows:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB million	RMB million	RMB million	RMB million
Up to 6 months	1,078.9	1,631.5	2,078.0	1,260.5
6 months to 1 year	166.9	576.7	232.0	1,377.0
1 to 2 years	75.4	378.5	1,152.1	898.5
2 to 3 years	10.2	18.1	259.0	335.3
More than 3 years	0.2	10.1	27.3	54.9
Total	1,331.6	2,614.9	3,748.4	3,926.2

The following table sets out the number of our trade receivables turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2018	2019	2020	2021
Trade receivables turnover days[(1)]	157	219	293	342

Note:

(1) Trade receivables turnover days for a period equals the average of the opening and closing trade receivables balance divided by revenue for the same period and multiplied by 365 days for a full-year period or 180 days for a six-month period.

We had relatively long and increasing trade receivables turnover days during the Track Record Period. Our trade receivables turnover days increased from 157 days in 2018 to 219 days in 2019, and further increased to 293 days in 2020 and 342 days in the six months ended June 30, 2021, primarily because a significant portion of our revenue is derived from the public sector, which typically features a long payment cycle as required by their internal financial management and payment approval processes. The COVID-19 pandemic also negatively affected the budget and liquidity of our customers, resulting in the further increase in trade receivables turnover days. Our net trade receivables turnover days for Smart City, calculated using our average net trade receivables from Smart City and Smart City revenue, were 203 days, 258 days, 456 days and 490 days in 2018, 2019, 2020 and the six months ended June 30, 2021, respectively. Our net trade receivables turnover days for non-Smart City revenue streams, calculated using the average remaining net trade receivables and revenue from non-Smart City revenue streams, were 138 days, 191 days, 187 days and 208 days in 2018, 2019, 2020 and the six months ended June 30, 2021, respectively. While revenue from Smart City significantly increased in 2019 both in absolute amount and as percentage of the total revenue, the collection of which was more heavily impacted by the COVID-19 pandemic in 2020, when city administrators focused on containing and combating the COVID-19 pandemic and diverted their budget accordingly. Our provision for impairment increased during the Track Record Period in line with the increase of trade receivables.

We have assessed the recoverability of the relevant outstanding trade receivables. To manage risks arising from trade receivables, we maintain frequent communications with our customers to ensure effective credit control. The good credit history of our customers and our stable relationship with them also contribute to the relatively long credit term to them, and we believe that the credit risk inherent in our outstanding trade receivable balances due from them is low. Specifically, our Directors are of the view that the risk of not being able to recover the trade receivables aged over one year is relatively low based on our evaluation of the historical credit standing, ongoing monitoring and the credit records of these customers, and that sufficient provision has been made. We have adopted credit control measures to improve the trade receivables situation. Our business operation team prepares trade receivable details on a weekly basis according to the amount of revenue recognized and the amount of cash collection. These trade receivable details are allocated to assigned business managers to follow up, including performing balance reconciliation, summarization of cash collection details and trade receivable collection forecast. Meanwhile, we apply the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. See "— Financial Risk Disclosure — Credit Risk — Impairment of Financial Assets" for details.

We have also taken more active steps to mitigate risk exposure to customers with potential prolonged delay settlement of trade receivables aged over one year and in collecting the outstanding trade receivables, such as (i) allocating more human resources on trade receivable collection efforts; (ii) closely supervising trade receivable collection; (iii) enhancing future sales contract negotiation

process, and (iv) developing relationships with customers of stronger credit profile. The achievements of cash collection of trade receivables have been one of the key performance indicators of our sales managers to encourage the recovery of trade receivables.

The Joint Sponsors have performed the following due diligence work in relation to the recoverability of our Group's trade receivables and the provisions made by our Group during the Track Record Period:

- discussed with our management to understand, amongst other things, how our Company assess the recoverability of trade receivables, the expected credit loss model adopted by our Company, and the basis on which the provisions were made during the Track Record Period;

- discussed with our independent internal control advisor to understand our Company's procedures in relation to expected credit loss model and trade receivables collection;

- obtained and reviewed our Company's policy on the expected credit loss model; and

- discussed with the reporting accountant to understand the audit procedures they have conducted in relation to trade receivables and provisions for the purpose of expressing an opinion on the historical financial information of our Group as a whole.

Based on the due diligence work conducted by the Joint Sponsors as stated above, and having considered the work performed by our management and the unqualified opinion on the historical financial information, as a whole, of our Group issued by the reporting accountant included in Appendix I to this document, nothing has come to the attention of the Joint Sponsors for them to cast doubt on the views of our Directors on the recoverability of the trade receivables and the provisions made during the Track Record Period expressed above.

The following table sets out our net trade receivables from Smart City and total net trade receivables as of June 30, 2021 and the subsequent settlement:

	Balance as of				Subsequent settlement as of	Percentage of subsequent settlement as of
	December 31, 2018	December 31, 2019	December 31, 2020	June 30, 2021	September 30, 2021	September 30, 2021
	RMB million					%
Smart City	491.2	1,303.6	2,113.9	2,164.7	64.4	3.0
Non-Smart City	738.4	1,099.7	1,024.7	976.7	187.6	19.2
Total	1,229.6	2,403.3	3,138.6	3,141.4	252.0	8.0

As of September 30, 2021, we collected 19.2% of the trade receivables from non-Smart City as of June 30, 2021 and 3.0% from Smart City, which is generally consistent with our collection record during the Track Record Period. As mentioned above, we have enhanced our internal collection policies for the relatively long aged receivables, and actively collected from customers with delay settlement of trade receivables. These measures have proven to be effective as the majority of the trade receivables subsequently collected from Smart City customers as of September 30, 2021 were aged more than one year as of June 30, 2021. Based on the above, our Directors are of the view that we have maintained effective credit control measures to monitor and improve our credit risks.

Other Receivables

Our other receivables include primarily payments made on behalf of customers. When we deliver our software products, we sometimes purchase additional products and services on behalf of our customers and receive reimbursement of the payments. Our other receivables increased significantly from RMB114.5 million as of December 31, 2018 to RMB2,248.4 million as of December 31, 2019. Our other receivables decreased by 41.3% from RMB2,248.4 million as of December 31, 2019 to RMB1,318.7 million as of December 31, 2020, and further decreased by 33.3% to RMB880.2 million as of June 30, 2021. The fluctuations were primarily attributable to our increased procurement requests from customers for additional products and services in 2019 during which, we mainly focused on the expansion of our business. Starting from 2020, our other receivables decreased primarily due to fulfillment of payment obligations of such customers. At the same time, we made a strategic decision to limit such purchases on behalf of customers, as we put more emphasis on managing our working capital in a more efficient way. We implemented this strategy to focus on expanding our software offerings by standardizing and improving the adaptability of our software platforms.

Trade and Other Payables

Our trade and other payables primarily include (i) payments due for the purchase of hardware and services, (ii) accrued staff salaries and welfare, and (iii) payments due for the purchase of property, plant and equipment. Our trade and other payables increased significantly from RMB887.1 million as of December 31, 2018 to RMB3,103.3 million as of December 31, 2019, primarily due to (i) payables for the purchase of our office building in Shanghai; and (ii) the growth of our business. Our trade and other payables decreased by 44.4% from RMB3,103.3 million as of December 31, 2019 to RMB1,724.5 million as of December 31, 2020, primarily because we settled the payment for our office building in Shanghai. Our trade and other payables decreased by 16.6% from RMB1,724.5 million as of December 31, 2020 to RMB1,438.5 million as of June 30, 2021, primarily due to the settlement with our suppliers.

The following table sets out an aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB million	RMB million	RMB million	RMB million
Up to 6 months	351.7	723.2	475.2	172.5
6 months to 1 year	7.4	0.3	12.4	94.2
1 to 2 years	0.3	8.4	46.5	54.0
Total	**359.4**	**731.9**	**534.1**	**320.7**

The following table sets out the number of our trade payables turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2018	2019	2020	2021
Trade payables turnover days[1]	92	152	228	172

Note:

(1) Trade payables turnover days for a period equals the average of the opening and closing trade payables balance divided by cost of sales for the same period and multiplied by 365 days for a full-year period or 180 days for a six-month period.

Our trade payables turnover days increased from 92 days in 2018 to 152 days in 2019, and further increased to 228 days in 2020, due to the longer credit term granted by our suppliers. Our trade payables turnover days decreased to 172 days in the six months ended June 30, 2021, primarily due to our settlement with suppliers in the six months ended June 30, 2021, which resulted in a decreased trade payables balance.

As of September 30, 2021, RMB77.2 million, or approximately 24.1% of our trade payables as of June 30, 2021 had been settled.

Contract Liabilities

Our customers typically make upfront payments for the licenses to use our software products. A contract liability is our obligation to provide products to a customer for which we have received consideration (or an amount of consideration is due) from the customer. Our contract liabilities increased significantly from RMB70.2 million as of December 31, 2018 to RMB152.9 million as of December 31, 2019 and further to RMB253.4 million as of December 31, 2020, which was in line with the expansion of our services with existing customers and the growth of our customer base. Our contract liabilities further decreased by 37.7% to RMB157.8 million as of June 30, 2021, because certain contract liabilities were recognized as revenue. See Note 2.26 of Appendix I to this document.

Inventories

Our inventories primarily consist of servers, AI software-embedded hardware products, components and semiconductors. Our inventories increased significantly from RMB117.3 million as of December 31, 2018 to RMB430.1 million as of December 31, 2019, and further increased by 66.4% to RMB715.5 million as of December 31, 2020. Our inventories decreased by 6.8% to RMB667.2 million as of June 30, 2021.

Inventory turnover days for a period equals the average of the opening and closing inventory balance divided by cost of sales for the same period and multiplied by 365 days for a full-year period or 180 days for a six-month period. Our inventory turnover days increased from 31 days in 2018 to 76 days in 2019 and further from 206 days in 2020 to 279 days in the six months ended June 30, 2021, which was generally in line with the growth of our business. In 2020, we increased purchase of inventories (i) in anticipation of supply chain disruptions induced by the COVID-19 pandemic; and (ii) for expected growth in purchases from Smart City customers under the growing trend of urbanization, urban digitization, and new national policy of "New Infrastructure."

As of September 30, 2021, RMB82.7 million, or approximately 12.4% of our net inventories as of June 30, 2021 had been subsequently consumed or sold.

Property, Plant and Equipment

Our property, plant and equipment mainly consist of our (i) supercomputers and related equipment and (ii) buildings and land use rights. Our property, plant and equipment increased significantly from RMB585.2 million as of December 31, 2018 to RMB1,893.9 million as of December 31, 2019, mainly due to the purchase of our office building in Shanghai. Our property, plant and equipment remained relatively stable as of December 31, 2019 and 2020, at RMB1,893.9 million and RMB1,906.5 million, respectively. Our property, plant and equipment increased by 16.8% to RMB2,226.1 million as of June 30, 2021, mainly due to our continuous investment in AIDC.

Intangible Assets

Our intangible assets mainly consist of our software and acquired patents. Our intangible assets increased significantly from RMB39.6 million as of December 31, 2018 to RMB139.7 million as of December 31, 2019, which was in line with the growth of our business and our technology innovation. Our intangible assets decreased to RMB108.0 million as of December 31, 2020, and further to RMB93.5 million as of June 30, 2021, primarily due to the decrease in the net book amount of our acquired patents as a result of amortization.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss recorded as non-current assets mainly represented our debt and equity investments in certain entities and funds, and our financial assets at fair value through profit or loss recorded as current assets represented purchased structured deposits.

The breakdown of investments is listed below:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB million	RMB million	RMB million	RMB million
Non-current assets				
Debt and equity investment[(1)]	1,851.4	2,901.4	3,736.5	4,498.5
Derivative — Put option liability	—	—	2.1	2.1
	1,851.4	2,901.4	3,738.6	4,500.6
Current assets				
Structured deposits	—	—	—	2,186.4
	1,851.4	2,901.4	3,738.6	6,687.0

Note:

(1) Debt and equity investment mainly represent (i) investments in various industry companies in the form of convertible redeemable preferred shares, ordinary shares with preferential rights and convertible loans, and investments in certain investment funds as a limited partner, and (ii) investments in listed and unlisted securities. See Note 26 of Appendix I to this document.

Our financial assets at fair value through profit or loss of non-current assets increased by 56.7% from RMB1,851.4 million as of December 31, 2018 to RMB2,901.4 million as of December 31, 2019, and further increased from RMB3,738.6 million as of December 31, 2020 to RMB4,500.6 million as of June 30, 2021. The changes were primarily due to the overall valuation change of the investee companies and new investments.

Our financial assets at fair value through profit or loss of current assets amounting to RMB2,186.4 million were purchased structured deposits, principally in low risk from banks. Our purchased structured deposits were with a maturity of less than one year. In general, the return of the structured deposits is not protected or guaranteed by the issuing bank. In 2018, 2019, 2020 and the six months ended June 30, 2020 and 2021, we purchased structured deposits of RMB961.0 million, RMB3,676.0 million, RMB6,933.0 million, RMB754.0 million and RMB10,924.0 million, respectively, and obtained proceeds from disposal of structured deposits of RMB1,126.7 million, RMB3,697.5 million, RMB6,966.1 million, RMB335.6 million and RMB8,779.8 million, respectively.

We are exposed to price risk in relation to non-current assets and credit risk in relation to current assets that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments. Our dedicated managers are in charge of purchasing, monitoring and adjusting our investments, evaluating the risk associated and our liquidity, preparing analysis and reporting to the management team periodically. They put forward plans that include the portfolio to be purchased and the risk associated in respect of the return, the term of the products and the analysis of our overall liquidity.

See Note 26 of the Accountant's Report in Appendix I to this document for detail of the movements of financial assets at fair value through profit or loss.

Preferred Share Liabilities

Our preferred share liabilities increased by 46.5% from RMB18,506.2 million as of December 31, 2018 to RMB27,105.7 million as of December 31, 2019 and further to RMB50,185.6 million as of December 31, 2020 and further to RMB52,037.0 million as of June 30, 2021. The increases in our preferred share liabilities were primarily due to (i) the issuances of preferred shares under our financing arrangements and (ii) an increase in our valuation which resulted in an increase in the fair value of the preferred shares. See "— Indebtedness — Preferred Share Liabilities and Other Financial Liabilities — Preferred Share Liabilities" for details.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Revenue growth (%)	N/A	63.3	13.9	N/A	91.8
Gross profit growth (%)	N/A	64.2	41.5	N/A	94.1
Gross margin[(1)] (%)	56.5	56.8	70.6	72.1	73.0
Adjusted net margin (non-IFRS measure)[(2)] (%)	(8.1)	(38.2)	(20.5)	(133.6)	(35.0)
Adjusted EBITDA margin (non-IFRS measure)[(3)] (%)	(4.8)	(36.4)	(10.5)	(122.2)	(26.1)

Notes:

(1) Gross margin equals gross profit divided by revenue for the period and multiplied by 100%.

(2) Adjusted net margin (non-IFRS measure) equals adjusted net profit (non-IFRS measure) divided by revenue for the period and multiplied by 100%.

(3) Adjusted EBITDA margin (non-IFRS measure) equals adjusted EBITDA (non-IFRS measure) divided by revenue for the period and multiplied by 100%.

See "— Description of Major Components of Our Results of Operations."

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from equity and debt financing and cash generated from operations.

As of December 31, 2018, 2019, and 2020 and June 30, 2021, we had cash and cash equivalents of RMB7,227.1 million, RMB6,672.9 million, RMB11,427.9 million and RMB8,925.8 million, respectively. As of June 30, 2021, we also had term deposit of RMB7,938.7 million, and current financial assets at fair value through profit or loss of RMB2,186.4 million. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of operating cashflow, equity and debt financing and net **[REDACTED]** from the **[REDACTED]**.

Cash Flow

The following table sets out a reconciliation from the operating cash flows before movements in working capital to net cash used in operating activities, and our cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Reconciliation of operating cash flows before movements in working capital to net cash used in operating activities					
Operating cash flows before movements in working capital	(81.5)	(692.1)	73.9	(764.2)	(386.7)
Add:					
Change in working capital	(666.1)	(2,176.1)	(1,289.6)	(378.1)	(411.5)
Income tax paid	(2.1)	(1.2)	(13.1)	(12.4)	(32.7)
Net cash used in operating activities	**(749.7)**	**(2,869.4)**	**(1,228.8)**	**(1,154.7)**	**(830.9)**
Net cash used in investing activities	(3,108.0)	(1,628.0)	(7,070.5)	(1,146.1)	(5,111.5)
Net cash generated from financing activities	8,798.9	3,772.6	13,185.7	679.8	3,536.3
Net increase/(decrease) in cash and cash equivalents	4,941.2	(724.8)	4,886.4	(1,621.0)	(2,406.1)
Cash and cash equivalents at the end of the year/period	7,227.1	6,672.9	11,427.9	5,161.1	8,925.8

We had net cash flows used in operating activities of RMB749.7 million, RMB2,869.4 million, RMB1,228.8 million and RMB830.9 million in 2018, 2019, 2020 and the six months ended June 30, 2021, respectively, primarily due to our significant investments in our research and development efforts to enhance our products and services, and changes in the working capital caused by increasing trade and other receivables as our business grew rapidly during the Track Record Period. We expect to record net operating cash outflows in the year ending December 31, 2021 as we continuously expand our businesses and invest in research and development.

In the future, we expect to improve our net operating cash outflows position by taking advantage of (i) our continuous revenue growth fueled by our growing customer base, expanding product and service offerings and stronger global footprints; (ii) our improved operating leverage as we expect our revenue growth to exceed the increase in expenses gradually; and (iii) our improved working capital efficiency.

We expect to maintain sufficient working capital to meet our present requirements and in the near future. As of June 30, 2021, our cash and cash equivalents amounted to RMB8,925.8 million, substantially exceeding our net cash used in operating activities of RMB830.9 million in the six months ended June 30, 2021. Furthermore, we expect to turn our net liabilities position into net assets upon **[REDACTED]**, as the convertible redeemable preferred shares will be re-designated from financial liabilities to equity. We expect to improve our operating cash outflow primarily by refining our management of working capital, as well as by expanding our revenue. We continue to leverage our leading industry position to negotiate more attractive contractual terms with our customers, and have implemented strengthened credit term review and approval procedures. For example, we conduct individual assessment of customer's credit worthiness and examine the customer's business

license and financial record. We grant the credit term to our customers based on various factors, including their individual financial conditions and our past collaborations with them, and may escalate the approval requirements where the credit term negotiated is longer than expected. We also implement credit release check before delivering our products and services according to our internal review procedures. Meanwhile, we negotiate with our suppliers and have recently been granted more favorable payment terms with several suppliers. In the future, we plan to develop relationships with more customers of stronger credit profile. We also expect to collect our trade receivables in a more efficient manner and have implemented relevant measures, such as using the cash collection performance of trade receivables as one of the key performance indicators for our sales managers. In addition, we expect to increase revenue contribution from emerging revenue streams, such as Smart Life and Smart Auto, leading to a shift of our revenue mix as we develop, upgrade and commercialize our new products and services. See "Summary — Recent Development" for details. With our standardized software platform, we have achieved economies of scale, which has resulted in relatively high and increasing gross margins. We expect to improve our net margin over time as we drive operational efficiencies, including R&D efficiencies, creating significant economies of scale at the operating expense level. As a result, higher net margins will contribute to enhanced operating cash flow.

Net Cash Used in Operating Activities

Net cash used in operating activities primarily comprises our loss before income tax for the period adjusted by: (i) non-cash and non-operating items; and (ii) changes in working capital.

In the six months ended June 30, 2021, our net cash used in operating activities was RMB830.9 million, which was primarily attributable to our loss before income tax of RMB3,792.9 million, as adjusted by (i) the add-back of non-cash items, primarily comprising fair value losses on financial liabilities at fair value through profit or loss of RMB1,713.6 million and share-based compensation expenses of RMB1,421.0 million; and (ii) changes in working capital, primarily comprised of a decrease in trade and other payables of RMB183.5 million.

In 2020, the net cash used in operating activities was RMB1,228.8 million, which was primarily attributable to our loss before income tax of RMB12,319.0 million, as adjusted by (i) the add-back of non-cash items, primarily comprising fair value losses on financial liabilities at fair value through profit or loss of RMB10,563.6 million and share-based compensation expenses of RMB887.0 million, partially offset by finance income of RMB174.9 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other receivables of RMB331.0 million, partially offset by a decrease in trade and other payables of RMB980.9 million.

In 2019, the net cash used in operating activities was RMB2,869.4 million, which was primarily attributable to our loss before income tax of RMB5,172.9 million, as adjusted by (i) the add-back of non-cash items, primarily comprising fair value losses on financial liabilities at fair value through profit or loss of RMB3,681.5 million and provision for impairment of financial assets of RMB278.1 million, partially offset by finance income of RMB268.1 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other receivables of RMB3,498.5 million and an increase in inventories of RMB337.9 million, partially offset by an increase in trade and other payables of RMB1,532.3 million.

In 2018, the net cash used in operating activities was RMB749.7 million, which was primarily attributable to our loss before income tax of RMB3,456.2 million, as adjusted by (i) the add-back of non-cash items, primarily comprising fair value losses on financial liabilities at fair value through profit or loss of RMB3,182.0 million, partially offset by finance income of RMB105.3 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other receivables of RMB510.3 million, partially offset by an increase in contract liabilities of RMB70.2 million.

Net Cash Used in Investing Activities

In six months ended June 30, 2021, the net cash used in investing activities was RMB5,111.5 million, which was primarily attributable to the acquisition of investments in financial assets at fair value through profit and loss of RMB11,691.0 million and net increase in investments in term deposits of RMB2,002.5 million, partially offset by disposal of investments in financial assets at fair value through profit and loss of RMB8,858.3 million.

In 2020, net cash used in investing activities was RMB7,070.5 million, which was primarily attributable to the acquisition of investments in financial assets at fair value through profit and loss of RMB7,890.6 million and net increase in investments in term deposits of RMB5,012.6 million, partially offset by disposal of investments in financial assets at fair value through profit and loss of RMB7,031.9 million.

In 2019, net cash used in investing activities was RMB1,628.0 million, which was primarily attributable to the acquisition of investments in financial assets at fair value through profit and loss of RMB4,913.7 million, partially offset by disposal of investments in financial assets at fair value through profit and loss of RMB3,773.5 million.

In 2018, net cash used in investing activities was RMB3,108.0 million, which was primarily attributable to the acquisition of investments in financial assets at fair value through profit and loss of RMB2,572.5 million and net increase in investments in term deposits of RMB1,241.8 million, partially offset by disposal of investments in financial assets at fair value through profit and loss of RMB1,137.0 million.

Net Cash Generated from Financing Activities

In the six months ended June 30, 2021, the cash generated from financing activities was RMB3,536.3 million, which was primarily attributable to proceeds from issuance of preferred shares of RMB9,202.4 million. It was partially offset by repayments of amount due to preferred shareholders of RMB5,206.0 million, representing the deposits previously received from certain preferred shareholders in accordance with relevant share purchase agreement.

In 2020, net cash generated from financing activities was RMB13,185.7 million, which was primarily attributable to proceeds from issuance of preferred shares of RMB6,847.0 million, proceeds from amount due to preferred shareholders of RMB5,179.4 million and deposits for bank borrowings and issuance of notes payables of RMB3,791.3 million, partially offset by repayment of borrowings of RMB3,440.6 million.

In 2019, net cash generated from financing activities was RMB3,772.6 million, which was primarily attributable to proceeds from issuance of preferred share of RMB5,535.1 million and proceeds from borrowings of RMB3,226.6 million, partially offset by deposits for bank borrowings and issuance of notes payables of RMB2,150.3 million and repayment of borrowings of RMB1,452.6 million.

In 2018, net cash generated from financing activities was RMB8,798.9 million, which was primarily attributable to proceeds from issuance of preferred shares of RMB10,991.3 million and proceeds from borrowings of RMB1,603.4 million, partially offset by deposits for bank borrowings and the issuance of notes payables of RMB1,984.5 million, redemption of preferred shares of RMB733.1 million and redemption of ordinary shares of RMB551.1 million.

INDEBTEDNESS

As of June 30, 2021, being the indebtedness date for the purpose of the indebtedness statement, our indebtedness included: (i) borrowing of RMB621.9 million; (ii) lease liabilities of RMB244.0 million; (iii) preferred share liabilities of RMB52,037.0 million and other financial liabilities with nil amount; and (iv) other non-current liability of RMB258.4 million. As of the same date, we had unutilized banking facilities of RMB7,223.7 million.

Borrowings

We had bank borrowings of RMB1,557.2 million as of December 31, 2018, RMB3,356.5 million as of December 31, 2019, RMB1,016.6 million as of December 31, 2020, and RMB621.9 million as of June 30, 2021, being the indebtedness date for the purpose of the indebtedness statement.

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB million	RMB million	RMB million	RMB million
Non-Current				
Bank borrowing — secured	—	—	441.0	432.0
Less: Current portion of non-current borrowings	—	—	(18.0)	(22.5)
	—	—	423.0	409.5
Current				
Short-term borrowing — secured	1,513.0	3,220.8	—	—
Short-term borrowing — unsecured	39.6	105.8	574.0	188.9
Current portion of non-current borrowings	—	—	18.0	22.5
Interest payable	4.6	29.9	1.6	1.0
	1,557.2	**3,356.5**	**593.6**	**212.4**
Total	**1,557.2**	**3,356.5**	**1,016.6**	**621.9**

See Note 36 of Appendix I to this document.

Our bank borrowings agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that, there was no material covenant on any of our outstanding debt as of the Latest Practicable Date, and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any unusual difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

IFRS 16 introduced a single lessee accounting model, whereby assets and liabilities are recognized for all leases on the balance sheet, subject to certain exceptions. Our lease liabilities include the net present value of our lease payments as specified in Note 17 of Appendix I to this document. The following table sets out our lease liabilities in absolute amounts as of the dates indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB million	RMB million	RMB million	RMB million
Lease liabilities				
Current	131.1	123.0	109.5	109.6
Non-current	334.6	295.7	184.1	134.4
Total	**465.7**	**418.7**	**293.6**	**244.0**

Our lease liabilities decreased by 10.1% from RMB465.7 million as of December 31, 2018 to RMB418.7 million as of December 31, 2019, and further decreased to RMB293.6 million as of December 31, 2020, and RMB244.0 million as of June 30, 2021, primarily due to our rental payment.

Preferred Share Liabilities and Other Financial Liabilities

The following table sets our preferred share liabilities and other financial liabilities in absolute amounts as of the dates indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB million	RMB million	RMB million	RMB million
Preferred share liabilities				
Current	—	—	1,897.6	—
Non-current	18,506.2	27,105.7	48,288.0	52,037.0
Total preferred share liabilities	**18,506.2**	**27,105.7**	**50,185.6**	**52,037.0**
Other financial liabilities				
Current				
Warrant liability	5.6	7.4	14.0	—
Financial liability at fair value through profit or loss	—	0.3	—	—
	5.6	**7.7**	**14.0**	**—**
Non-current				
Convertible liabilities	**254.6**	—	—	—
Total other financial liabilities	**260.2**	**7.7**	**14.0**	**—**

Preferred Share Liabilities

We had preferred shares that are redeemable upon occurrence of certain future events. Our preferred share liabilities can also be converted into ordinary shares at the option of the preferred shareholders, or automatically upon occurrence of an initial public offering, or when agreed by majority of the preferred shareholders. See Note 30(a) in Appendix I to this document.

Warrant Liability

As of December 31, 2018, 2019 and 2020 and June 30, 2021, the warrant liability had a fair value of RMB5.6 million, RMB7.4 million, RMB14.0 million and nil, respectively. The warrant liability has been repurchased in May 2021. See Note 30(b) in Appendix I to this document.

Financial liability at fair value through profit or loss

As of December 31, 2018, 2019 and 2020 and June 30, 2021, we had financial liabilities at fair value through profit or loss of nil, RMB0.3 million, nil and nil, respectively.

Convertible liabilities

Certain holders of preferred shares enter into investment agreements to subscribe for the preferred shares before they completed the outbound procedures, which are recognized as convertible

liabilities in the consolidated balance sheets. As of December 31, 2018, 2019 and 2020 and June 30, 2021, the convertible liabilities were RMB254.6 million, nil, nil and nil, respectively. See Note 30(b) in Appendix I to this document.

Other non-current liabilities

As of December 31, 2018, 2019 and 2020 and June 30, 2021, other non-current liabilities were nil, RMB280.6 million, RMB261.0 million and RMB258.4 million, respectively. See Note 35 in Appendix I to this document.

During the Track Record Period and up to the Latest Practicable Date, we had not been in violation of any of the covenants under our loan agreements. Except as disclosed above, during the Track Record Period, and as of June 30, 2021, being the indebtedness date for the purpose of indebtedness statement, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other material contingent liabilities.

CONTINGENT LIABILITIES

As of December 31, 2018, 2019 and 2020 and June 30, 2021, we did not have any material contingent liabilities.

CAPITAL COMMITMENTS

The following table sets out our capital commitments as of the date indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB million	RMB million	RMB million	RMB million
Property, plant and equipment	18.5	30.2	520.4	782.2
Intangible assets	4.1	4.5	—	6.7
Capital contribution to financial assets at fair value through profit or loss	30.0	—	—	0.6
Total	**52.6**	**34.7**	**520.4**	**789.5**

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the periods indicated:

	Year ended December 31,						Six months ended June 30,	
	2018		2019		2020		2021	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%
Purchase of property, plant and equipment	477.9	98.0	777.0	86.4	1,209.8	92.7	378.2	97.4
Purchase of intangible assets	9.6	2.0	121.8	13.6	28.1	2.1	9.9	2.6
Purchase of land use right	—	—	—	—	67.7	5.2	—	—
Total	**487.5**	**100.0**	**898.8**	**100.0**	**1,305.6**	**100.0**	**388.1**	**100.0**

Our capital expenditures in 2018, 2019, 2020 and the six months ended June 30, 2021 were RMB487.5 million, RMB898.8 million, RMB1,305.6 million and RMB388.1 million, respectively, primarily attributable to purchase of property, plant and equipment. We funded our capital expenditure requirements during the Track Record Period mainly from equity and debt financing. We intend to fund our future capital expenditures and long-term investments with a combination of operating cashflow, equity and debt financing and net **[REDACTED]** received from the **[REDACTED]**. See "Future Plans and Use of **[REDACTED]**." We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any off-balance sheet arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we entered into a number of related party transactions, see Note 40 of Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

Financial Risk Factors

Our activities expose us to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk, and price risk), credit risk and liquidity risk. Our

overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by our senior management.

Market Risk

Foreign exchange risk

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. Our Company's functional currency is USD. Our 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 currency, respectively.

We are primarily exposed to changes in RMB/USD exchange rates. As of December 31, 2018, December 31, 2019, December 31, 2020, and June 30, 2021, if USD had strengthened/weakened by 10% against RMB with all other variables held constant, our net loss for the year/period would have been RMB909.9 million, RMB997.9 million, RMB806.2 million, and RMB1,304.2 million higher/lower, respectively, as a result of foreign exchange gains/losses on translation of USD denominated cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables.

In 2020, we entered into certain foreign exchange forward contract to hedge the foreign exchange risk between USD and RMB. These contracts were not qualified for hedge accounting and the loss were recorded in "other (losses)/gains — net." See Note 9 of Appendix I to this document.

Cash flow and fair value interest rate risk

Except for cash and cash equivalents, restricted cash and term deposits and long-term receivables, we have no significant interest-bearing assets. Our income and operating cash flows are substantially independent of changes in market interest rates.

Our interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose us to cash flow interest rate risk. Borrowings obtained at fixed rates expose us to fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 36 in Appendix I to this document. We did not use any interest rate swap contracts or other financial instruments to hedge against interest rate risk during the Track Record Period. Our management will continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arises.

As of December 31, 2018, December 31, 2019, December 31, 2020, and June 30, 2021, if our interest rates on borrowings obtained at variable rates had been higher/lower by 5%, the net loss for the year/period would have been RMB0.9 million, RMB1.8 million, RMB0.2 million and RMB0.2 million higher/lower, respectively, as a result of higher/lower interest expenses on floating rate borrowings.

Our long-term receivables expose us to fair value interest risk. See Note 24 for the fair value of long-term receivables.

Our preferred shares issued to investors expose us to fair value interest rate risk before conversion into ordinary shares. See Note 30 in Appendix I to this document for the fair value of these investments.

Price risk

We are exposed to equity price risk mainly arising from investments held by us that are classified as FVPL, see Note 26 in Appendix I to this document. The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing our liquidity level simultaneously. Each investment is managed by our senior management on a case by case basis.

Sensitivity analysis is performed by our management to assess the exposure of our financial results to equity price risk of financial assets at FVPL at the end of each reporting period. If prices of the respective instruments held by us had been 5% higher/lower as at December 31, 2018, 2019, 2020 and June 30, 2021, loss for the year/period would have been RMB13.7 million, RMB12.2 million, RMB49.6 million and RMB56.0 million lower/higher as a result of gains/losses on financial assets at FVPL.

Credit Risk

Credit risk arises from cash and cash equivalents, restricted cash, term deposits, structured deposits, as well as trade receivables and contract assets, other receivables, amount due from related party and preferred shareholders. The carrying amount of each class of the above financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets.

Risk Management

To manage this risk, cash and cash equivalents, restricted cash, term deposits, structured deposits and interests receivables are mainly placed with reputable commercial banks which are all high-credit-quality financial institutions all over the world.

To manage risk arising from trade receivables, we have policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. The credit period granted to customers is usually around 90 to 270 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. In view of the sound collection history of receivables due from them, to measure the expected credit losses, trade receivables have been

grouped based on shared credit risk characteristics and aging. Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

For other financial assets carried at amortized cost (excluding prepaid **[REDACTED]** expenses, input VAT to be deducted and prepayments), our management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

We are also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

Impairment of Financial Assets

We have four types of financial assets that are subject to the expected credit loss model: (i) cash and cash equivalents, restricted cash, term deposits and structured deposits; (ii) trade receivables and contract assets (including notes receivables and long-term receivables); (iii) amount due from preferred shareholders; and (iv) other receivables.

To manage risk arising from cash and cash equivalents, restricted cash, term deposits and structured deposits, we only transact with state-owned or reputable financial institutions in mainland China and reputable international financial institutions outside mainland China. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Cash and cash equivalents, restricted cash and term deposits are also subject to the impairment requirements of IFRS 9, while the identified impairment loss was immaterial.

To manage risk arising from trade receivables and contract assets, our business operation team prepare trade receivable details on a weekly basis according to the amount of revenue recognized and the amount of cash collection. These trade receivable details are allocated to assigned business managers to follow up, including the performing balance reconciliation, summarization of cash collection details and the trade receivable collection forecast. Meanwhile, we apply the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets (including long-term receivables and note receivables) have been grouped based on shared credit risk characteristics and the number of days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2018, December 31, 2019, December 31, 2020, and June 30, 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. We have identified the Gross Domestic Product ("GDP") of the PRC to be the

most relevant factor, and accordingly adjust the historical loss rates based on expected changes in these factors. See Note 3.1(b) in Appendix I to this document. We have cautiously reflected the uncollectible risk of such trade receivable and sufficient provision for impairment has been reflected. For details of our impairment provision policy, see Note 4.1 of Appendix I to this document.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, our policy is to regularly monitor our liquidity risk and to maintain adequate cash and cash equivalents to meet our liquidity requirements. For details about our contractual undiscounted cash flows, see Note 3.1(c) in Appendix I to this document.

DIVIDEND

We currently do not have any predetermined dividend payout ratio. No dividends had been declared or paid by our Company during the Track Record Period.

Subject to the Companies Act and the Articles of Association, the Directors may from time to time declare dividend and authorize payment of the same out of the lawfully available funds. The Company may also by ordinary resolutions declare dividends, but no dividends shall exceed the amount recommended by the Directors. The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. See "Summary of the Constitution of Our Company — Dividends and Distributions" for details.

As confirmed by our PRC Legal Advisor, according to relevant PRC laws, any future net profit that our PRC subsidiaries make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, the available banking facilities and the estimated net **[REDACTED]** from the **[REDACTED]**, our directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

As of June 30, 2021, we did not have any distributable reserves.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, **[REDACTED]** commissions and other fees incurred in connection with the **[REDACTED]**. We expect to incur **[REDACTED]** expenses of approximately HK$**[REDACTED]** representing approximately **[REDACTED]** of the gross **[REDACTED]** from the **[REDACTED]** (based on the mid-point of the indicative **[REDACTED]** range and assuming the **[REDACTED]** is not exercised). The **[REDACTED]** expenses we incurred in the Track Record Period and expect to incur would consist of approximately HK$**[REDACTED]** fees and approximately HK$**[REDACTED]** non-**[REDACTED]** fees (including fees and expenses of legal advisors and the reporting accountant of approximately HK$**[REDACTED]** and other fees and expenses of approximately HK$**[REDACTED]**). Among the total **[REDACTED]** expenses which we expect to incur, approximately HK$**[REDACTED]** will be directly attributable to the issue of our Shares and capitalized, and the remaining HK$**[REDACTED]** will be expensed upon **[REDACTED]**. Our Directors do not expect such expenses to materially impact our results of operations in 2021.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of our adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the **[REDACTED]** on our consolidated net tangible assets attributable to the owners of our Company as of June 30, 2021 as if the **[REDACTED]** had taken place on June 30, 2021. The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our financial position had the **[REDACTED]** been completed as of June 30, 2021 or at any future date.

	Audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as of June 30, 2021	**Estimated net [REDACTED] from the [REDACTED]**	**Estimated impact related to the conversion of the Preferred Shares from liabilities to equity upon the completion of [REDACTED]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company**	**Unaudited pro forma adjusted consolidated net tangible assets per share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**	(23,179,863)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**	(23,179,863)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

For more details of unaudited pro forma adjusted net tangible assets, see Appendix II to this document.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since June 30, 2021, being the end date of the periods reported in Appendix I to this document, and there is no event since June 30, 2021 that would materially affect the information as set out in the Accountant's Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "Business — Our Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

The net **[REDACTED]** from the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised) to be received by the Company, after deducting the **[REDACTED]** commission and other estimated expenses in connection with the **[REDACTED]**, will be approximately **[REDACTED]**, assuming that the **[REDACTED]** is HK$**[REDACTED]** (being the mid-point of the **[REDACTED]** range).

We intend to use the net **[REDACTED]** of the **[REDACTED]** for the following purposes:

Research and Development

- Approximately 60.0% or **[REDACTED]**, for enhancing our research and development capabilities in the next one to two years, including:

  Investment in SenseCore

  - Approximately 10.0% or **[REDACTED]** will be allocated to expand the total computing capacity of the Company including our Shanghai Lingang AIDC, which will provide key capabilities to SenseCore, and further promote SenseCore as the shared AI innovation platform for AI industrialization. Our Shanghai Lingang AIDC is an open, large-scale and energy-efficient advanced computing infrastructure with a designed computing capacity of 3.74 exaFLOPS. We plan to procure GPUs, advanced servers and other hardware equipment such as network equipment, and expand our supercomputing clusters, in order to increase the total computing capacity and support training and production of AI models. The relevant **[REDACTED]** will also be used to complete construction of our AIDC building in 2022.

  - Approximately 10.0% or **[REDACTED]** will be used to strengthen our AI chip design capabilities, such as STPU and AI ISP chips. For STPU, we will continue to develop and optimize its performance to further reduce hardware costs and improve the video processing power of SenseFoundry and SenseFoundry-Enterprise. For AI ISP chips, we will continue its development to maximize AI sensor performance; we launched development of our AI ISP chips in 2021 with target customers primarily being mobile phone and other IoT device companies. We will also develop our own AI chip-based solutions tailored to our AI models to optimize the overall performance and cost.

  - Approximately 15.0% or **[REDACTED]** will be allocated to enhance our AI model-related capabilities. In particular, we plan to train more powerful base models

with more generalized capabilities to handle tasks across scenarios, industries and devices. In addition, we intend to expand our portfolio of AI models. We will further increase adaptability and compatibility of our AI models to more chips, devices, sensors and cloud platforms, to deliver superior performance on most mainstream chips and hardware platforms.

Product Development and Other AI Technologies Research

- Approximately 25.0% or **[REDACTED]** will be allocated to further develop our products and enhance our other AI research and development capabilities to maintain our industry-leading position in the next two to three years. We plan to upgrade our software platforms, in particular to enhance the functionalities of SenseMARS and SenseAuto, as well as invest in the cross-domain AI application research and continuous development of new features and capabilities for our software platforms. In addition, we are committed to fundamental research and frontier science that could lead to the next generation of AI technologies. Our research initiatives include but not limited to AI-enabled content generation, next generation of AI sensors and improving the operation and power efficiency of AIDC with decision intelligence. We also plan to increase our average research and development headcount by more than 20% in the next fiscal year, by recruiting more top AI scientists and engineers, and by collaborating with universities and providing training programs to cultivate multi-skilled AI talent. Building on our close collaboration with 52 universities and 15 joint laboratories, we will continue to invest in existing and new programs and projects to train our talent across existing and new AI technology fields.

Business Expansion

- Approximately 15.0% or **[REDACTED]** will be allocated to investment in emerging business opportunities and increase adoption and penetration of our product and service offerings across industry verticals and scenarios both domestically and internationally in the next two to three years. We intend to explore more commercialization opportunities for our software platforms, such as commercialization of SenseME platform for IoT devices, SenseMARS platform in Metaverse, and SenseAuto platform in intelligent automobile, as well as AI-enabled carbon neutrality initiatives.

  We also intend to expand our software subscription offerings. We plan to deepen customer adoption of our AI-as-a-Service offering through AIDC. We will provide our customers with cloud-based full-stack AI model production and deployment services, and flexible subscriptions for pre-trained AI models for various AI functions. We will further open up SenseCore's capabilities to both academia and industry to drive future AI productivity. Our AIDC will not only accelerate our innovations and enhance our competitiveness, but also cultivate an open and rapidly growing ecosystem that further strengthens the connections with our customers and the research community.

We intend to expand our sales force with industry-specific or local expertise, and increase our marketing spend to strengthen client engagement capabilities for continuous business development, customer loyalty cultivation and user retention. In addition, we plan to expand our customer base in international markets, by expanding our sales presence through our overseas offices in Japan, South Korea, Singapore, Malaysia, Saudi Arabia and the UAE. We aim to strategically expand into more overseas markets with strong demand for AI and digital transformation.

Potential Strategic Investment and Acquisition Opportunities

- Approximately 15.0% or **[REDACTED]** will be allocated to pursue strategic investment and acquisition opportunities to implement our long-term growth strategies for products and services development and industry penetration, as well as cultivate our vibrant AI ecosystem to further expand our influence in the industry in the next one to two years, consistent with historical investment pace. Our potential investment or acquisition targets primarily include (i) businesses that possess leading technologies complementary to our technology stack; and (ii) businesses with proven commercialization models or large commercialization potential in the computer vision related markets that synergize with our business broaden our offerings.

  Minority investments into targets or strategic acquisitions as such are considered common business operation in the industry to strengthen the competitiveness of technology and offerings. We have historically been flexible in terms of the amount of investment and target's location, as long as the investment opportunity fits our overall strategy. Our Directors believe that there are a sufficient number of potential investment or acquisition targets and we have a dedicated team of investment professionals to source and execute transactions. As of the Latest Practicable Date, we had not identified or pursued any strategic investment or acquisition target, and had not set any definitive investment or acquisition timeframe.

Working Capital and General Corporate Purposes

- Approximately 10.0% or **[REDACTED]** will be used for working capital and general corporate purposes in the next one to two years.

If the **[REDACTED]** is set at the high-end of the **[REDACTED]** range or the low-end of the **[REDACTED]** range, the net **[REDACTED]** of the **[REDACTED]** will increase or decrease by approximately **[REDACTED]** and **[REDACTED]**, respectively. To the extent our net **[REDACTED]** from the **[REDACTED]** are either more or less than expected, we will increase or decrease the intended use of our net **[REDACTED]** for the above purposes on a pro rata basis.

If the **[REDACTED]** is fully exercised, our Company will receive additional net **[REDACTED]** of approximately **[REDACTED]** for **[REDACTED]** Shares to be allotted and issued upon

the full exercise of the **[REDACTED]** based on the **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the **[REDACTED]** range, and after deducting the **[REDACTED]** fees and commissions payable by our Company. The additional amount raised will be applied to the above areas of use of **[REDACTED]** on pro-rata basis.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the net **[REDACTED]** from the **[REDACTED]**.

To the extent that the net **[REDACTED]** of the **[REDACTED]** are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, we only intend to place such **[REDACTED]** in short-term interest-bearing deposits with licensed banks or authorized financial institutions.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the Directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[*To insert Letterhead of PricewaterhouseCoopers]* *[DRAFT]*

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SENSETIME GROUP INC., CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, HAITONG INTERNATIONAL CAPITAL LIMITED AND HSBC CORPORATE FINANCE (HONG KONG) LIMITED

Introduction

We report on the historical financial information of SenseTime Group Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-137, which comprises the consolidated balance sheets as at December 31, 2018, 2019 and 2020 and June 30, 2021, the Company's balance sheets as at December 31, 2018, 2019 and 2020 and June 30, 2021, and the consolidated income statements, the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-137 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The Directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the Directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2018, 2019 and 2020 and June 30, 2021 and the consolidated financial position of the Group as at December 31, 2018, 2019 and 2020 and June 30, 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated income statement, the consolidated statement of comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2020 and other explanatory information (the "Stub Period Comparative Financial Information"). The Directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our 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* issued by the International Auditing and Assurance Standards Board ("IAASB"). A review 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 15 to the Historical Financial Information which states that no dividend has been paid by SenseTime Group Inc. in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[●]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the IAASB ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

A. Consolidated income statements

	Note	Year ended December 31,			Six months ended June 30,	
		2018	2019	2020	2020	2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Revenue	5(a)	1,853,422	3,026,603	3,446,165	861,163	1,651,809
Cost of sales	6	(806,606)	(1,307,439)	(1,014,081)	(240,303)	(446,742)
Gross profit		**1,046,816**	**1,719,164**	**2,432,084**	**620,860**	**1,205,067**
Selling expenses	6	(204,677)	(453,201)	(536,521)	(238,068)	(292,388)
Administrative expenses	6	(452,484)	(765,720)	(1,589,519)	(1,037,494)	(1,443,031)
Research and development expenses	6	(848,837)	(1,915,933)	(2,453,874)	(1,219,482)	(1,771,749)
Net impairment losses on financial assets	3.1(b)	(60,663)	(278,122)	(522,046)	(227,168)	(178,650)
Other income	8	206,709	252,840	352,784	42,199	123,565
Other (losses)/gains — net	9	(25,655)	(165,512)	505,314	(108,165)	206,446
Operating loss		**(338,791)**	**(1,606,484)**	**(1,811,778)**	**(2,167,318)**	**(2,150,740)**
Finance income		105,323	268,059	174,902	96,509	96,606
Finance cost		(29,488)	(149,874)	(112,509)	(68,708)	(21,785)
Finance income — net	10	**75,835**	**118,185**	**62,393**	**27,801**	**74,821**
Share of losses of investments accounted for using the equity method	12	(11,317)	(3,021)	(6,055)	(2,031)	(3,380)
Fair value losses of preferred shares and other financial liabilities	30	(3,181,972)	(3,681,541)	(10,563,577)	(3,341,641)	(1,713,610)
Loss before income tax		**(3,456,245)**	**(5,172,861)**	**(12,319,017)**	**(5,483,189)**	**(3,792,909)**
Income tax credit	13	23,496	205,169	160,670	150,389	80,036
Loss for the year/period		**(3,432,749)**	**(4,967,692)**	**(12,158,347)**	**(5,332,800)**	**(3,712,873)**
Loss is attributable to:						
Owners of the Company		(3,427,778)	(4,962,548)	(12,158,193)	(5,323,782)	(3,702,589)
Non-controlling interests		(4,971)	(5,144)	(154)	(9,018)	(10,284)
		(3,432,749)	**(4,967,692)**	**(12,158,347)**	**(5,332,800)**	**(3,712,873)**
Loss per share for loss attributable to owners of the Company						
Basic and diluted loss per share (RMB)	14	(0.39)	(0.56)	(1.33)	(0.60)	(0.39)

B. Consolidated statements of comprehensive loss

	Note	Year ended December 31,			Six months ended June 30,	
		2018	2019	2020	2020	2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Loss for the year/period		**(3,432,749)**	**(4,967,692)**	**(12,158,347)**	**(5,332,800)**	**(3,712,873)**
Other comprehensive (loss)/income						
Item that may be reclassified to profit or loss						
Exchange differences on translation of foreign operations		(29,965)	(37,054)	234,945	(38,600)	47,952
Item that will not be reclassified to profit or loss						
Exchange differences on translation of foreign operations		(180,853)	(130,889)	1,203,301	(162,682)	193,072
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	30	(409,429)	(194,322)	(498,299)	(240,117)	(2,507)
Other comprehensive (loss)/income for the year/period, net of taxes		**(620,247)**	**(362,265)**	**939,947**	**(441,399)**	**238,517**
Total comprehensive loss for the year/period		**(4,052,996)**	**(5,329,957)**	**(11,218,400)**	**(5,774,199)**	**(3,474,356)**
Total comprehensive loss for the year/period is attributable to:						
Owners of the Company		(4,048,025)	(5,324,813)	(11,218,246)	(5,765,181)	(3,464,072)
Non-controlling interests		(4,971)	(5,144)	(154)	(9,018)	(10,284)
		(4,052,996)	**(5,329,957)**	**(11,218,400)**	**(5,774,199)**	**(3,474,356)**

C. Consolidated balance sheets

	Note	As at December 31, 2018	2019	2020	As at June 30, 2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Property, plant and equipment	16	585,249	1,893,919	1,906,479	2,226,109
Right-of-use assets	17	454,819	404,228	335,948	278,608
Intangible assets	18	39,555	139,749	108,032	93,493
Contract assets	5(f)	294	3,255	2,729	1,364
Investments accounted for using the equity method	12	60,644	59,138	70,325	66,954
Deferred income tax assets	20	39,935	261,169	450,283	538,859
Financial assets at fair value through profit or loss	26	1,851,442	2,901,406	3,738,568	4,500,609
Long-term receivables	24	96,898	46,239	127,502	221,116
Other non-current assets	19	64,545	7,778	12,705	50,415
		3,193,381	**5,716,881**	**6,752,571**	**7,977,527**
Current assets					
Inventories	21	117,286	430,059	715,521	667,157
Contract assets	5(f)	4,988	786	22,464	21,635
Trade, other receivables and prepayments	23	1,467,162	4,678,093	4,583,548	4,036,812
Amount due from preferred shareholders	25	1,391,451	878,900	8,593,109	—
Financial assets at fair value through profit or loss	26	—	—	—	2,186,374
Restricted cash	27	2,138,999	4,284,298	493,364	477,548
Term deposits	27	1,407,737	1,286,116	5,890,189	7,938,748
Cash and cash equivalents	27	7,227,109	6,672,914	11,427,871	8,925,817
		13,754,732	**18,231,166**	**31,726,066**	**24,254,091**
Total assets		**16,948,113**	**23,948,047**	**38,478,637**	**32,231,618**
Equity					
Deficits attributable to owners of the Company					
Share capital	28	2	2	2	2
Other reserves	29	(580,167)	(873,184)	(432,856)	1,009,823
Currency translation reserves		(192,348)	(360,291)	1,077,955	1,318,979
Accumulated losses		(4,595,623)	(9,556,673)	(21,713,334)	(25,415,174)
		(5,368,136)	**(10,790,146)**	**(21,068,233)**	**(23,086,370)**
Non-controlling interests		3,630	135,847	135,693	125,409
Total deficits		**(5,364,506)**	**(10,654,299)**	**(20,932,540)**	**(22,960,961)**

C. Consolidated balance sheets (continued)

	Note	As at December 31, 2018	2019	2020	As at June 30, 2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities					
Non-current liabilities					
Borrowings	36	—	—	423,000	409,500
Lease liabilities	17	334,596	295,742	184,113	134,449
Deferred income tax liabilities	20	8,339	5,516	7,608	10,407
Contract liabilities	34	—	—	9,341	19,227
Deferred revenue	37	61,373	59,066	349,532	385,838
Preferred share liabilities	30(a)	18,506,185	27,105,669	48,288,049	52,036,956
Long-term payables	32(b)	—	—	66,148	32,337
Other financial liabilities	30(b)	254,607	—	—	—
Other non-current liabilities	35	—	280,550	260,996	258,404
		19,165,100	**27,746,543**	**49,588,787**	**53,287,118**
Current liabilities					
Borrowings	36	1,557,241	3,356,526	593,561	212,417
Trade and other payables	32(a)	887,109	3,103,266	1,724,456	1,438,510
Amount due to preferred shareholders	33	494,744	92,090	5,206,029	—
Lease liabilities	17	131,082	123,031	109,524	109,569
Contract liabilities	34	70,245	152,921	244,052	138,539
Current income tax liabilities		1,489	20,234	33,155	6,426
Preferred share liabilities	30(a)	—	—	1,897,608	—
Other financial liabilities	30(b)	5,609	7,735	14,005	—
		3,147,519	**6,855,803**	**9,822,390**	**1,905,461**
Total liabilities		**22,312,619**	**34,602,346**	**59,411,177**	**55,192,579**
Total deficits and liabilities		**16,948,113**	**23,948,047**	**38,478,637**	**32,231,618**
Net current assets		**10,607,213**	**11,375,363**	**21,903,676**	**22,348,630**
Total assets less current liabilities		**13,800,594**	**17,092,244**	**28,656,247**	**30,326,157**

D. Balance sheets of the Company

	Note	As at December 31, 2018	2019	2020	As at June 30, 2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Investments in subsidiaries	11(b)	444,755	575,774	1,462,817	2,899,043
Current assets					
Other receivables	23	11,926,902	16,936,284	22,467,098	30,993,031
Amount due from preferred shareholders	25	1,391,451	878,900	8,593,109	—
Cash and cash equivalents	27	303,266	38,212	436	412,452
		13,621,619	**17,853,396**	**31,060,643**	**31,405,483**
Total assets		**14,066,374**	**18,429,170**	**32,523,460**	**34,304,526**
Deficits					
Share capital	28	2	2	2	2
Other reserves	29	(629,112)	(794,140)	(392,916)	1,064,982
Currency translation reserves		(167,103)	(297,992)	905,309	1,098,381
Accumulated losses		(3,905,330)	(7,596,558)	(18,214,640)	(19,945,847)
Total deficits		**(4,701,543)**	**(8,688,688)**	**(17,702,245)**	**(17,782,482)**
Liabilities					
Non-current liabilities					
Preferred share liabilities	30(a)	18,506,185	27,105,669	48,288,049	52,036,956
Other financial liabilities	30(b)	254,607	—	—	—
		18,760,792	**27,105,669**	**48,288,049**	**52,036,956**
Current liabilities					
Trade and other payables	32	1,516	4,720	26,043	50,052
Preferred share liabilities	30(a)	—	—	1,897,608	—
Other financial liabilities	30(b)	5,609	7,469	14,005	—
		7,125	**12,189**	**1,937,656**	**50,052**
Total liabilities		**18,767,917**	**27,117,858**	**50,225,705**	**52,087,008**
Total deficits and liabilities		**14,066,374**	**18,429,170**	**32,523,460**	**34,304,526**
Net current assets		**13,614,494**	**17,841,207**	**29,122,987**	**31,355,431**
Total assets less current liabilities		**14,059,249**	**18,416,981**	**30,585,804**	**34,254,474**

E. Consolidated statements of changes in equity

		Deficits attributable to owners of the Company						
	Note	Share capital	Other reserves	Currency translation reserves	Accumulated losses	Total	Non-controlling interests	Total deficits
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2018		2	346,272	18,470	(1,167,845)	(803,101)	2,031	(801,070)
Comprehensive loss								
Loss for the year		—	—	—	(3,427,778)	(3,427,778)	(4,971)	(3,432,749)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	30	—	(409,429)	—	—	(409,429)	—	(409,429)
Exchange differences on translation of foreign operations		—	—	(210,818)	—	(210,818)	—	(210,818)
Total comprehensive loss		—	(409,429)	(210,818)	(3,427,778)	(4,048,025)	(4,971)	(4,052,996)
Transactions with owners								
Exercise of restricted shares and share options		—	29	—	—	29	—	29
Capital injection by a non-controlling shareholder		—	—	—	—	—	6,570	6,570
Repurchase of ordinary shares	28	—	(551,082)	—	—	(551,082)	—	(551,082)
Share-based compensation expenses	7,31(d)	—	15,064	—	—	15,064	—	15,064
Share of additions in reserve of an associate	12	—	18,979	—	—	18,979	—	18,979
Total transactions with owners		—	(517,010)	—	—	(517,010)	6,570	(510,440)
As at December 31, 2018		2	(580,167)	(192,348)	(4,595,623)	(5,368,136)	3,630	(5,364,506)
As at January 1, 2019		2	(580,167)	(192,348)	(4,595,623)	(5,368,136)	3,630	(5,364,506)
Comprehensive loss								
Loss for the year		—	—	—	(4,962,548)	(4,962,548)	(5,144)	(4,967,692)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	30	—	(194,322)	—	—	(194,322)	—	(194,322)
Exchange differences on translation of foreign operations		—	—	(167,943)	—	(167,943)	—	(167,943)
Total comprehensive loss		—	(194,322)	(167,943)	(4,962,548)	(5,324,813)	(5,144)	(5,329,957)
Transactions with owners								
Exercise of restricted shares and share options		—	1,721	—	—	1,721	—	1,721
Capital injections by non-controlling shareholders		—	151,059	—	—	151,059	142,689	293,748
A put liability with a non-controlling shareholder	35	—	(279,048)	—	—	(279,048)	—	(279,048)
Repurchase of ordinary shares	28	—	(103,446)	—	—	(103,446)	—	(103,446)
Share-based compensation expenses	7,31(d)	—	131,019	—	—	131,019	—	131,019
Disposal of a non-wholly owned subsidiary		—	—	—	—	—	(5,328)	(5,328)
Others		—	—	—	1,498	1,498	—	1,498
Total transactions with owners		—	(98,695)	—	1,498	(97,197)	137,361	40,164
As at December 31, 2019		2	(873,184)	(360,291)	(9,556,673)	(10,790,146)	135,847	(10,654,299)

E. Consolidated statements of changes in equity (continued)

		Deficits attributable to owners of the Company						
	Note	Share capital	Other reserves	Currency translation reserves	Accumulated losses	Total	Non-controlling interests	Total deficits
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2020		2	(873,184)	(360,291)	(9,556,673)	(10,790,146)	135,847	(10,654,299)
Comprehensive loss								
Loss for the year		—	—	—	(12,158,193)	(12,158,193)	(154)	(12,158,347)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	30	—	(498,299)	—	—	(498,299)	—	(498,299)
Exchange differences on translation of foreign operations		—	—	1,438,246	—	1,438,246	—	1,438,246
Total comprehensive loss		—	(498,299)	1,438,246	(12,158,193)	(11,218,246)	(154)	(11,218,400)
Transactions with owners								
Exercise of restricted shares and share options		—	12,480	—	—	12,480	—	12,480
Loans waived by controlling shareholder	29	—	39,104	—	—	39,104	—	39,104
Share-based compensation expenses	7,31(d)	—	887,043	—	—	887,043	—	887,043
Others		—	—	—	1,532	1,532	—	1,532
Total transactions with owners		—	938,627	—	1,532	940,159	—	940,159
As at December 31, 2020		2	(432,856)	1,077,955	(21,713,334)	(21,068,233)	135,693	(20,932,540)
As at January 1, 2021		2	(432,856)	1,077,955	(21,713,334)	(21,068,233)	135,693	(20,932,540)
Comprehensive loss								
Loss for the period		—	—	—	(3,702,589)	(3,702,589)	(10,284)	(3,712,873)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	30	—	(2,507)	—	—	(2,507)	—	(2,507)
Exchange differences on translation of foreign operations		—	—	241,024	—	241,024	—	241,024
Total comprehensive loss		—	(2,507)	241,024	(3,702,589)	(3,464,072)	(10,284)	(3,474,356)
Transactions with owners								
Exercise of restricted shares and share options		—	29,033	—	—	29,033	—	29,033
Capital contribution by controlling shareholder	29	—	10,365	—	—	10,365	—	10,365
Consideration paid to the then equity owners for acquisition of subsidiaries under common control	29	—	(15,219)	—	—	(15,219)	—	(15,219)
Share-based compensation expenses	7,31(d)	—	1,421,007	—	—	1,421,007	—	1,421,007
Others		—	—	—	749	749	—	749
Total transactions with owners		—	1,445,186	—	749	1,445,935	—	1,445,935
As at June 30, 2021		2	1,009,823	1,318,979	(25,415,174)	(23,086,370)	125,409	(22,960,961)

E. Consolidated statements of changes in equity (continued)

		Deficits attributable to owners of the Company						
	Note	Share capital	Other reserves	Currency translation reserves	Accumulated losses	Total	Non-controlling interests	Total deficits
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)								
As at January 1, 2020		2	(873,184)	(360,291)	(9,556,673)	(10,790,146)	135,847	(10,654,299)
Comprehensive loss								
Loss for the period		—	—	—	(5,323,782)	(5,323,782)	(9,018)	(5,332,800)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	30	—	(240,117)	—	—	(240,117)	—	(240,117)
Exchange differences on translation of foreign operations		—	—	(201,282)	—	(201,282)	—	(201,282)
Total comprehensive loss		—	(240,117)	(201,282)	(5,323,782)	(5,765,181)	(9,018)	(5,774,199)
Transactions with owners								
Exercise of restricted shares and share options		—	12,465	—	—	12,465	—	12,465
Share-based compensation expenses	7,31(d)	—	840,485	—	—	840,485	—	840,485
Others		—	—	—	749	749	—	749
Total transactions with owners		—	852,950	—	749	853,699	—	853,699
As at June 30, 2020		2	(260,351)	(561,573)	(14,879,706)	(15,701,628)	126,829	(15,574,799)

F. Consolidated statements of cash flows

	Note	Year ended December 31,			Six months ended June 30,	
		2018	2019	2020	2020	2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cash flows from operating activities						
Cash used in operations	38(a)	(747,587)	(2,868,173)	(1,215,698)	(1,142,282)	(798,196)
Income tax paid		(2,145)	(1,244)	(13,115)	(12,386)	(32,691)
Net cash used in operating activities		(749,732)	(2,869,417)	(1,228,813)	(1,154,668)	(830,887)
Cash flows from investing activities						
Purchase of property, plant and equipment		(477,918)	(776,982)	(1,209,757)	(794,572)	(378,212)
Purchase of intangible assets		(9,558)	(121,781)	(28,083)	(17,628)	(9,920)
Purchase of land use right		—	—	(67,674)	—	—
Proceeds from disposal of property, plant and equipment and intangible assets		132	5,271	1,630	—	6,991
Acquisition of investments accounted for using the equity method	12	(7,778)	(5,261)	(17,500)	—	—
Disposal of a subsidiary		—	(979)	—	—	—
Acquisition of investments in financial assets at fair value through profit and loss	26	(1,611,488)	(1,237,686)	(957,580)	(60,000)	(766,962)
Disposal of investments in financial assets at fair value through profit and loss	26	10,317	75,965	65,834	64,426	78,508
Dividend received from financial assets at fair value through profit and loss	8	—	3,903	—	—	6,172
Net (increase)/decrease in investments in term deposits	27	(1,241,757)	206,892	(5,012,586)	82,603	(2,002,452)
Interest received from banks		74,473	201,216	234,682	37,544	45,365
Net cash out for the settlement of foreign forward contract	9	—	—	(72,666)	—	—
Acquisition of structured deposits	26	(961,000)	(3,676,000)	(6,933,000)	(754,000)	(10,924,000)
Disposal of structured deposits	26	1,126,657	3,697,544	6,966,061	335,562	8,779,772
Repayments of funds granted to third parties and related parties	23	—	—	167	—	53,203
Loans granted to third parties and related parties	23	(10,003)	—	(40,000)	(40,000)	—
Net cash used in investing activities		(3,107,923)	(1,627,898)	(7,070,472)	(1,146,065)	(5,111,535)
Cash flows from financing activities						
Proceeds from borrowings	38(b)	1,603,449	3,226,580	1,129,235	794,553	10,000
Repayments of borrowings	38(b)	(229,908)	(1,452,618)	(3,440,580)	(1,976,152)	(403,940)
Interest paid	38(b)	(16,886)	(104,597)	(124,031)	(78,296)	(14,856)
Principal elements of lease payments	38(b)	(59,723)	(137,745)	(128,261)	(68,880)	(52,372)
Interests elements of lease payments	38(b)	(7,979)	(19,954)	(16,830)	(8,361)	(7,975)
Proceeds from amount due to preferred shareholders	33	125,570	—	5,179,444	—	—
Repayments of amount due to preferred shareholders	33	(363,031)	(402,654)	(65,505)	(33,341)	(5,206,029)
Proceeds from exercise of restricted shares and share options		—	2	—	—	—
Proceeds from issuance of preferred share liabilities	38(b)	10,991,290	5,535,112	6,846,992	54,493	9,202,353
Repurchase of preferred share liabilities and warrant liability	38(b)	(733,061)	(923,028)	—	—	(17,045)
Net changes in deposits for the issuance of bank borrowings and note payables	27	(1,984,483)	(2,150,301)	3,791,260	1,993,602	15,816
Capital injections by non-controlling shareholders		6,570	293,748	—	—	—
Capital injection by a limited partner of investment fund controlled by the Group		—	3,000	—	—	—
Loans provided by controlling shareholder	40(b)	18,161	8,459	13,918	2,107	—
Capital contribution by controlling shareholder	29	—	—	—	—	10,365
Repurchase of ordinary shares	28	(551,082)	(103,446)	—	—	—
Net cash generated from financing activities		8,798,887	3,772,558	13,185,642	679,725	3,536,317
Net increase/(decrease) in cash and cash equivalents		4,941,232	(724,757)	4,886,357	(1,621,008)	(2,406,105)
Cash and cash equivalents at beginning of year/period		1,860,903	7,227,109	6,672,914	6,672,914	11,427,871
Effect of foreign exchange rates changes		424,974	170,562	(131,400)	109,224	(95,949)
Cash and cash equivalents at end of year/period		7,227,109	6,672,914	11,427,871	5,161,130	8,925,817

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

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 P.O. Box 2075, George Town, Grand Cayman KY1-1105, Cayman Islands.

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

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

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

As at the date of this report, the Company's subsidiaries (including the Consolidated Affiliated Entities) during the Track Record Period are set out in Note 11.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss which are carried at fair value.

The preparation of the Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

All relevant standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the Track Record Period.

New standards and interpretations not yet adopted

The followings are new standards, amendments to existing standards and new interpretations that have been issued but are not effective for the Track Record Period, and have not been early adopted. The Group plans to adopt these new standards, amendments to standards and new interpretations when they become effective:

Standards and amendments	Effective for accounting periods beginning on or after
IAS 16 (Amendment) 'Property, plant and equipment – proceeds before intended use'	January 1, 2022
IAS 37 (Amendment) 'Onerous contracts – cost of fulfilling a contract'	January 1, 2022
IFRS 3 (Amendment) 'Reference to the conceptual Framework'	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
IFRS 17 Insurance Contracts	January 1, 2023
IFRS 17 (Amendment) Insurance Contracts	January 1, 2023
IAS 1 (Amendment) 'Classification of liabilities as current or non-current'	January 1, 2023
IAS 1 and IFRS Practice Statement 2 (Amendment) - Disclosure of Accounting Policies	January 1, 2023
IAS 8 (Amendment) - Definition of Accounting Estimates	January 1, 2023
Amendments to IFRS 4 - Extension of the Temporary Exemption from Applying IFRS 9	January 1, 2023
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction Tax	January 1, 2023
Amendment to IFRS 10 and IAS 28 regarding sales or contribution assets between an investor and its associate or joint venture	To be determined

According to the assessment made by the directors of the Company, these new and amended standards are either not relevant to the Group or not significant to the financial performance and positions of the Group when they become effective.

2.2 Subsidiaries

(a) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated balance sheets respectively.

(i) Subsidiaries controlled through contractual arrangements

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of certain restricted businesses, in particular, AI data center services. The Group operates its restricted businesses in the PRC through certain PRC operating entities, whose equity interests are held by certain management members of the Group ("Individual Shareholders"). The Group obtained control over certain PRC operating entities via a series of the contractual arrangements signed ("Contractual Arrangements") between certain directly or indirectly held subsidiaries of the Company in the PRC, PRC operating entities operating the restricted businesses (the "Consolidated Affiliated Entities") and their respective Individual Shareholders. The Contractual Arrangements, includes exclusive management and operation agreements, exclusive option agreements, equity pledge agreements, entrustment agreements and powers of attorney, and spouse undertakings which enables those directly or indirectly held subsidiaries of the Company and the Group to:

- govern the financial and operating policies of the Consolidated Affiliated Entities;
- exercise Individual Shareholders' voting rights of the Consolidated Affiliated Entities;
- exercise effective financial and operational control over of Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the technical and consulting services provided by certain PRC operating entities;
- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in the Consolidated Affiliated Entities from the Individual Shareholders at a minimum purchase price permitted under the PRC laws and regulations and any proceeds from the transfer and any residual interests in the Consolidated Affiliated Entities shall be remitted to the Group immediately; and
- obtain a pledge over the entire equity interests of the Consolidated Affiliated Entities from their Individual Shareholders as collaterals to secure the payment obligations of all of the Consolidated Affiliated Entities' payments due to the Group and to secure performance of the Consolidated Affiliated Entities' obligation under Contractual Arrangements.

As a result of the Contractual Arrangements, the Group has rights to exercise power over the Consolidated Affiliated Entities and their respective subsidiaries, receive variable returns from its involvement with the Consolidated Affiliated Entities and their respective subsidiaries and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and their respective subsidiaries. Therefore, the Company is considered to control the Consolidated Affiliated Entities and their respective subsidiaries. Consequently, the Company regards the Consolidated Affiliated Entities and their respective subsidiaries as consolidated entities of the Company under IFRS. The Group has included the financial positions and results of the Consolidated Affiliated Entities in the consolidated financial statements during the Track Record Period.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and their respective subsidiaries and such uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities and their respective subsidiaries. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

(ii) Business combinations

The acquisition method of accounting is used to account for all business combinations, other than business combination under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss, unless the previous held investment is equity investment designated as FVOCI.

Business combinations under common control

The Historical Financial Information incorporates the financial statement of the entities in which the common control combination occurs as if they had been consolidated from the date when the entities of businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All inter-company transactions, balances and unrealized gains on transactions between combining entities or business are eliminated on consolidation.

(b) **Separate financial statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive loss of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (Note 2.5 and 12), after initially being recognized at cost.

2.4 Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangement and determined it to be joint ventures. Interests in joint ventures are accounted for using the equity method (see Note 2.5 below), after initially being recognized at cost in the consolidated balance sheets.

2.5 Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in consolidated income statements, and the Group's share of movements in other comprehensive loss of the investee in other comprehensive loss. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

2.6 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an

adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to equity owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in consolidated income statements. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive loss in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

If the ownership interest in an associate or joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive loss are reclassified to consolidated income statements where appropriate.

2.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors of the Company that makes strategic decisions.

2.8 Foreign currency translation

(a) **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is US Dollar ("USD"). The Company's primary subsidiaries were incorporated in the mainland China, Hong Kong, Japan and Singapore, and these subsidiaries considered Renminbi ("RMB"), Hong Kong dollars ("HKD"), Japanese Yen ("JPY") and Singapore dollars ("SGD") as their functional currency respectively. As the major operations of the Group are within the mainland China, the Group determined to present its consolidated financial statements in RMB.

(b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are

generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statements, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statements on a net basis within "other (losses)/gains — net."

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive loss are recognized in other comprehensive loss.

(c) **Group companies**

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each statement of comprehensive loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting currency translation differences are recognized in other comprehensive loss.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognized in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.9 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will

flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of comprehensive loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Buildings and facilities	20 years
Leasehold improvement	Shorter of the lease terms or 3 years
Large-scale electronic equipment	5 years
Computer and related equipment	3 years
Office equipment and furniture	5 years
Transportation equipment and vehicles	4 years
Other equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other (losses)/gains — net" in the consolidated income statements.

2.10 Intangible assets

(a) **Research and development expenditure**

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;

- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

No research and development expenditures were capitalized during the Track Record Period.

(b) **Patent**

Separately acquired patents are shown at historical cost. They are amortized using the straight-line method over their estimated finite useful life of 5 years and are subsequently carried at cost less accumulated amortization and impairment losses.

(c) **Trademarks**

Separately acquired trademarks are shown at historical cost. Trademarks have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 10 years respectively.

(d) **Computer software**

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire the specific software. These costs are amortized over the estimated useful lives of 2 — 3 years.

(e) **Useful life**

The useful lives of patent, trademarks and computer software are 5 years, 10 years and 2 — 3 years respectively. When determining the useful life, the Directors has taken into the account the (i) estimated period that can bring economic benefits to the Group; (ii) the useful life estimated by the comparable companies in the market.

2.11 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Investments and other financial assets

(a) **Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive loss (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) **Recognition and derecognition**

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) **Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other (losses)/gains — net", together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statements.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "other (losses)/gains — net." Interest income from these financial assets is included in "finance income" using the effective interest rate method. Foreign exchange gains and losses are presented in "other (losses)/gains — net" and impairment losses are presented as separate line item in the consolidated income statements.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "other (losses)/gains — net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is

no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as "other income" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in "other (losses)/gains — net" in the consolidated income statements as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) **Impairment**

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.14 Inventories

Inventories are referred to purchased hardware and components and contract fulfillment cost. Inventories are stated at the lower of cost and net realizable value. Cost is determined on weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.15 Trade and other receivables

Trade and other receivables are amounts due from customers for software and hardware sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair

value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 23 for further information about the Group's accounting for trade and other receivables and Note 3.1(b) for a description of the Group's impairment policies.

2.16 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash restricted for guaranteed deposits for bank borrowings or issuance of notes payables or other purpose were included in the restricted cash on the consolidated balance sheets.

Bank deposits with initial terms of over three months were included in the term deposits on the consolidated balance sheets.

2.17 Share capital

Ordinary shares and non-redeemable participating preference shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.19 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are

recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as "other income" or "finance costs."

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

2.21 Financial instruments

(a) **Convertible redeemable preferred shares ("Preferred Shares")**

Holders of Series A-1, Series A-2, Series B-1, Series B-2, Series B-3, Series C-1, Series C-2, Series C+, Series C++, Series C-Prime, Series D and Series D+ Preferred Shares issued by the Company are redeemable upon occurrence of certain future events. These instruments can also be converted into ordinary shares of the Company at the option of the holders, or automatically upon occurrence of an initial public offering ("IPO") of the Company, or when agreed by majority of the preferred shareholders as detailed in Note 30.

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as "finance costs" in profit or loss. Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognized in profit or loss, except for the portion attributable to own credit risk change that should be charged to other comprehensive income.

The Preferred Shares were classified as non-current liabilities unless the Preferred Shares holders can demand the Company to redeem the Preferred Shares within 12 months after the end of the reporting period.

(b) **Warrant liability**

Warrant liability arises from the warrant granted by the Company under which the holders have the rights to subscribe for the Company's Preferred Shares at a predetermined price during a specific period.

Warrant liability is initially recognized at fair value on the date a warrant contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

(c) **Convertible liabilities**

Part of the Preferred Shares' investors did not complete the necessary administrative procedures to subscribe for the Preferred Shares to be issued by the Company. Such right to subscribe for the Preferred Shares is accounted for as convertible liabilities and classified as non-current liabilities.

The convertible liabilities are accounted for in their entirety at fair value through profit or loss, with fair value changes recognized in profit or loss and presented as "fair value losses of preferred shares and other financial liabilities" in the consolidated income statements, except for the portion attributable to credit risk change that should be charged to other comprehensive income. The convertible liabilities are classified as non-current liabilities unless the Company has an obligation to settle the liability within 12 months after the end of the reporting period.

(d) **Put option liability**

Put option liability represents the put option granted to a non-controlling shareholder of the Group which the non-controlling shareholder could sell its equity interest to the Group at a pre-agreed price on the occurrence of some certain events. The put option liability is measured at amortised cost.

2.22 Income tax expense

(a) **Current income tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates in the countries where the Company's subsidiaries and associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) **Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in consolidated income statements, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case, the tax is also recognized in other comprehensive loss or directly in equity, respectively.

2.23 Employee benefits

(a) **Pension obligations**

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant

municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other postretirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

The Group entities in Hong Kong have arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF"), a defined contribution plan. Under the MPF, the Group entities in Hong Kong and their Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to a cap of HKD1,500 per month, and any excess contributions are voluntary.

The Group has no further material obligation for post-retirement benefits beyond the contributions made.

(b) **Housing funds, medical insurances and other social insurances**

The PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) **Short-term obligation**

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheets.

(d) **Employee leave entitlement**

Employee entitlement to annual leave are recognized when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employees entitlement to sick leave and maternity leave are not recognized until the time of leave.

(e) **Bonus plan**

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a

reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(f) **Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.24 Share-based compensation expense

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments (options) is recognized as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments (options) granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance unlocking conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any lock-up period conditions (for example, the requirement for employees to save or holding shares for a specified time period after the vesting period).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statements, with a corresponding adjustment to equity.

In addition, in some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement date and grant date.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the

measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

2.25 Provision

Provisions for service warranties are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.26 Revenue recognition

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The revenue is measured at the transaction price agreed under the contract. Amounts disclosed as revenue are net of return, trade allowances and amounts collected on behalf of third parties. In those agreements where the transaction with period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year, revenue is measured at transaction prices adjusted for the time value of money. The variable consideration is estimated by applying the most likely amount method. For sales- or usage-based royalties that are attributable to a license of intellectual property, the amount is recognized at the later of: 1) when the subsequent sale or usage occurs; and 2) the satisfaction or partial satisfaction of the performance obligation to which some or all of the sales- or usage-based royalty has been allocated.

The accounting policy for the Group's principal revenue sources

(i) Sales of advanced AI software

The Group uses the models trained on its own platform to develop advanced AI software. The AI software normally includes software platform, software license or plug-and-play software development kits ("SDKs"). In some industries and verticals, the AI software is separately sold, which is a single performance obligation for these contracts. Revenue is recognized at a point in time when AI software is delivered to the customer's designated place, inspected and accepted by the customer because the software has standalone functionality and the customer can use the software as it is available at a point in time. For development and sales of AI software, the Group also provides related maintenance and upgrade services for a specific period (normally 1-3 years after the customer's acceptance) after sale as stipulated in the same contract. These maintenance and upgrade services are provided to maintain and improve the effectiveness of the software and therefore are accounted for as a separate performance obligation. Revenue from provision of maintenance and upgrade services is deferred recognized over the service period. A contract liability is recognized for advances from the customer in which revenue has not yet been recognized.

(ii) Sales of AI software platform and related services

AI software platform and related services consist primarily of deployment of AI software, software-embedded hardware and hardware infrastructures, provision of integration services and standard warranty services. The Group delivers AI software platform and related services for projects with cities and business enterprises. These AI software platform and related services are provided through integrating the AI software, hardware infrastructures and services, all of which are highly interdependent and interrelated with each other and represent multiple inputs to a combined output that is transferred to the customer. Accordingly, the AI software platform and related services, i.e. the integrated solution, is accounted for as a single performance obligation. Certain sales contracts contain provision of extended maintenance and upgrade services which are considered as a separate performance obligation.

Revenue is recognized at a point in time when the AI software platform and related services are delivered to the customer's designated place, inspected and accepted by the customer. Certain sales contracts that the Group provides a total solution of which, revenue is recognized over time since the performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Such revenue is recognized based on the progress towards complete satisfaction in the contracts using input method which is determined as the proportion of the costs incurred for the work performed to date relative to the estimated total costs to complete the contract, to the extent that the amount can be measured reliably and its recovery is considered probable.

Input method requires the Group make estimates of costs to complete its projects on an ongoing basis. Significant judgment is required to evaluate assumptions related to these estimates. The effect of revisions to estimates related to the transaction price or costs to complete a project are recorded in the period in which the estimate is revised.

The stand-alone selling price for the performance obligation of the AI software platform and related services and extended maintenance and upgrade services are generally observable directly. The transaction price will be allocated to each performance obligation based on the standalone selling prices.

(iii) Sales of AI software-embedded hardware

The Group also provides software-embedded in various forms of hardware, ranging from servers to personal devices. These sales contract generally has a single performance obligation. Revenue is recognized at a point in time when AI software-embedded hardware is delivered to the customer's designated place, inspected and accepted by the customer.

(iv) Research and development services

Research and development services consist primarily of the provision of research and development services for healthcare industry customers and automotive industry customers. Revenue

is recognized upon the transfer of control, over time or at a point in time, depending on the nature of the arrangements.

(v) Gross vs. net determination in revenue recognition

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Group is acting as the principal or an agent in the transactions. If the Group provides significant integration service to the hardware and is responsible for the overall management of the contract, the Group is the principal in the transaction and recognizes revenue in the gross amount of consideration to which it is entitled from the customer.

The Group reports the amount received from the customers and the amounts paid to the suppliers related to these transactions on a net basis if the Group is not primarily obligated in a transaction, does not generally bear the inventory risk and does not have the ability to establish the price.

Significant judgments have been made in determining whether the Group acts as a principal or an agent in the sales transactions. Changes in judgments could materially impact the amounts of revenue recognized. Refer to Note 4.4(ii).

2.27 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 9 below. Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 below. Any other interest income is included in "other income."

2.28 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Note 37 provides further information on how the Group accounts for government grants.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to certain research and development projects are included in non-current liabilities as deferred revenue and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.29 Dividend income

Dividends are received from financial assets measured at FVPL. Dividends are recognized as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment.

2.30 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting date.

2.31 Leases

The Group leases properties and offices and land use right as lessee. Rental contracts are typically made for fixed periods of 1 to 50 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs; and

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

2.32 Loss per share

(i) Basic loss per share

Basic loss per share is calculated by dividing:

- the loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and

- by the weighted average number of ordinary shares outstanding during the financial year/period, adjusted for bonus elements in ordinary shares issued during the year/period and excluding treasury shares.

(ii) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Financial risk management

3.1 Financial risk factors

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

(a) **Market risk**

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the group entities' functional currency. The Company's functional currency is USD. The Company's primary subsidiaries were incorporated in the mainland China, Hong Kong, Japan and Singapore, these subsidiaries considered RMB, HKD, JPY and SGD as their functional currency, respectively.

The Group is primarily exposed to changes in RMB/USD exchange rates. As at December 31, 2018, 2019 and 2020 and June 30, 2021, if USD had strengthened/weakened by 10% against RMB with all other variables held constant, the Group's net loss for the year/period would have been RMB909,853,000, RMB997,935,000, RMB806,174,000, and RMB1,304,160,000 higher/lower as a result of foreign exchange gains/losses on translation of USD denominated cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables.

In 2020, the Group entered into certain foreign exchange forward contract to hedge the foreign exchange risk between USD and RMB. These contracts were not qualified for hedge accounting and the loss were recorded in "other (losses)/gains - net" (Note 9).

(ii) Cash flow and fair value interest rate risk

Except for cash and cash equivalents, restricted cash, term deposits (Note 27), structured deposits (Note 26(c)) and long-term receivables (Note 24), the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 36. The Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk for the Track Record Period. Management will continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arises. In addition to borrowings, the long-term payables and preferred shares issued to the investors of the Group expose the Group to fair value interest risk.

As at December 31, 2018, 2019 and 2020 and June 30, 2021, if the Group's interest rates on borrowings obtained at variable rates had been higher/lower by 5%, the net loss for the year/period would have been RMB859,000, RMB1,825,000, RMB212,000 and RMB225,000 higher/lower as a result of higher/lower interest expenses on floating rate borrowings.

The long-term receivables of the Group expose the Group to fair value interest risk. Please refer to Note 24 for the fair value of long-term receivables.

The fair value of long-term payables of the Group was disclosed in Note 32(b).

The preferred shares issued to the investors of the Group expose the Group to fair value interest rate risk before conversion into ordinary shares. Please refer to Note 30 for the fair value of these investments.

(iii) Price risk

The Group is exposed to equity price risk mainly arising from investments held by the Group that are classified as FVPL (Note 26). The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing the Group's liquidity level simultaneously. Each investment is managed by senior management of the Group on a case by case basis.

Sensitivity analysis is performed by management to assess the exposure of the Group's financial results to equity price risk of financial assets at FVPL at the end of each reporting period. If prices of the respective instruments held by the Group had been 5% higher/lower as at December 31, 2018, 2019, 2020 and June 30, 2021, loss for the year/period would have been RMB13,734,000, RMB12,236,000, RMB49,595,000, RMB56,049,000 lower/higher as a result of gains/losses on financial assets at FVPL.

(b) **Credit risk**

Credit risk arises from cash and cash equivalents, restricted cash, term deposits, structured deposits, as well as trade receivables and contract assets, other receivables, amount due from related party and preferred shareholders. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

Risk Management

To manage this risk, cash and cash equivalents, restricted cash, term deposits, structured deposits and interest receivables are mainly placed with reputable commercial banks which are all high-credit-quality financial institutions all over the world.

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. The credit period granted to the customers is usually around 90 to 270 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. In view of the sound collection history of receivables due from them, to measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and aging. Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

For other financial assets carried at amortized cost (excluding prepaid **[REDACTED]** expenses, input VAT to be deducted and prepayments), management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

The entity is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

Impairment of financial assets

The Group has four types of financial assets that are subject to the expected credit loss model:

- cash and cash equivalents, restricted cash, term deposits and structured deposits;
- trade receivables and contract assets (including notes receivables and long-term receivables);
- amount due from preferred shareholders; and
- other receivables.

(i) Cash and cash equivalents, restricted cash, term deposits and structured deposits

To manage risk arising from cash and cash equivalents, restricted cash, term deposits and structured deposits, the Group only transacts with state-owned or reputable financial institutions in mainland China and reputable international financial institutions outside of mainland China. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Cash and cash equivalents, restricted cash and term deposits are also subject to the impairment requirements of IFRS 9, while the identified impairment loss was immaterial.

(ii) Trade receivables and contract assets (including notes receivables and long-term receivables)

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets (including notes receivables and long-term receivables) have been grouped based on shared credit risk characteristics and aging.

The expected loss rates are based on the credit rating of counter parties and the payment profiles of sales over a period of each reporting period and probability of default of counter parties

on an ongoing basis throughout each reporting period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Details of the analysis refer to Note 23 for trade receivables (including notes receivables), Note 5(f) for contract assets and Note 24 for long-term receivables.

(iii) Amount due from preferred shareholders

The main credit risk on amount due from preferred shareholders is limited because the counterparties are professional institutional investors with high credit-ratings and are measured as 12-month expected credit losses. Details of the analysis refer to Note 25.

(iv) Other receivables

Other receivables mainly include refundable deposits, other receivables from third parties and payments on behalf of customers and others. All of the Group's financial assets at amortized cost are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition as described in Note 23.

Trade and other receivables are written off when there is no reasonable expectation of recovery.

Impairment losses on trade and other receivables are presented as net impairment losses within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

The movement of loss allowance for trade receivables and contract assets (including long-term receivables and notes receivables), amount due form preferred shareholders and other receivables during the years ended December 31, 2018, 2019, 2020 and the six months ended June 30, 2020 and 2021 are as below:

	Trade receivables and contract assets (including notes receivables and long-term receivables)	Amount due from preferred shareholders	Other receivables	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening loss allowance as at January 1, 2018	(50,120)	(1,252)	(747)	(52,119)
Increase in loss allowance recognized in profit or loss during the year	(56,548)	(1,295)	(2,820)	(60,663)
As at December 31, 2018 and January 1, 2019	(106,668)	(2,547)	(3,567)	(112,782)
(Increase)/decrease in loss allowance recognized in profit or loss during the year	(117,519)	175	(160,778)	(278,122)
Currency translation differences	(6)	—	—	(6)
As at December 31, 2019 and January 1, 2020	(224,193)	(2,372)	(164,345)	(390,910)
Increase in loss allowance recognized in profit or loss during the year	(428,731)	(12,757)	(80,558)	(522,046)
Receivables written off during the year as uncollectable	4,776	—	—	4,776
As at December 31, 2020 and January 1, 2021	(648,148)	(15,129)	(244,903)	(908,180)
(Increase)/decrease in loss allowance recognized in profit or loss during the period	(179,377)	15,129	(14,402)	(178,650)
Receivables written off during the period as uncollectable	9,645	—	—	9,645
Currency translation differences	10	—	54	64
As at June 30, 2021	(817,870)	—	(259,251)	(1,077,121)
(Unaudited)				
As at January 1, 2020	(224,193)	(2,372)	(164,345)	(390,910)
Increase in loss allowance recognized in profit or loss during the period	(174,796)	(1,534)	(50,838)	(227,168)
Receivables written off during the period as uncollectable	390	—	—	390
Currency translation differences	(25)	—	(99)	(124)
As at June 30, 2020	(398,624)	(3,906)	(215,282)	(617,812)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on their contractual maturity date. The amounts disclosed in the table are the contractual

undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2018					
Borrowings	1,609,095	—	—	—	1,609,095
Lease liabilities	149,069	131,075	228,683	—	508,827
Financial liabilities included in trade and other payables	626,202	—	—	—	626,202
Amount due to preferred shareholders	494,744	—	—	—	494,744
	2,879,110	131,075	228,683	—	3,238,868
At December 31, 2019					
Borrowings	3,419,728	—	—	—	3,419,728
Lease liabilities	147,845	135,604	171,962	—	455,411
Financial liabilities included in trade and other payables	2,661,610	—	—	—	2,661,610
Amount due to preferred shareholders	92,090	—	—	—	92,090
Other non-current liabilities	—	—	279,048	1,502	280,550
	6,321,273	135,604	451,010	1,502	6,909,389
At December 31, 2020					
Borrowings	615,000	44,272	161,585	309,392	1,130,249
Lease liabilities	117,791	106,206	81,651	—	305,648
Long-term payables	—	35,398	35,398	—	70,796
Financial liabilities included in trade and other payables	1,246,216	—	—	—	1,246,216
Amount due to preferred shareholders	5,206,029	—	—	—	5,206,029
Other non-current liabilities	—	—	260,996	—	260,996
	7,185,036	185,876	539,630	309,392	8,219,934
At June 30, 2021					
Borrowings	227,633	48,216	163,657	281,171	720,677
Lease liabilities	115,989	109,393	30,708	—	256,090
Long-term payables	—	35,398	—	—	35,398
Financial liabilities included in trade and other payables	1,167,239	—	—	—	1,167,239
Other non-current liabilities	—	—	258,404	—	258,404
	1,510,861	193,007	452,769	281,171	2,437,808

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital (including share capital, other reserves and Preferred Shares on an as-if-converted basis) by regularly reviewing the capital structure. As a part of this review, the

Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

3.3 Fair value estimation

(a) Fair value hierarchy

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

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2018				
Assets:				
— Financial assets at FVPL	66,659	—	1,784,783	1,851,442
Liabilities:				
— Preferred shares liabilities	—	—	18,506,185	18,506,185
— Other financial liabilities	—	—	260,216	260,216
	—	—	18,766,401	18,766,401

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2019				
Assets:				
— Financial assets at FVPL	47,194	—	2,854,212	2,901,406
Liabilities:				
— Preferred shares liabilities	—	—	27,105,669	27,105,669
— Other financial liabilities	—	—	7,735	7,735
	—	—	27,113,404	27,113,404

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2020				
Assets:				
— Financial assets at FVPL	783,216	—	2,955,352	3,738,568
Liabilities:				
— Preferred shares liabilities	—	—	50,185,657	50,185,657
— Other financial liabilities	—	—	14,005	14,005
	—	—	50,199,662	50,199,662

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at June 30, 2021				
Assets:				
— Financial assets at FVPL	860,556	—	5,826,427	6,686,983
Liabilities:				
— Preferred shares liabilities	—	—	52,036,956	52,036,956

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

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

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

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

(b) **Valuation techniques used to determine fair values**

Specific valuation techniques used to value financial instruments include:

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

There were no changes in valuation techniques during the Track Record Period.

During the year ended December 31, 2018, the investments in 360 DigiTech, Inc. and China Building Materials Information Technology Co., Ltd. (中建材信息技術股份有限公司) were transferred out from level 3 to level 1 as the result of the initial public offering of these investments. For transfers in and out of level 3 measurements see (c) below.

The fair value of trade and other receivables, amount due from preferred shareholders, term deposits, restricted cash, and cash and cash equivalents approximated to their carrying amounts. The fair value of long-term receivables was disclosed in Note 24.

The fair value of trade and other payables, current borrowings, amount due to preferred shareholders approximated to their carrying amounts. The fair value of non-current borrowings was disclosed in Note 36.

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

The following table presents the changes in level 3 items including current and non-current financial assets at fair value through profit or loss for the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2021:

	Financial assets at FVPL
	RMB'000
At January 1, 2018	297,789
Acquisitions	2,572,120
Disposals	(1,136,974)
Transfer out to level 1	(68,029)
Fair value changes	71,814
Foreign currency translation recorded in other comprehensive loss	48,063
At December 31, 2018	1,784,783
At January 1, 2019	1,784,783
Acquisitions	4,878,954
Disposals	(3,697,544)
Fair value changes	(141,289)
Foreign currency translation recorded in other comprehensive loss	29,308
At December 31, 2019	2,854,212

	Financial assets at FVPL
	RMB'000
At January 1, 2020	2,854,212
Acquisitions	7,086,848
Disposals	(6,968,661)
Fair value changes	196,944
Interest received	(63,234)
Foreign currency translation recorded in other comprehensive loss	(150,757)
At December 31, 2020	2,955,352
At January 1, 2021	2,955,352
Acquisitions	11,658,615
Disposals	(8,812,122)
Fair value changes	47,519
Foreign currency translation recorded in other comprehensive loss	(22,937)
At June 30, 2021	5,826,427

The changes of preferred shares liabilities and other financial liabilities for the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2021 have been presented in Note 30(a) and Note 30(b).

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 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.

The following table summarizes the quantitative information about the significant unobservable inputs (except the latest financing information of funding companies and listed companies) used in recurring level 3 fair value measurements. The related information for the preferred shares liabilities and other financial liabilities has been also disclosed in Note 30.

At December 31, 2018

Description	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Debt instruments — Unlisted debt investments	Expected volatility	40.3%-56.2%	The higher the expected volatility, the lower the fair value
	Risk-free rate	2.5%-3.2%	The higher the risk-free rate, the lower the fair value
	Discount for lack of marketability ("DLOM")	24.0%-38.0%	The higher the DLOM, the lower the fair value
Equity instruments — Unlisted equity investments	DLOM	24.0%	The higher the DLOM, the lower the fair value
Preferred Shares and other financial liabilities	Expected volatility	44.9%	The higher the expected volatility, the lower the fair value
	Discount rate	20.0%	The higher the discount rate, the lower the fair value
	DLOM	17.0%	The higher the DLOM, the lower the fair value

At December 31, 2019

Description	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Debt instruments — Unlisted debt investments	Expected volatility	41.5%-54.4%	The higher the expected volatility, the lower the fair value
	Risk-free rate	1.6%-3.1%	The higher the risk-free rate, the lower the fair value
	DLOM	30.0%-36.6%	The higher the DLOM, the lower the fair value
Equity instruments — Unlisted equity investments	DLOM	30.0%	The higher the DLOM, the lower the fair value
Preferred Shares and other financial liabilities	Expected volatility	45.6%	The higher the expected volatility, the lower the fair value
	Discount rate	19.0%	The higher the discount rate, the lower the fair value
	DLOM	14.5%	The higher the DLOM, the lower the fair value

At December 31, 2020

Description	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Debt instruments — Unlisted debt investments	Expected volatility	41.0%-52.8%	The higher the expected volatility, the lower the fair value
	Risk-free rate	0.1%-2.9%	The higher the risk-free rate, the lower the fair value
	DLOM	30.0%	The higher the DLOM, the lower the fair value
Equity instruments — Unlisted equity investments	DLOM	30.0%	The higher the DLOM, the lower the fair value
Preferred Shares and other financial liabilities	Expected volatility	46.1%	The higher the expected volatility, the lower the fair value
	Discount rate	18.0%	The higher the discount rate, the lower the fair value
	DLOM	10.7%	The higher the DLOM, the lower the fair value

At June 30, 2021

Description	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Debt instruments — Unlisted debt investments	Expected volatility	40.7%-57.9%	The higher the expected volatility, the lower the fair value
	Risk-free rate	0.1%-2.9%	The higher the risk-free rate, the lower the fair value
	DLOM	30.0%	The higher the DLOM, the lower the fair value
Equity instruments — Unlisted equity investments	DLOM	30.0%	The higher the DLOM, the lower the fair value
Preferred shares and other financial liabilities	Expected volatility	40.1%	The higher the expected volatility, the lower the fair value
	Discount rate	18.0%	The higher the discount rate, the lower the fair value
	DLOM	7.8%	The higher the DLOM, the lower the fair value
Short-term treasury investments at fair value through profit or loss	Expected rate of return	2.62%-3.70%	The higher the expected rate of return, the higher the fair value

If the fair values of the investments in debt and equity instruments measured at fair value through profit or loss held by the Group had been 10% lower/higher, the loss before income tax for the years ended December 31, 2018, 2019, and 2020 and six months ended June 30, 2020 and 2021 would have been approximately RMB180,452,000, RMB287,662,000, RMB390,466,000, RMB285,836,000 and RMB445,400,000 higher/lower, respectively.

The sensitivity analysis for preferred shares liabilities and other financial liabilities was disclosed in Note 30.

4 Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Impairment assessment of financial assets

The impairment provisions for trade and other receivables, contract assets, amount due from preferred shareholders and long-term receivables are based on assumptions about the expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 3.1(b). Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated income statements.

4.2 Fair value of financial assets at fair value through profit or loss

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. Details of the assumptions and estimates in determination of the fair value are disclosed in Note 3.3.

4.3 Fair value of preferred shares liabilities and other financial liabilities

As disclosed in Note 30, the fair value of preferred shares liabilities and other financial liabilities at the dates of issue and balance sheet dates were determined based on the valuation performed by an independent valuer, using valuation techniques. The Group uses its judgments to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow to determine the business value of the Group, followed by option pricing models to determine the fair value of Preferred Shares liabilities, convertible liabilities and warrant liability, which involved the use of significant accounting estimates and judgments.

4.4 Revenue recognition

(i) Input method of revenue recognition

For certain contracts that the Group provides a total AI software platform and related services of which, revenue is recognized over time since the performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Such revenue is recognized based on the progress towards complete satisfaction in the contracts using input method which is determined as the proportion of the costs incurred for the work performed to date relative to the estimated total costs to complete the contract, to the extent that the amount can be measured reliably and its recovery is considered probable.

(ii) Gross vs net determination

As disclosed in Note 2.26(v), the Group sales hardware and services to its customers under different arrangements, which involves the assessment of revenue recognition on a gross or net basis, i.e. principal vs. agent assessment. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified hardware or services before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified hardware or services; (b) whether the entity has inventory risk before the specified hardware or services has been transferred to a customer; and (c) whether the entity has latitude in establishing the prices for the specified hardware or services. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstances.

4.5 Share-based compensation expenses

The fair value of restricted shares and share options granted are measured on the respective grant dates based on the fair value of the underlying shares. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group. The Group only recognize an expense for those restricted shares and share options expected to vest over the vesting period during which the grantees become unconditionally entitled to those share-based awards. Changes in these estimates and assumptions could have a material effect on determination of the fair value of restricted shares and share options and the amount of such share-based awards vested, which may in turn significantly impact the determination of share-based compensation expenses.

4.6 Current and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the

final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

4.7 Impairment of non-financial assets

At each balance sheet date, the Group reviews internal and external sources of information to identify indications that the plant and equipment, right-of-use assets and intangible assets may be impaired. If an indication of impairment is identified, such information is further subject to an exercise that requires the Group to estimate the recoverable value, representing the greater of the fair value less cost of disposal of such asset or its value in use. Depending on the Group's assessment of complexity of deriving reasonable estimates of the recoverable value, the Group may perform such assessment utilizing internal resources or the Group may engage external advisors to counsel the Group in making this assessment. Regardless of the resources utilized, the Group is required to make assumptions for this assessment, including the utilization of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable value of the asset.

5 Segment information

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

(a) **Geographical information**

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in four principal geographical areas of the world. The following table shows the Group's total consolidated revenue by location of the customers during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Mainland China	1,533,736	2,551,406	2,684,040	457,619	1,412,976
Northeast Asia	201,368	188,892	443,692	227,217	203,002
Southeast Asia	84,893	257,297	192,194	94,717	21,671
Others*	33,425	29,008	126,239	81,610	14,160
	1,853,422	3,026,603	3,446,165	861,163	1,651,809

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

(b) **Non-current assets**

The total of the non-current assets including property, plant and equipment, right-of-use assets and intangible assets as at December 31, 2018, 2019 and 2020 and June 30, 2021, broken down by the location of the assets, is as follows:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mainland China	951,114	2,230,788	2,187,159	2,450,886
Northeast Asia	33,629	59,310	60,151	65,599
Southeast Asia	18,698	40,255	31,696	25,463
Others	76,182	107,543	71,453	56,262
	1,079,623	2,437,896	2,350,459	2,598,210

(c) **Information about major customers**

The major customers which contributed more than 10% of total revenue of the Group for the years ended December 31, 2018, 2019 and 2020 and for the six months ended June 30, 2020 and June 30, 2021 are listed as below:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Percentage of revenue from the major customers to the total revenue of the Group					
Customer A	*	*	11.94%	*	14.92%
Customer B	*	*	*	15.07%	*
Customer C	*	*	*	*	22.90%

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

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

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue					
— recognized point in time	1,716,970	2,847,100	3,158,469	687,346	1,575,292
— recognized over time	136,452	179,503	287,696	173,817	76,517
	1,853,422	3,026,603	3,446,165	861,163	1,651,809

(e) During the Track Record Period, the Group determines revenue should be reported on a gross or net basis based on principal/agent assessment (Note 2.26(v)). Disaggregation of revenue on a gross or a net basis is as follow:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue					
— gross	1,847,482	2,932,422	3,390,505	833,069	1,651,209
— net	5,940	94,181	55,660	28,094	600
	1,853,422	3,026,603	3,446,165	861,163	1,651,809

(f) **Contract assets**

(i) The Group has recognized the following contract assets with customers:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	5,224	867	23,560	27,129
Loss allowance	(236)	(81)	(1,096)	(5,494)
	4,988	786	22,464	21,635
Non-current assets	308	4,042	4,280	1,488
Loss allowance	(14)	(787)	(1,551)	(124)
	294	3,255	2,729	1,364
	5,282	4,041	25,193	22,999

The following table shows how much of the revenue, which was included in the contract liability balance at the beginning of the period, recognized during the Track Record Period relates to carried-forward contract liabilities.

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue recognized that were included in the contract liabilities at the beginning of the reporting period	16,489	52,384	110,858	80,407	169,664

(ii) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from long-term contracts:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied	—	—	9,341	19,227

Management expects that 33% and 21% of the transaction price allocated to unsatisfied performance obligations as of December 31, 2020 and June 30, 2021 will be recognized as revenue during the next reporting period. The remaining 67% and 79% will be recognized over one year. The amount disclosed above does not include variable consideration which is constrained.

All other contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6 Expenses by nature

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

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Employee benefit expenses (Note 7)	807,877	1,788,091	2,962,482	1,778,013	2,690,750
Hardware costs and project subcontracting service fees	766,783	1,228,243	909,491	204,860	382,982
Depreciation and amortization (Note 16, Note 17 and Note 18)	159,488	377,505	569,652	276,152	301,362
Professional service and other consulting fees	142,579	434,328	575,098	226,152	263,310
Marketing, conferences and traveling expenses	98,658	179,939	139,390	55,464	75,537
Share-based compensation to a preferred shareholder (i) (Note 30(a)(ii))	85,617	—	—	—	—
Server operation and cloud based service fees	82,409	172,384	149,776	73,422	95,035
Data labeling fees	76,729	83,201	59,195	32,517	19,347
Utilities, property management and administrative expenses	48,204	104,957	110,408	50,912	34,098
Research and development tools and consumables	9,357	20,673	29,543	9,306	18,278
Auditor's remuneration for audit service	2,550	3,660	4,445	—	—
[REDACTED] expenses	—	—	—	—	23,451
Other expenses	32,353	49,312	84,515	28,549	49,760
Total	2,312,604	4,442,293	5,593,995	2,735,347	3,953,910

(i) Pursuant to the Series C-1 preferred shares subscription agreements, one investor acquired Series C-1 Preferred Shares at a cash consideration of USD73,053,000 (equivalent to RMB459,022,000) and became the strategic partner of the Group. The fair value of the preferred shares issued as of the issuance date exceeded the cash consideration received and the difference of RMB85,617,000, thereof was charged into the consolidated income statements of 2018 given no vesting condition exists.

7 Employee benefit expenses

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries and bonuses	686,902	1,443,708	1,821,342	836,122	1,071,684
Contributions to pension plans (i)	46,108	91,419	80,882	30,536	82,574
Housing fund, medical insurance and other social insurance	59,803	121,945	173,215	70,870	115,485
Share-based compensation expenses (Note 31)	15,064	131,019	887,043	840,485	1,421,007
	807,877	1,788,091	2,962,482	1,778,013	2,690,750

(i) According to policies issued by the Ministry of Human Resources and Social Security and local municipal departments, due to the impact from Coronavirus Disease 2019 (COVID-19), social security relief policies have been successively implemented by local authorities. As such, the social insurance expenses for the period from February to December 2020 have been reduced accordingly.

The employees of the Group in the PRC are members of state-managed defined contribution scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme. The employees of the Group in Hong Kong join MPF, a defined contribution plan.

(i) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021 include 2, 1, 3, 3 and 3 directors respectively, whose emoluments are disclosed in the Note 41. The emoluments payable to the remaining 3, 4, 2, 2 and 2 individuals during the respective year/period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries and bonus	9,879	11,776	7,736	3,849	6,326
Pension, housing fund, medical insurance and other social insurance	77	98	79	39	21
Other social security costs, housing benefits and other employee benefits	64	76	43	17	5
Share-based compensation expenses	1,773	28,852	49,293	40,653	13,515
	11,793	40,802	57,151	44,558	19,867

(ii) The emoluments of the 3, 4, 2, 2 and 2 individuals fell within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Emoluments bands:					
HKD 3,500,001 to HKD 4,000,000	1	—	—	—	—
HKD 4,000,001 to HKD 4,500,000	1	—	—	—	—
HKD 6,000,001 to HKD 6,500,000	1	—	—	—	—
HKD 7,500,001 to HKD 8,000,000	—	1	—	—	—
HKD 9,000,001 to HKD 9,500,000	—	1	—	—	—
HKD 11,500,001 to HKD 12,000,000	—	—	—	—	1
HKD 12,000,001 to HKD 12,500,000	—	—	—	—	1
HKD 14,500,000 to HKD 15,000,000	—	2	—	—	—
HKD 21,500,001 to HKD 22,000,000	—	—	—	1	—
HKD 27,500,001 to HKD 28,000,000	—	—	—	1	—
HKD 29,500,001 to HKD 30,000,000	—	—	1	—	—
HKD 34,000,001 to HKD 34,500,000	—	—	1	—	—
Total	3	4	2	2	2

8 Other income

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Government grants					
— Financial subsidies (i)	173,230	213,457	322,784	31,079	106,350
— Tax refund (ii)	33,479	35,480	30,000	11,120	11,043
Dividend received	—	3,903	—	—	6,172
	206,709	252,840	352,784	42,199	123,565

(i) Governments grants received during the year/period primarily comprised the financial subsidies received from various local government authorities in the mainland China and Hong Kong China and Middle East. There are no unfulfilled conditions or contingencies relating to these incomes.

(ii) During the Track Record Period, the Group sold self-developed software products to its customers. The value-added taxes ("VAT") was collected at a tax rate of 17%, 16% starting from May 2018 and 13% starting from April 2019 and the refund-upon-collection policy was applied to self-developed software products which is typically the portion of VAT actually paid that exceeds 3% of the revenue. The Group recorded the refunded VAT as "other income" when it obtained approvals from the local tax authorities and received the refunds.

9 Other (losses)/gains — net

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Fair value gains/(losses) on financial assets at fair value through profit or loss (Note 26(d))	70,475	(118,069)	170,711	(51,179)	147,860
Fair value losses on foreign exchange forward contracts	—	—	(72,666)	(211)	—
Gain on disposal of an associate	2,199	—	—	—	—
Realization of gains from downstream transactions from associates (Note 12)	157	612	151	75	75
Donations (i)	(59,503)	(25,245)	(3,657)	(824)	(2,888)
Net foreign exchange (losses)/gains	(38,581)	(16,778)	407,520	(57,622)	63,073
Losses on disposal of property, plant and equipment	(130)	(389)	(1,609)	(817)	(3,550)
Loss on disposal of a subsidiary	—	(405)	—	—	—
Others	(272)	(5,238)	4,864	2,413	1,876
	(25,655)	(165,512)	505,314	(108,165)	206,446

(i) Donations represented the donations made to certain colleges and universities in mainland China and Hong Kong during the Track Record Period.

10 Finance income — net

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Interest income	102,766	266,277	171,991	95,011	91,472
Accretion income for long-term receivables	2,557	1,782	2,911	1,498	5,134
Interest expenses on long-term payables	—	—	—	—	(1,588)
Interest expenses on bank borrowings	(21,509)	(129,920)	(95,679)	(60,347)	(14,294)
Interest and finance charges paid/payable for lease liabilities (Note 17)	(7,979)	(19,954)	(16,830)	(8,361)	(5,903)
	75,835	118,185	62,393	27,801	74,821

11 Subsidiaries

(a) Subsidiaries of the Group

The Company's principal subsidiaries (including Consolidated Affiliated Entities) during the Track Record Period are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country/region of incorporation or registration is also their principal place of business.

	Effective interest held In terms of %								
	As at December 31,			As at June 30,	As of report	Date of establishment/	Issued capital/paid in		Place of
Name of entity	2018	2019	2020	2021	date	incorporation	capital	Business activities	Operation	Note
Directly held by the Company:										
SenseTime Group Limited	100%	100%	100%	100%	100%	October 30, 2014	HKD108,914,958	Sales of software products and provision of related services	Hong Kong, China	(b)(i)
MobileTime Intelligence Group Inc.	—	—	100%	100%	100%	January 21, 2020	USD1	Holding company	Cayman Islands	(a)
SenseTime Management Group Limited	100%	100%	100%	100%	100%	October 30, 2018	USD1	Holding company	BVI	(a)
SenseMeet Investment Limited	100%	100%	100%	100%	100%	September 26, 2018	USD1	Holding company	BVI	(a)
SenseTime MiddleEast Holding Limited	—	100%	100%	100%	100%	July 23, 2019	USD1	Holding company	BVI	(a)
SenseEnergy Investment Limited	100%	100%	100%	100%	100%	November 22, 2017	USD2	Holding company	Cayman Islands	(a)
PowerTensors Group Inc.	—	—	100%	100%	100%	January 8, 2020	USD1	Holding company	Cayman Islands	(a)
SenseForce Investment Limited	100%	100%	100%	100%	100%	November 23, 2017	USD1	Holding company	BVI	(a)
SenseSquare Investment Limited	—	—	—	100%	100%	January 7, 2021	USD1	Holding company	BVI	(a)
Share-based compensation plan vehicles:										
Sense Talent Limited	100%	100%	100%	100%	100%	December 23, 2016	*	Holding company	Hong Kong, China	(b)(xi)
SenseTalent Management Limited	100%	100%	100%	100%	100%	August 1, 2018	*	Holding company	BVI	(a)
Indirectly held by the Company:										
SensePower Management Limited	100%	100%	100%	100%	100%	September 26, 2017	USD201	Holding company	BVI	(a)
SenseCore Investment Limited	100%	100%	100%	100%	100%	March 21, 2018	USD1	Holding company	BVI	(a)
SenseView Investment Limited	100%	100%	100%	100%	100%	March 21, 2018	USD1	Holding company	BVI	(a)
SenseGame Investment Limited	100%	100%	100%	100%	100%	April 11, 2018	USD1	Holding company	BVI	(a)
SenseChannel Investment Limited	100%	100%	100%	100%	100%	July 5, 2018	USD1	Holding company	BVI	(a)
SenseAisle Investment Limited	100%	100%	100%	100%	100%	July 5, 2018	USD1	Holding company	BVI	(a)
SenseFast Investment Limited	100%	100%	100%	100%	100%	September 17, 2018	USD1	Holding company	BVI	(a)
SenseSpeedy Investment Limited	100%	100%	100%	100%	100%	September 17, 2018	USD1	Holding company	BVI	(a)

* represents that the amount is less than USD1.

Name of entity	Effective interest held In terms of %					Date of establishment/ incorporation	Issued capital/paid in capital	Business activities	Place of Operation	Note
	As at December 31,			As at June 30,	As of report date					
	2018	2019	2020	2021						
SenseCross Investment Limited	100%	100%	100%	100%	100%	September 26, 2018	USD1	Holding company	BVI	(a)
SenseMoutain Management Limited*	—	100%	100%	—	—	April 29, 2019	USD1	Holding company	BVI	(a)
SenseMotion Investment Limited*	—	100%	100%	—	—	April 29, 2019	USD1	Holding company	BVI	(a)
SenseRobot Management L.P.*	—	100%	100%	—	—	April 30, 2019	USD1	Holding company	BVI	(a)
SenseBrave Investment Limited	—	100%	100%	100%	100%	October 2, 2019	USD1	Holding company	BVI	(a)
SenseBright Investment Limited	—	100%	100%	100%	100%	October 2, 2019	USD1	Holding company	BVI	(a)
SenseNature Investment Limited	—	100%	100%	100%	100%	October 2, 2019	USD1	Holding company	BVI	(a)
SenseTime Technology Malaysia Sdn. Bhd.	—	100%	100%	100%	100%	December 17, 2019	MYR2,000,000	Holding company	Malaysia	(a)
SenseTime KSA Information Systems Technology	—	100%	100%	100%	100%	November 13, 2019	Saudi Riyal 1,000,000	Holding company	Saudi Arabia	(b)(iii)
SenseBrain Technology Limited	100%	100%	100%	100%	100%	March 14, 2018	USD900,000	Operation Entity	USA	(a)
SenseTime International Pte. Ltd.	100%	100%	100%	100%	100%	January 17, 2018	USD100,100,000	Sales of software products and provision of related services	Singapore	(b)(vii)
SenseTime Singapore Management Pte. Ltd.	100%	100%	100%	100%	100%	December 21, 2018	USD50,000	Holding company	Singapore	(b)(viii)
Tetras.AI Singapore Pte. Ltd. (formerly named "Sensescene Singapore Technology Pte. Ltd.")	—	55%	55%	55%	55%	March 14, 2019	USD40,275,000	Operation Entity	Singapore	(b)(viii)
Tetras AI Hong Kong Co., Limited (formerly named "Sensescene Technology HongKong Co., Limited")	—	55%	55%	55%	55%	April 8, 2019	USD34,320,000	Operation Entity	Hong Kong, China	(b)(ix), (b)(v)
SenseTime Macau Technology Limited	—	—	100%	100%	100%	October 14, 2020	MOP20,000,000	Operation Entity	Macau, China	(a)
SenseTime Investment Limited	—	—	—	100%	100%	October 27, 2017	HKD1	Operation Entity	Hong Kong, China	(b)(vi)
PowerTensors Technology Limited	—	—	100%	100%	100%	February 24, 2020	HKD1	Holding company	Hong Kong, China	(a)

* These companies were fully disposed in 2021.

Name of entity	Effective interest held In terms of %				Date of establishment/ incorporation	Issued capital/ paid in capital	Business activities	Place of Operation	Note
	As at December 31,			As at June 30,	As of report date				
	2018	2019	2020	2021					
SenseTime Korea Technology Ltd.	—	—	—	100%	100%	April 28, 2021	Nil paid	Operation Entity	Korea	(a)
Tetras.AI Korea Ltd.	—	—	55%	55%	55%	October 21, 2020	KRW 100,000,000	JV Company	Korea	(a)
Kabushiki Kaisha SenseTime Japan ("SenseTime Japan")	100%	100%	100%	100%	100%	January 13, 2016	JPY8,000,000	Sales of software products and provision of related services	Kyoto, Japan	(a)
Kabushiki Kaisha SenseTime EastAsia Holding	100%	100%	100%	100%	100%	December 14, 2018	JPY12,000,000	Holding company	Kyoto, Japan	(a)
SenseTime Middle East Technology Limited	—	100%	100%	100%	100%	October 24, 2019	AED50,000	Holding company	Abu Dhabi	(a)
SenseTime Technology FZ-LLC	—	100%	100%	100%	100%	April 9, 2019	AED50,000	Holding company	Dubai	(a)
Shenzhen Tetras.AI Technology Co., Ltd. (深圳市慧鯉科技有限公司, formerly named 深圳市商湯智能傳感科技有限公司)	—	55%	55%	55%	55%	July 11, 2019	USD30,000,000	Development and sale of AI sensor technology and system integration technology.	Shenzhen, China	(b)(v)
Beijing SenseTime Technology Development Co., Ltd. (北京市商湯科技開發有限公司, "Beijing SenseTime")	100%	100%	100%	100%	100%	November 14, 2014	RMB150,000,000	Sales of software products and provision of related services	Beijing, China	(b)(ii)
Shenzhen SenseTime Technology Co., Ltd. (深圳市商湯科技有限公司, "Shenzhen SenseTime")	100%	100%	100%	100%	100%	May 15, 2015	RMB1,100,000,000	Sales of software products and provision of related services	Shenzhen, China	(b)(ii)
Xinjiang Tangli Technology Co., Ltd. (新疆湯立科技有限公司, "Xinjiang Tangli")*	51%	—	—	—	—	January 17, 2018	RMB15,000,000	Sales of software products and provision of related services	Xinjiang, China	(b)(iii)

* Xinjiang Tangli was fully disposed in 2019.

Name of entity	Effective interest held In terms of %					Date of establishment/ incorporation	Issued capital/paid in capital	Business activities	Place of Operation	Note
	As at December 31,			As at June 30,	As of report date					
	2018	2019	2020	2021						
Zhejiang SenseTime Technology Development Co., Ltd. (浙江商湯科技開發有限公司)	100%	100%	100%	100%	100%	August 31, 2017	RMB225,000,000	Sales of software products and provision of related services	Zhejiang, China	(b)(ii)
SenseTime Jutong Technology Development (Hangzhou) Co., Ltd. (商湯炬瞳科技開發(杭州)有限公司)	100%	100%	100%	100%	100%	August 21, 2017	RMB53,000,000	Development of software products and provision of related services	Zhejiang, China	(a)
Tibet SenseTime Venture Capital Management Co., Ltd. (西藏商湯創業投資管理有限責任公司)	100%	100%	100%	100%	100%	August 31, 2017	RMB23,101,000	Investment holdings and management Development of software products and provision of related services	Tibet, China	(a)
Shenzhen StarAds Technology Co., Ltd. (深圳市星advert互動科技有限公司, "StarAds")*	46%	46%	46%	46%	46%	July 24, 2017	RMB12,880,000	Development of software products and provision of related services	Shenzhen, China	(a)
Linkface Technology Limited	100%	100%	100%	100%	100%	November 12, 2015	HKD1	Development of software products and provision of related services	Hong Kong, China	(b)(x)
Shanghai Jutong Software Development Co., Ltd. (上海炬瞳軟件開發有限公司)	100%	100%	100%	100%	100%	February 7, 2017	Nil paid	Sales of software products and provision of related services	Shanghai, China	(a)
Shanghai SenseTime Intelligent Technology Co., Ltd. (上海商湯智能科技有限公司)	100%	100%	100%	100%	100%	December 15, 2017	RMB4,002,204,604	Development of software products and provision of related services	Shanghai, China	(b)(ii)
Ningbo Shangyun Software Co., Ltd. (寧波市商蘊軟件有限公司)	100%	100%	100%	100%	100%	December 27, 2017	RMB5,000,000	Development of software products and provision of related services	Zhejiang, China	(a)

* Based on the majority voting rights stipulated on the association of StarAds , it was accounted as a subsidiary due to 3 out of 5 directors of StarAds were appointed by the Group, and all the key decisions related to StarAds 's relevant activities are decided by simple majority of the directors.

Name of entity	Effective interest held In terms of %					Date of establishment/ incorporation	Issued capital/ paid in capital	Business activities	Place of Operation	Note
	As at December 31,			As at June 30,	As of report date					
	2018	2019	2020	2021						
Ningbo Shangsheng Software Co., Ltd. (寧波市商升軟件有限公司)	100%	100%	100%	100%	100%	January 31, 2018	RMB5,000,000	Development of software products and provision of related services	Zhejiang, China	(a)
Ningbo Shangyi Software Co., Ltd. (寧波市商毅軟件有限公司)	100%	100%	100%	100%	100%	January 18, 2018	RMB5,000,000	Development of software products and provision of related services	Zhejiang, China	(a)
Ningbo Shanglian Software Co., Ltd. (寧波市商連軟件有限公司)	100%	100%	100%	100%	100%	January 18, 2018	RMB5,000,000	Development of software products and provision of related services	Zhejiang, China	(a)
Ningbo Shangrui Software Co., Ltd. (寧波市商睿軟件有限公司)	100%	100%	100%	100%	100%	November 12, 2018	RMB5,000,000	Development of software products and provision of related services	Zhejiang, China	(a)
Ningbo Shangchen Software Co., Ltd. (寧波市商琛軟件有限公司)	100%	100%	100%	100%	100%	November 12, 2018	RMB5,000,000	Development of software products and provision of related services	Zhejiang, China	(a)
Ningbo Shanghao Software Co., Ltd. (寧波市商灝軟件有限公司)	100%	100%	100%	100%	100%	November 12, 2018	RMB5,000,000	Development of software products and provision of related services	Zhejiang, China	(a)
Hangzhou Shanggu Enterprise Management Limited (杭州商穀企業管理有限公司)	100%	100%	100%	100%	100%	June 7, 2018	RMB27,000,000	Management consulting Sales of software products and provision of related services	Zhejiang, China	(a)
Chengdu SenseTime Technology Co., Ltd. (成都商湯科技有限公司)	100%	100%	100%	100%	100%	June 13, 2018	RMB100,000,000		Sichuan, China	(b)(iv)

Name of entity	Effective interest held In terms of %				As of report date	Date of establishment/ incorporation	Issued capital/ paid in capital	Business activities	Place of Operation	Note
	As at December 31,			As at June 30,						
	2018	2019	2020	2021						
Shanghai SenseTime Lingang Intelligent Technology Co., Ltd. (上海商湯臨港智能科技有限公司, formerly named 上海商湯視覺科技有限公司)	100%	100%	100%	100%	100%	July 11, 2018	RMB100,000,000	Development of software products and provision of related services	Shanghai, China	(b)(v)
Chongqing SenseTime Technology Co., Ltd. (重慶商湯科技有限公司)	100%	100%	100%	100%	100%	October 18, 2018	RMB3,000,000	Development of software products and provision of related services	Chongqing, China	(a)
Shanghai SenseTime Information Technology Co., Ltd. (上海商湯信息科技有限公司)	100%	100%	100%	100%	100%	December 18, 2018	RMB6,000,000	Development of software products and provision of related services	Shanghai, China	(a)
Shanghai Qianyang Information Technology Co., Ltd. (上海阡颺信息科技有限公司)	—	100%	100%	100%	100%	February 25, 2019	RMB3,500,000	Information transportation, software and information services	Shanghai, China	(a)
Shanghai Yuqin Information Technology Co., Ltd. (上海煜芩信息科技有限公司)	—	100%	100%	100%	100%	March 20, 2019	RMB1,150,500,000	Information transportation, software and information services	Shanghai, China	(a)
Shanghai SenseTime Education Technology Co., Ltd. (上海商湯教育科技有限公司)	—	100%	100%	100%	100%	September 5, 2019	Nil paid	Education	Shanghai, China	(a)
SenseTime Dongnan (Fujian) Technology Co., Ltd. (商湯東南(福建)科技有限公司)	—	51%	51%	51%	51%	April 19, 2019	RMB20,000,000	Wholesale and retail	Fujian, China	(b)(iv)
Ningbo Shangheng Software Co., Ltd. (寧波市商珩軟件有限公司)	100%	100%	100%	100%	100%	December 24, 2018	Nil paid	Development of software products and provision of related services	Zhejiang, China	(a)
Ningbo Shangyill Software Co., Ltd. (寧波市商懿軟件有限公司)	100%	100%	100%	100%	100%	December 24, 2018	Nil paid	Development of software products and provision of related services	Zhejiang, China	(a)

Name of entity	Effective interest held In terms of %				As of report date	Date of establishment/ incorporation	Issued capital/ paid in capital	Business activities	Place of Operation	Note
	As at December 31,			As at June 30,						
	2018	2019	2020	2021						
Ningbo Shangyong Software Co., Ltd. (寧波市商雍軟件有限公司)	100%	100%	100%	100%	100%	December 24, 2018	Nil paid	Development of software products and provision of related services	Zhejiang, China	(a)
Ningbo Shangmin Software Co., Ltd. (寧波市商旻軟件有限公司)	100%	100%	100%	100%	100%	December 24, 2018	RMB5,000,000	Development of software products and provision of related services	Zhejiang, China	(a)
Ningbo Shangqia Software Co., Ltd. (寧波市商洽軟件有限公司)	100%	100%	100%	100%	100%	December 24, 2018	Nil paid	Development of software products and provision of related services	Zhejiang, China	(a)
Ningbo Qianshi Enterprise Management Partners LP (寧波仟誓企業管理合夥企業(有限合夥))	—	100%	100%	100%	100%	April 11, 2019	Nil paid	Leasing and business services	Zhejiang, China	(a)
Qingdao SenseTime Technology Co., Ltd. (青島商湯科技有限公司)	—	100%	100%	100%	100%	November 29, 2019	USD40,000,000	Sales of software products and provision of related services	Shandong, China	(a)
Hainan SenseTime Technology Co., Ltd. (海南商湯科技有限公司)	—	100%	100%	100%	100%	November 29, 2019	RMB33,000,000	Sales of software products and provision of related services	Hainan, China	(a)
SenseTime Artificial Intelligent Research Center (商湯人工智能研究中心(深圳)有限公司)	—	—	100%	100%	100%	January 9, 2020	RMB1,000,000	Research and development of AI technology	Shenzhen, China	(a)
Shanghai SenseTime Technology Development Co., Ltd. (上海商湯科技開發有限公司)	—	—	100%	100%	100%	January 16, 2020	RMB1,200,000,000	Development of computer vision technology and provision of related services	Shanghai, China	(b)(v)

Name of entity	Effective interest held In terms of %				Date of establishment/ incorporation	Issued capital/ paid in capital	Business activities	Place of Operation	Note
	As at December 31,			As at June 30,					
	2018	2019	2020	2021	As at report date				
Jiangsu Nanjing SenseTime Intelligent Technology Co., Ltd. (江蘇南京商湯智能科技有限公司)	—	—	100%	100%	100%	March 16, 2020 RMB6,000,000	Provision of system integration services and software development services Provision of AI technology consulting services and IC design services	Jiangsu, China	(a)
Shanghai PowerTensors Intelligent Technology Co., Ltd. (上海陴量智能科技有限公司)	—	—	100%	100%	100%	May 6, 2020 USD13,200,000	Provision of system integration services and software development services Provision of AI technology consulting services and IC design services	Shanghai, China	(a)
Shanghai MobileTime Technology Co., Ltd. (上海睥正科技有限公司)	—	—	100%	100%	100%	July 21, 2020 RMB300,000,000	Provision of AI technology consulting services and IC design services Development of AI platform and provision and sale of software and hardware	Shanghai, China	(a)
Shanghai Qianlun Technology Co., Ltd. (上海阡倫科技有限公司)	—	—	100%	100%	100%	September 17, 2020 Nil paid		Shanghai, China	(a)
Xi'an SenseTime Intelligent Technology Co., Ltd. (西安商湯智能科技有限公司)	—	—	100%	100%	100%	September 22, 2020 RMB100,000,000	Development and sale of software, provision of related services	Shan'xi, China	(a)
Beijing SugARSoft Intelligent Technology Co., Ltd. (北京綿白糖智能科技有限公司, "Beijing SugARSoft")	—	—	—	—	100%	November 2, 2020 Nil paid		Beijing, China	(a)
Beijing Chengtang Consulting Management Co., Ltd. (北京成唐諮詢管理有限公司)	—	—	—	—	100%	May 26, 2021 RMB10,000,000	Management Consulting	Beijing, China	(a)
Beijing Guoxiang Shangheng Equity Investment Fund Partnership (Limited Partnership) (北京國香商桓股權投資基金合夥企業(有限合夥))	—	—	—	—	[69%]	August 11, 2021 RMB360,000,000	Private equity investments	Beijing, China	(a)

Name of entity	Effective interest held In terms of %					Date of establishment/ incorporation	Issued capital/ paid in capital	Business activities	Place of Operation	Note
	As at December 31,			As at June 30,	As of report date					
	2018	2019	2020	2021						
Ningbo Shangjin Software Co., Ltd. (寧波市商錦軟件有限公司)	—	—	100%	100%	100%	December 4, 2020	Nil paid	Development and sale of software, provision of related services	Zhejiang, China	(a)
Ningbo Shanglun Software Co., Ltd. (寧波市商倫軟件有限公司)	—	—	100%	100%	100%	December 18, 2020	Nil paid	Development and sale of software, provision of related services	Zhejiang, China	(a)
Ningbo Shangone Software Co., Ltd. (寧波市商壹軟件有限公司)	—	—	100%	100%	100%	December 18, 2020	Nil paid	Development and provision of technology support services	Zhejiang, China	(a)
Ningbo Shangyu Software Co., Ltd. (寧波市商彧軟件有限公司)	—	—	100%	100%	100%	December 18, 2020	Nil paid	Development and provision of technology support services	Zhejiang, China	(a)
Ningbo Shangzhi Software Co., Ltd. (寧波市商摯軟件有限公司)	—	—	100%	100%	100%	December 18, 2020	Nil paid	Development and sale of software, provision of related services	Zhejiang, China	(a)
Hefei SenseTime Intelligent Technology Co., Ltd. (合肥商湯智能科技有限公司)	—	—	—	100%	100%	March 9, 2021	RMB500,000	Provision of system integration services and software development services	Anhui, China	(a)
Shanghai Guoxiang Equity Investment Management Co., Ltd. (上海國香股權投資管理有限公司)	100%	100%	100%	100%	100%	February 8, 2018	RMB30,000,000	Investment holdings and management	Shanghai, China	(a)
Shanghai Guoxiang Goodwill Investment Management Co., Ltd. (上海國香商譽投資管理有限公司)	100%	100%	100%	100%	100%	April 8, 2018	RMB25,000,000	Investment holdings and management	Shanghai, China	(b)(ii)
Shenzhen SenseTime Intelligent Technology Co., Ltd. (深圳商湯智能科技有限公司)	—	—	—	100%	100%	April 26, 2021	Nil paid	Development and sale of software, provision of related services	Shenzhen, China	(a)
Beijing Sweet SugARSoft Technology Co., Ltd. (北京大甜綿白糖科技有限公司)	—	—	—	100%	100%	April 26, 2021	Nil paid	Development and sale of software, provision of related services	Beijing, China	(a)

Name of entity	Effective interest held In terms of %					Date of establishment/ incorporation	Issued capital/ paid in capital	Business activities	Place of Operation	Note
	As at December 31,			As at June 30,	As of					
	2018	2019	2020	2021	report date					
Shanghai Trisolaran Intelligent Technology Co., Ltd. (上海三體星人智能科技有限公司)	—	—	—	100%	100%	May 19, 2021	Nil paid	Provision of advertisement publishing services, development of computer technology and digital culture creativity	Shanghai, China	(a)
Minghan Intelligence (Shenzhen) Co., Ltd. (銘翰智能(深圳)有限責任公司)	100%	100%	100%	100%	100%	October 29, 2018	RMB1,000,000	Provision of system integration services and software development services	Shenzhen, China	(a)
Shenzhen Huizhichuangsheng Technology Co., Ltd. (深圳市匯智創盛科技有限公司)	—	—	—	100%	100%	September 26, 2016	RMB1,920,000	Development and sale of software, provision of related services	Shenzhen, China	(a)
Tianjin Guoxiang Venture Capital Fund Partnership (limited partnership) (天津國香創業投資基金合夥企業(有限合夥), "Tianjin Guoxiang")*	—	50%	50%	50%	50%	March 25, 2019	RMB60,000,000	Private equity investments.	Tianjin, China	(b)(iv)
Nantong SenseTime Technology Co., Ltd. (南通商湯科技有限公司)	—	—	100%	100%	100%	December 17, 2020	USD30,000,000	Provision of system integration services and software development services.	Jiangsu, China	(a)
Beijing Guoxiang Shangheng Fund Management Co., Ltd. (北京國香商恒私募基金管理有限公司)	—	—	—	100%	100%	May 31, 2021	RMB5,000,000	Private equity investments	Beijing, China	(a)
Xin'an Intelligent Data Technology (Hebei) Co., Ltd. (信安智能數據科技(河北)有限公司)	—	—	—	100%	100%	June 11, 2021	Nil paid	Provision of system integration services and software development services	Hebei, China	(a)
Shenzhen Guoxiang Zhengxin Investment Partnership (Limited Partnership) (深圳國香正信投資合夥企業(有限合夥))	—	—	—	100%	100%	June 21, 2021	Nil paid	Private equity investments	Shenzhen, China	(a)

* As Tianjin Guoxiang was controlled by its executive partner Guoxiang Equity Investment Management Co., Ltd, which was a 100% wholly owned subsidiary of the Group, Tianjin Guoxiang was accounted for as a subsidiary.

(a) No audited financial statements were issued for these companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

(b) The statutory auditors of these companies for the Track Record Period were as follows:

(i) The financial statements were audited by PricewaterhouseCoopers for the years ended December 31, 2018, 2019 and 2020.

(ii) The financial statements were audited by PricewaterhouseCoopers Zhong Tian LLP for the years ended December 31, 2018, 2019 and 2020.

(iii) The financial statements were audited by PricewaterhouseCoopers Zhong Tian LLP for the year ended December 31, 2018.

(iv) The financial statements were audited by PricewaterhouseCoopers Zhong Tian LLP for the years ended December 31, 2019 and 2020.

(v) The financial statements were audited by PricewaterhouseCoopers Zhong Tian LLP for the year ended December 31, 2020.

(vi) The financial statements were audited by PricewaterhouseCoopers for the years ended December 31, 2019 and 2020.

(vii) The financial statements were audited by PricewaterhouseCoopers LLP for the years ended December 31, 2018, 2019 and 2020.

(viii) The financial statements were audited by PricewaterhouseCoopers LLP for the years ended December 31, 2019 and 2020.

(ix) The financial statements were audited by Kristine Y.K. Wong CPA (PRACTISING) for the year ended December 31, 2019.

(x) The financial statements were audited by Kristine Y.K. Wong CPA (PRACTISING) for the years ended December 31, 2018, 2019 and 2020.

(xi) The financial statements were audited by Willis Cheng & Company CPA (PRACTISING) for the years ended December 31, 2018, 2019 and 2020.

(xii) The financial statements were audited by Guangju CPA LLP for the years ended December 31, 2018 and 2019.

(xiii) The financial statements were audited by IBR AHIM IKHTABI Certified Public Accountant for fourteen months ended December 31, 2020.

(b) Investment in subsidiaries — the Company

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments in subsidiaries	91,244	91,244	91,244	106,463
Deemed investment arising from share-based compensation	353,511	484,530	1,371,573	2,792,580
	444,755	575,774	1,462,817	2,899,043

12 Investments accounted for using the equity method

The amounts of investments accounted for using the equity method recognized in the consolidated balance sheets are as follows:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Associates	52,309	50,870	64,247	49,799	61,761
Joint ventures	8,335	8,268	6,078	7,533	5,193
	60,644	59,138	70,325	57,332	66,954

The movements for investments in associates and joint ventures during the Track Record Period are as below:

	Associates	Joint ventures	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2018	70,326	—	70,326
Additions	4,000	9,025	13,025
Disposal	(30,501)	—	(30,501)
Share of loss	(10,652)	(665)	(11,317)
Realization of unrealized profit	157	—	157
Share of changes of other reserves	18,979	—	18,979
Currency translation differences	—	(25)	(25)
At December 31, 2018 and January 1, 2019	52,309	8,335	60,644
Additions	—	735	735
Share of loss	(2,051)	(970)	(3,021)
Realization of unrealized profit	612	—	612
Currency translation differences	—	168	168
At December 31, 2019 and January 1, 2020	50,870	8,268	59,138
Additions	17,500	—	17,500
Share of loss	(4,274)	(1,781)	(6,055)
Realization of unrealized profit	151	—	151
Currency translation differences	—	(409)	(409)
At December 31, 2020 and January 1, 2021	64,247	6,078	70,325
Share of loss	(2,561)	(819)	(3,380)
Realization of unrealized profit	75	—	75
Currency translation differences	—	(66)	(66)
At June 30, 2021	61,761	5,193	66,954

The associates and joint ventures of the Group have been accounted by using the equity method based on the financial information of the associates and joint ventures prepared under the accounting policies consistent with the Group.

The associates and joint ventures with significant capital investment were assessed with high recoverable amounts whilst the remaining entities were still in their early stage with insignificant expenditure incurred. The Company also engaged an independent valuer to provide assistance in its impairment assessment for the major associates and joint ventures. Based on their assessment, no impairment provision was required for these associates and joint ventures as at June 30, 2021.

The associates and joint ventures are all private companies and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interests in associates and joint ventures.

The aggregated carrying amount of these individually immaterial associates and joint ventures and the Group's shares during the Track Record Period are as below:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Aggregate carrying amount of associates	52,309	50,870	64,247	49,799	61,761
Aggregate amounts of the Group's share of loss from operations	(10,652)	(2,051)	(4,274)	(1,146)	(2,561)
Aggregate carrying amount of joint ventures	8,335	8,268	6,078	7,533	5,193
Aggregate amounts of the Group's share of loss from operations	(665)	(970)	(1,781)	(885)	(819)

13 Income tax credit

(i) Cayman Islands

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

(ii) British Virgin Islands

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

(iii) Hong Kong

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

(iv) Singapore

Singapore income tax rate is 17% during the Track Record Period. A concessionary rate of 5% was granted by Singapore Economic Development Board for a period of 5 years starting from January 1, 2019 for income derived from qualifying activities. No Singapore profits tax was provided for as there was no estimated assessable profit that was subject to Singapore profits tax during the Track Record Period.

(v) Japan

Enterprise incorporated in Japan are subject to income tax rate at the state level of 23.2% during the Track Record Period.

(vi) 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 Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

Beijing SenseTime and Shenzhen SenseTime 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 Track Record Period. This status is subject to a requirement that Beijing SenseTime and Shenzhen SenseTime reapply for HNTEs status every three years.

(vii) 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 meets the conditions and requirements under the double taxation treaty arrangement entered into between mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

During the Track Record Period, no deferred income tax liability on WHT was accrued as at the end of each reporting period because the subsidiaries of the Group were loss making in these years or periods.

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current income tax	2,777	19,989	26,036	7,478	5,962
Deferred income tax (Note 20)	(26,273)	(225,158)	(186,706)	(157,867)	(85,998)
Income tax credit	(23,496)	(205,169)	(160,670)	(150,389)	(80,036)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the consolidated entities as follows:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Loss before tax	(3,456,245)	(5,172,861)	(12,319,017)	(5,483,189)	(3,792,909)
Tax calculated at statutory tax rates applicable to each group entity	(29,711)	(301,904)	(256,288)	(327,244)	(348,183)
Tax effects of:					
Super deduction for research and development expenses (a)	(79,479)	(183,122)	(209,410)	(96,889)	(86,494)
Income not subject to tax	(15,289)	(41,434)	(94,461)	(4,258)	(29,141)
Associates and joint ventures' results reported net of tax	984	3,309	364	294	354
Expenses not deductible for tax purpose	11,310	75,038	173,795	138,846	237,825
Tax losses for which no deferred income tax asset was recognized (b)	73,517	201,759	158,462	97,368	108,023
Other temporary difference for which no deferred income tax asset was recognized	12,094	27,238	62,450	52,476	32,554
Accrued withholding tax of royalty fee	1,756	5,512	8,395	—	2,805
Income tax final settlement difference of previous year	996	857	(4,067)	(4,067)	2,594
Utilization of previously unrecognized tax losses and temporary differences	(857)	119	(216)	(71)	—
Reversal of previously recognized tax losses	—	6,237	442	—	—
Others	1,183	1,222	(136)	(6,844)	(373)
Tax credit	(23,496)	(205,169)	(160,670)	(150,389)	(80,036)

(a) Super deduction for research and development expenses

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction") during the Track Record Period.

(b) The Group only recognizes deferred income tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilize those tax losses. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. As at December 31, 2018, 2019 and 2020 and June 30, 2021, the Group did not recognize deferred income tax assets of RMB109,954,000, RMB307,443,000, RMB471,308,000 and RMB584,673,000 respectively. The expiration dates of unused tax losses for which no deferred tax asset has been recognized are as follows:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2021	—	—	—	—
2022	364	364	364	364
2023	11,780	11,780	11,780	11,780
2024	—	87,797	87,797	87,797
2025	22,350	22,350	200,639	204,078
2026	65,372	65,372	65,372	170,999
2027	49,395	49,395	49,395	49,395
2028	416,029	416,029	416,029	416,029
2029	—	963,974	963,974	963,974
2030	—	—	688,746	700,077
2031	—	—	—	479,744
Indefinitely	144,595	342,285	471,282	520,991
	709,885	1,959,346	2,955,378	3,605,228

14 Loss per share

Basic

The basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares issued during the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021.

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Loss attributable to owners of the Company (RMB'000)	(3,427,778)	(4,962,548)	(12,158,193)	(5,323,782)	(3,702,589)
Weighted average number of ordinary shares in issue	8,865,103,895	8,848,423,136	9,123,174,037	8,842,118,395	9,404,428,177
Basic loss per share (expressed in RMB per share)	(0.39)	(0.56)	(1.33)	(0.60)	(0.39)

Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has five categories of dilutive potential ordinary shares: Preferred Shares, warrant liability, convertible liabilities, restricted share units ("RSUs"), and share options. As the Group incurred losses for the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021, 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 years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021 are the same as basic loss per share of the respective periods.

15 Dividends

No dividend had been declared or paid by the Company during the Track Record Period.

16 Property, plant and equipment

	Buildings and facilities	Leasehold improvement	Large-scale electronic equipment	Computers and related equipment	Office equipment and furniture	Transportation equipment and vehicles	Other equipment	Construction in progress	Total
Year ended December 31, 2018									
At January 1, 2018	—	1,166	104,168	17,853	1,485	319	—	8	124,999
Additions	—	72,575	378,219	42,706	9,668	2,156	—	38,239	543,563
Internal transfer	—	—	13,046	11,785	1,232	1,592	—	(27,655)	—
Disposals	—	—	(5)	(134)	(123)	—	—	—	(262)
Depreciation charge	—	(10,690)	(57,101)	(15,549)	(944)	(392)	—	—	(84,676)
Currency translation differences	—	562	459	417	131	8	—	48	1,625
Closing net book amount	—	63,613	438,786	57,078	11,449	3,683	—	10,640	585,249
At December 31, 2018									
Cost	—	74,304	511,488	80,532	12,686	4,091	—	10,640	693,741
Accumulated depreciation	—	(10,691)	(72,702)	(23,454)	(1,237)	(408)	—	—	(108,492)
Net book amount	—	63,613	438,786	57,078	11,449	3,683	—	10,640	585,249
Year ended December 31, 2019									
At January 1, 2019	—	63,613	438,786	57,078	11,449	3,683	—	10,640	585,249
Additions	952,900	48,124	229,939	232,747	19,222	9,732	3,176	31,224	1,527,064
Internal transfer	—	11,369	—	—	—	—	—	(11,369)	—
Disposals	—	(470)	(2,781)	(993)	(609)	—	(13)	(1,508)	(6,374)
Depreciation charge	(103)	(35,344)	(117,119)	(55,790)	(3,181)	(1,877)	(313)	—	(213,727)
Currency translation differences	177	229	280	424	280	4	273	40	1,707
Closing net book amount	952,974	87,521	549,105	233,466	27,161	11,542	3,123	29,027	1,893,919
At December 31, 2019									
Cost	953,078	133,557	738,506	310,966	31,317	13,162	3,331	29,027	2,212,944
Accumulated depreciation	(104)	(46,036)	(189,401)	(77,500)	(4,156)	(1,620)	(208)	—	(319,025)
Net book amount	952,974	87,521	549,105	233,466	27,161	11,542	3,123	29,027	1,893,919

	Buildings and facilities	Leasehold improvement	Large-scale electronic equipment	Computers and related equipment	Office equipment and furniture	Transportation equipment and vehicles	Other equipment	Construction in progress	Total
Year ended December 31, 2020									
At January 1, 2020	952,974	87,521	549,105	233,466	27,161	11,542	3,123	29,027	1,893,919
Additions	3,953	28,761	137,871	48,760	11,875	13,450	1,676	143,694	390,040
Internal transfer	4,572	35,745	—	—	33	—	—	(40,350)	—
Disposals	(92)	—	(1,394)	(934)	(693)	(22)	(104)	—	(3,239)
Depreciation charge	(45,029)	(54,991)	(155,971)	(103,487)	(7,094)	(4,094)	(290)	—	(370,956)
Currency translation differences	(254)	(734)	(1,472)	(527)	(207)	(6)	(78)	(7)	(3,285)
Closing net book amount	916,124	96,302	528,139	177,278	31,075	20,870	4,327	132,364	1,906,479
At December 31, 2020									
Cost	961,217	197,328	869,086	341,562	41,677	27,140	4,819	132,364	2,575,193
Accumulated depreciation	(45,093)	(101,026)	(340,947)	(164,284)	(10,602)	(6,270)	(492)	—	(668,714)
Net book amount	916,124	96,302	528,139	177,278	31,075	20,870	4,327	132,364	1,906,479
Six months ended June 30, 2021									
At January 1, 2021	916,124	96,302	528,139	177,278	31,075	20,870	4,327	132,364	1,906,479
Additions	—	7,785	275,960	26,193	3,761	3,137	—	230,481	547,317
Internal transfer	75	12,036	—	5,821	508	—	23	(18,463)	—
Disposals	(48)	—	(3,181)	(7,252)	(60)	—	—	—	(10,541)
Depreciation charge	(22,521)	(32,078)	(98,882)	(52,477)	(4,021)	(3,400)	(192)	—	(213,571)
Currency translation differences	(1,173)	(117)	(255)	(740)	(709)	(1)	(363)	(217)	(3,575)
Closing net book amount	892,457	83,928	701,781	148,823	30,554	20,606	3,795	344,165	2,226,109
At June 30, 2021									
Cost	960,030	216,956	1,140,669	357,226	44,907	30,115	4,536	344,165	3,098,604
Accumulated depreciation	(67,573)	(133,028)	(438,888)	(208,403)	(14,353)	(9,509)	(741)	—	(872,495)
Net book amount	892,457	83,928	701,781	148,823	30,554	20,606	3,795	344,165	2,226,109

(a) During the Track Record Period, the amounts of depreciation expense charged to research and development expenses, administrative expenses and selling expenses are as follows:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Depreciation of property, plant and equipment					
— Research and development expenses	71,624	163,273	241,453	118,155	139,365
— Administrative expenses	12,131	39,647	113,853	52,342	63,724
— Selling expenses	921	10,807	15,650	7,576	10,482
Depreciation expenses charged to profit or loss	84,676	213,727	370,956	178,073	213,571

17 Right-of-use assets and lease liabilities

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

(i) Amounts recognized in the consolidated balance sheets

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

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets				
Leased buildings	454,819	404,228	268,725	212,062
Land use right	—	—	67,223	66,546
	454,819	404,228	335,948	278,608
Lease liabilities				
Current	131,082	123,031	109,524	109,569
Non-current	334,596	295,742	184,113	134,449
	465,678	418,773	293,637	244,018

(ii) Amounts recognized in the consolidated income statements

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

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Depreciation charge of right-of-use assets					
Leased buildings	70,455	141,251	140,562	76,764	61,334
Land use right	—	—	451	—	677
	70,455	141,251	141,013	76,764	62,011
Interest expense (included in finance income — net)	7,979	19,954	16,830	8,361	5,903

The total cash outflow for leases for the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021 were RMB67,702,000, RMB157,699,000, RMB145,091,000, RMB77,241,000 and RMB60,347,000.

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

The Group leases various offices buildings and land use right. Rental contracts are typically 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.

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

	Leased buildings	Land use right	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended December 31, 2018			
Opening net book amount	29,934	—	29,934
Additions	495,463	—	495,463
Depreciation charge	(70,455)	—	(70,455)
Currency translation differences	(123)	—	(123)
Closing net book amount	454,819	—	454,819
As at December 31, 2018			
Cost	525,397	—	525,397
Accumulated depreciation	(70,578)	—	(70,578)
Net book amount	454,819	—	454,819
Year ended December 31, 2019			
Opening net book amount	454,819	—	454,819
Additions	91,572	—	91,572
Early termination	(672)	—	(672)
Depreciation charge	(141,251)	—	(141,251)
Currency translation differences	(240)	—	(240)
Closing net book amount	404,228	—	404,228
As at December 31, 2019			
Cost	615,692	—	615,692
Accumulated depreciation	(211,464)	—	(211,464)
Net book amount	404,228	—	404,228
Year ended December 31, 2020			
Opening net book amount	404,228	—	404,228
Additions	50,803	67,674	118,477
Early termination	(12,976)	—	(12,976)
Modification of leasing contracts	(33,133)	—	(33,133)
Depreciation charge	(140,562)	(451)	(141,013)
Currency translation differences	365	—	365
Closing net book amount	268,725	67,223	335,948
As at December 31, 2020			
Cost	620,126	67,674	687,800
Accumulated depreciation	(351,401)	(451)	(351,852)
Net book amount	268,725	67,223	335,948
Six months ended June 30, 2021			
Opening net book amount	268,725	67,223	335,948
Additions	4,826	—	4,826

	Leased buildings	Land use right	Total
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge	(61,334)	(677)	(62,011)
Currency translation differences	(155)	—	(155)
Closing net book amount	212,062	66,546	278,608
As at June 30, 2021			
Cost	624,952	67,674	692,626
Accumulated depreciation	(412,890)	(1,128)	(414,018)
Net book amount	212,062	66,546	278,608

Depreciation of the right-of-use assets was all included in the administrative expenses in the consolidated income statements during the Track Record Period.

18 Intangible assets

	Patents	Trademarks	Computer software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2018				
Opening net book amount	10,184	16	111	10,311
Additions	29,738	—	2,815	32,553
Amortization charge	(4,144)	(2)	(211)	(4,357)
Currency translation differences	1,027	1	20	1,048
Closing net book amount	36,805	15	2,735	39,555
As at December 31, 2018				
Cost	41,275	23	3,048	44,346
Accumulated amortization	(4,470)	(8)	(313)	(4,791)
Net book amount	36,805	15	2,735	39,555
Year ended December 31, 2019				
Opening net book amount	36,805	15	2,735	39,555
Additions	40,172	—	81,609	121,781
Amortization charge	(16,089)	(2)	(6,436)	(22,527)
Currency translation differences	889	—	51	940
Closing net book amount	61,777	13	77,959	139,749
As at December 31, 2019				
Cost	82,806	23	84,508	167,337
Accumulated amortization	(21,029)	(10)	(6,549)	(27,588)
Net book amount	61,777	13	77,959	139,749
Year ended December 31, 2020				
Opening net book amount	61,777	13	77,959	139,749
Additions	2,669	—	25,414	28,083
Amortization charge	(29,114)	(2)	(28,567)	(57,683)
Currency translation differences	(1,870)	(1)	(246)	(2,117)
Closing net book amount	33,462	10	74,560	108,032
As at December 31, 2020				
Cost	68,791	22	109,539	178,352
Accumulated amortization	(35,329)	(12)	(34,979)	(70,320)
Net book amount	33,462	10	74,560	108,032
Six months ended June 30, 2021				
Opening net book amount	33,462	10	74,560	108,032
Additions	8	—	11,704	11,712
Amortization charge	(8,370)	(1)	(17,409)	(25,780)
Currency translation differences	(286)	—	(185)	(471)
Closing net book amount	24,814	9	68,670	93,493
As at June 30, 2021				
Cost	68,166	22	120,973	189,161
Accumulated amortization	(43,352)	(13)	(52,303)	(95,668)
Net book amount	24,814	9	68,670	93,493

During the Track Record Period, the amounts of amortization expense charged to research and development expenses, administrative expenses and selling expenses are as follows:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Research and development expenses	3,204	20,677	49,816	17,748	21,367
Administrative expenses	1,153	1,730	7,754	3,567	4,187
Selling expenses	—	120	113	—	226
	4,357	22,527	57,683	21,315	25,780

19 Other non-current assets

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance payment for property, plant and equipment purchases	64,545	7,701	12,649	45,537
Others	—	77	56	4,878
	64,545	7,778	12,705	50,415

20 Deferred income tax

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

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets:				
— to be recovered within 12 months	82,333	135,849	198,087	177,930
— to be recovered after more than 12 months	27,257	186,060	292,750	387,368
Offset by deferred tax liabilities	(69,655)	(60,740)	(40,554)	(26,439)
Net deferred income tax assets	39,935	261,169	450,283	538,859
Deferred income tax liabilities:				
— to be recovered within 12 months	—	—	—	—
— to be recovered after more than 12 months	(77,994)	(66,256)	(48,162)	(36,846)
Offset by deferred income tax assets	69,655	60,740	40,554	26,439
Net deferred income tax liabilities	(8,339)	(5,516)	(7,608)	(10,407)

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

Deferred income tax assets	Tax losses carried forward	Impairment provision on financial assets	Unrealized profit	Fair value changes on financial assets carried at FVPL	Lease liabilities	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2018	1,841	3,432	—	—	79,665	304	85,242
Credit/(charged) to the consolidated income statement	25,670	6,058	526	135	(8,349)	562	24,602
Currency translation differences	(254)	—	—	—	—	—	(254)
At December 31, 2018	27,257	9,490	526	135	71,316	866	109,590
Credit/(charged) to the consolidated income statement	159,905	37,406	23,796	669	(9,161)	805	213,420
Disposals of subsidiaries	(1,226)	—	—	—	—	—	(1,226)
Currency translation differences	125	—	—	—	—	—	125
At December 31, 2019	186,061	46,896	24,322	804	62,155	1,671	321,909
Credit/(charged) to the consolidated income statement	106,374	74,220	(7,414)	5,077	(18,567)	8,922	168,612
Currency translation differences	316	—	—	—	—	—	316
At December 31, 2020	292,751	121,116	16,908	5,881	43,588	10,593	490,837
Credit/(charged) to the consolidated income statement	27,377	50,186	(559)	(612)	(12,797)	11,087	74,682
Currency translation differences	(221)	—	—	—	—	—	(221)
At June 30, 2021	319,907	171,302	16,349	5,269	30,791	21,680	565,298

Deferred income tax liabilities	Fair value changes on financial assets carried at FVPL	Right-of-use assets	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2018	—	(79,665)	—	(79,665)
(Charged)/credit to the consolidated income statement	(8,339)	10,010	—	1,671
At December 31, 2018	(8,339)	(69,655)	—	(77,994)
Credit/(charged) to the consolidated income statement	2,823	9,300	(385)	11,738
At December 31, 2019	(5,516)	(60,355)	(385)	(66,256)
(Charged)/credit to the consolidated income statement	(2,092)	20,290	(104)	18,094
At December 31, 2020	(7,608)	(40,065)	(489)	(48,162)
(Charged)/credit to the consolidated income statement	(2,277)	13,626	(33)	11,316
At June 30, 2021	(9,885)	(26,439)	(522)	(36,846)

21 Inventories

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Purchased hardware and components	65,944	152,909	415,894	377,071
Contract fulfillment cost	60,458	294,033	336,191	339,426
	126,402	446,942	752,085	716,497
Less: allowance for impairment of inventories	(9,116)	(16,883)	(36,564)	(49,340)
	117,286	430,059	715,521	667,157

The provision for impairment of inventories recorded as cost of sales during the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2020 and 2021 were RMB9,116,000, RMB13,430,000, RMB23,138,000, RMB8,687,000 and RMB16,286,000, respectively.

22 Financial instruments by category

The Group holds the following financial instruments:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Financial assets at amortized cost:				
— Financial assets included in trade and other receivables (Note 23)	1,374,781	4,544,877	4,419,872	3,805,092
— Amount due from preferred shareholders (Note 25)	1,391,451	878,900	8,593,109	—
— Long-term receivables (Note 24)	96,898	46,239	127,502	221,116
— Restricted cash (Note 27)	2,138,999	4,284,298	493,364	477,548
— Term deposits (Note 27)	1,407,737	1,286,116	5,890,189	7,938,748
— Cash and cash equivalents (Note 27)	7,227,109	6,672,914	11,427,871	8,925,817
Financial assets at fair value through profit or loss (Note 26)	1,851,442	2,901,406	3,738,568	6,686,983
	15,488,417	20,614,750	34,690,475	28,055,304

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities:				
Financial liabilities at amortized cost:				
— Borrowings (Note 36)	1,557,241	3,356,526	1,016,561	621,917
— Lease liabilities (Note 17)	465,678	418,773	293,637	244,018
— Long-term payables (Note 32(b))	—	—	66,148	32,337
— Financial liabilities included in trade and other payables (Note 32)	626,202	2,661,610	1,246,216	1,167,239
— Amount due to preferred shareholders (Note 33)	494,744	92,090	5,206,029	—
— Other non-current liabilities (Note 35)	—	280,550	260,996	258,404
Financial liabilities at fair value through profit or loss:				
— Preferred shares liabilities (Note 30(a))	18,506,185	27,105,669	50,185,657	52,036,956
— Other financial liabilities (Note 30(b))	260,216	7,735	14,005	—
	21,910,266	33,922,953	58,289,249	54,360,871

23 Trade, other receivables and prepayments

The Group

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes receivables (i)	34,704	58,285	209,513	53,778
Provision for impairment	(435)	(718)	(2,127)	(11,005)
	34,269	57,567	207,386	42,773
Trade receivables (ii)				
— Due from related parties (Note 40(c))	279,760	159,187	186,743	146,144
— Due from third parties	1,051,792	2,455,667	3,561,703	3,780,000
Gross trade receivables	1,331,552	2,614,854	3,748,446	3,926,144
Provision for impairment	(101,985)	(211,626)	(609,786)	(784,760)
	1,229,567	2,403,228	3,138,660	3,141,384
Other receivables (iii)				
— Refundable deposits (a)	53,307	63,583	60,314	70,816
— Loans to third parties (b)	10,003	10,003	38,838	—
— Loans to related parties (b)	833	833	14,093	666
— Payments on behalf of customers (c)	—	2,110,663	1,098,364	699,924
— Others (d)	50,369	63,345	107,120	108,780
Gross other receivables	114,512	2,248,427	1,318,729	880,186
Provision for impairment (e)	(3,567)	(164,345)	(244,903)	(259,251)
	110,945	2,084,082	1,073,826	620,935
Prepayments	69,055	113,959	119,374	146,500
Prepaid **[REDACTED]** expenses	—	—	—	2,135
Input VAT to be deducted	23,326	19,257	44,302	83,085
Total trade, other receivables and prepayments	1,467,162	4,678,093	4,583,548	4,036,812

As at December 31, 2018, 2019, 2020 and June 30, 2021, the fair value of trade and other receivables of the Group, except for the prepayments and input VAT to be deducted which are not financial assets, approximated their carrying amounts.

The carrying amounts of the Group's trade, other receivables and prepayments, excluding provision for impairment, are denominated in the following currencies:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	1,500,136	4,798,902	5,142,749	4,668,428
HKD	55,786	3,200	34,596	59,974
JPY	9,393	14,427	25,749	2,319
SGD	5,693	196,725	114,795	134,876
USD	2,141	21,340	85,170	127,065
Others	—	20,188	37,305	99,166
	1,573,149	5,054,782	5,440,364	5,091,828

(i) **Notes receivables**

The aging of notes receivables is within 180 days, which is within the Group's credit terms.

(ii) **Trade receivables**

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 December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 6 months	1,078,835	1,631,490	2,078,068	1,260,422
6 months to 1 year	166,871	576,716	231,988	1,377,000
1 to 2 years	75,407	378,457	1,152,067	898,479
2 to 3 years	10,238	18,084	258,975	335,312
More than 3 years	201	10,107	27,348	54,931
	1,331,552	2,614,854	3,748,446	3,926,144

Due to the short-term nature of the current receivables, their carrying amounts are considered to be approximately the same as their fair values.

The Group does not hold any collateral as security over these debtors.

Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. On the basis as described in

Note 3.1(b), the loss allowance for trade receivables as at December 31, 2018, 2019, 2020 and June 30, 2021 are determined as follows:

As at December 31, 2018, no individually impaired trade receivables.

At December 31, 2018	Up to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Total
Expected credit loss rate	4.52%	16.16%	30.25%	32.57%	54.23%	—	N.A.
Gross carrying amount — trade receivables (RMB'000)	1,078,835	166,871	75,407	10,238	201	—	1,331,552
Loss allowance (RMB'000)	(48,764)	(26,966)	(22,811)	(3,335)	(109)	—	(101,985)

As at December 31, 2019, the loss allowance of individually impaired trade receivables is determined as follows:

Individual	Trade receivables	Expected credit loss rate	Loss allowance	Reason
	RMB'000	*%*	*RMB'000*	
Trade receivables	5,415	100%	(5,415)	The likelihood of recovery

At December 31, 2019	Up to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Total
Expected credit loss rate	2.80%	9.39%	25.06%	42.93%	56.54%	—	N.A.
Gross carrying amount — trade receivables (RMB'000)	1,631,437	575,790	376,406	18,034	7,772	—	2,609,439
Loss allowance (RMB'000)	(45,681)	(54,067)	(94,327)	(7,742)	(4,394)	—	(206,211)

As at December 31, 2020, the loss allowance of individually impaired trade receivables is determined as follows:

Individual	Trade receivables	Expected credit loss rate	Loss allowance	Reason
	RMB'000	*%*	*RMB'000*	
Trade receivables	8,163	100%	(8,163)	The likelihood of recovery

At December 31, 2020	Up to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Total
Expected credit loss rate	4.67%	12.65%	29.27%	47.42%	56.80%	100.00%	N.A.
Gross carrying amount — trade receivables (RMB'000)	2,078,067	231,918	1,149,668	256,556	16,422	7,652	3,740,283
Loss allowance (RMB'000)	(97,139)	(29,338)	(336,507)	(121,659)	(9,328)	(7,652)	(601,623)

As at June 30, 2021, the loss allowance of individually impaired trade receivables is determined as follows:

Individual	Trade receivables	Expected credit loss rate	Loss allowance	Reason
	RMB'000	*%*	*RMB'000*	
Trade receivables	75,407	30.72%	(23,163)	The likelihood of recovery

At June 30, 2021	Up to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Total
Expected credit loss rate	7.74%	16.51%	29.43%	46.42%	56.88%	100.00%	N.A.
Gross carrying amount — trade receivables (RMB'000)	1,258,921	1,312,001	897,046	331,799	49,735	1,235	3,850,737
Loss allowance (RMB'000)	(97,440)	(216,611)	(264,001)	(154,021)	(28,289)	(1,235)	(761,597)

(iii) **Other receivables**

(a) *Refundable deposits*

Refundable deposits consists primarily of security deposits for rental and projects.

(b) *Loans to third parities and related parties*

During the Track Record Period, the Group granted loans to third parties and related parties for its general business operations. These loans were repayable on demand. Majority of the outstanding balances have been settled during the six months ended June 30, 2021.

(c) *Payments on behalf of customers*

Payments on behalf of customers represent receivables arising from the sales transactions the Group acting as an agent. As discussed in Note 2.26(v) and Note 4.4(ii), the Group assessed whether revenue should be reporting on a gross or net basis for each sales transaction. For certain sales transactions where the Group acts as agent during the Track Record Period, revenue is recorded on a net basis and the receivables arising from these transactions were recorded in other receivables.

(d) *Others*

Others primarily include staff advance and receivables due from staff for exercise of restricted shares and share options.

(e) *Impairment and risk exposure*

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past

experiences incorporating forward-looking information. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

ECL model for other receivables, as summarized below:

- The other receivables that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis;

- If a significant increase in credit risk (as defined below) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis;

- If the financial instrument is credit-impaired (as defined below), the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis; and

- Under Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortized cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfer between stage 1 and stage 2 or 3 due to other receivables experiencing significant increases (or decreases) of credit risk in the period, and the subsequent "step up" (or "step down") between 12-month and Lifetime ECL;

- Additional allowances for new financial instruments recognized, as well as releases for other receivables derecognized in the period; and

- Other receivables derecognized and write-offs of allowance related to assets that were written off during the period.

The Group considers customers as follows:

- 'Stage 1' — Customers who have a low risk of default and a strong capacity to meet contractual cash flows;

- 'Stage 2' — Customers whose repayments are due past but with reasonable expectation of recovery; and

- 'Stage 3' — Customers whose repayments are due past and with low reasonable expectation of recovery.

Loss allowance

The following tables explain the changes in the loss allowance for other receivables between the beginning and the end of the years/periods:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross carrying amount as of December 31, 2018	114,512	—	—	114,512
Loss Allowance as of December 31, 2018	(3,567)	—	—	(3,567)
Expected credit loss rate	3.11%	—	—	N.A.
Gross carrying amount as of December 31, 2019	2,004,443	—	243,984	2,248,427
Loss Allowance as of December 31, 2019	(56,797)	—	(107,548)	(164,345)
Expected credit loss rate	2.83%	—	44.08%	N.A.
Gross carrying amount as of December 31, 2020	1,036,181	—	282,548	1,318,729
Loss Allowance as of December 31, 2020	(27,662)	—	(217,241)	(244,903)
Expected credit loss rate	2.67%	—	76.89%	N.A.
Gross carrying amount as of June 30, 2021	582,278	—	297,908	880,186
Loss Allowance as of June 30, 2021	(22,532)	—	(236,719)	(259,251)
Expected credit loss rate	3.87%	—	79.46%	N.A.

The Company

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from subsidiaries	11,938,841	16,953,235	22,489,573	31,021,921
Prepaid **[REDACTED]** expenses	—	—	—	2,135
	11,938,841	16,953,235	22,489,573	31,024,056
Less: provision for impairment	(11,939)	(16,951)	(22,475)	(31,025)
	11,926,902	16,936,284	22,467,098	30,993,031

24 Long-term receivables

Long-term receivables represented the receivables due for settlement by installments, which are generally between 1 to 5 years. Long-term receivables contains significant financing components.

Accordingly, these receivables are recognized initially at fair value and subsequently at amortized 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 analyzed in the following table.

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payment by installment sales contract	100,896	98,525	171,249	443,691
Less: due within one year	—	(41,305)	(10,159)	(206,088)
	100,896	57,220	161,090	237,603
Less: provision for impairment	(3,998)	(10,981)	(33,588)	(16,487)
	96,898	46,239	127,502	221,116

The fair value of long-term receivables during the Track Record Period is as follows:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair value	96,826	45,966	127,386	221,732

Impairment and risk exposure

All of long-term receivables are denominated in RMB. As a result, there is no exposure to foreign currency risk.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for long-term receivables. On the basis as described in Note 3.1, the loss allowance for long-term receivables as at December 31, 2018, 2019, 2020 and June 30, 2021 are determined as follows:

As at December 31, 2018, the loss allowance of impaired long term receivables is determined as follows:

	Trade receivables	Expected credit loss rate	Loss allowance	Reason
	RMB'000	*%*	*RMB'000*	
Long-term receivables	100,896	3.96%	(3,998)	The likelihood of recovery

As at December 31, 2019, the loss allowance of impaired long term receivables is determined as follows:

	Trade receivables	Expected credit loss rate	Loss allowance	Reason
	RMB'000	*%*	*RMB'000*	
Long-term receivables	57,220	19.19%	(10,981)	The likelihood of recovery

As at December 31, 2020, the loss allowance of impaired long term receivables is determined as follows:

	Trade receivables	Expected credit loss rate	Loss allowance	Reason
	RMB'000	*%*	*RMB'000*	
Long-term receivables	161,090	20.85%	(33,588)	The likelihood of recovery

As at June 30, 2021, the loss allowance of impaired long term receivables is determined as follows:

	Trade receivables	Expected credit loss rate	Loss allowance	Reason
	RMB'000	*%*	*RMB'000*	
Long-term receivables	237,603	6.94%	(16,487)	The likelihood of recovery

The decrease in expected credit loss rate for long-term receivables as at June 30, 2021 was due to the change in customer portfolio, primarily attributable to the reclassification of current portion of long-term receivables with higher expected credit loss rate to trade receivables.

25 Amount due from preferred shareholders

Amount due from preferred shareholders represented the proceeds from subscription of preferred shares have not been received by the Company that the Company has already issued preferred shares to preferred shareholders. Some preferred shareholders paid RMB equivalent amounts as deposits to subsidiaries of the Company which was recorded as amount due to preferred shareholders during the Track Record Period (Note 33). The preferred shareholders settled all these outstanding balances during the six months ended June 30, 2021.

The loss allowance was assessed for amount due from preferred shareholders and analyzed in Note 3.1(b).

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from preferred shareholders	1,393,998	881,272	8,608,238	—
Less: provision for impairment	(2,547)	(2,372)	(15,129)	—
	1,391,451	878,900	8,593,109	—

26 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 fair value through profit or loss (FVPL):

- Debt investments that do not qualify for measurement at either amortized cost or FVOCI;
- Equity investments that are held for trading; and
- Equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

Financial assets mandatorily measured at FVPL include the following:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Debt investments (a)				
— Unlisted	1,472,063	2,442,272	2,453,104	2,858,230
— Fund	104,709	214,424	291,501	519,277
Equity investments (b)				
— Listed	66,659	47,194	783,216	860,556
— Unlisted	208,011	197,516	208,675	260,431
Derivative — Put option liability (Note 2.21(d))	—	—	2,072	2,115
	1,851,442	2,901,406	3,738,568	4,500,609
Current assets				
Structured deposits (c)	—	—	—	2,186,374
	1,851,442	2,901,406	3,738,568	6,686,983

(a) Debt investments

The movement of the debt investments during the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	133,235	1,576,772	2,656,696	2,744,605
Additions	1,338,084	1,202,954	150,848	684,615
Disposals	—	—	(2,600)	(32,349)
Interest received	—	—	(63,234)	—
Fair value changes	65,285	(149,292)	139,949	1,562
Currency translation differences	40,168	26,262	(137,054)	(20,926)
At end of the year/period	1,576,772	2,656,696	2,744,605	3,377,507

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

(b) Equity investments

The movement of the equity investments during the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	4,555	274,670	244,710	991,891
Additions	273,404	34,732	806,732	82,347
Disposals	(10,317)	(75,965)	—	(46,159)
Fair value changes	(467)	9,945	(4,637)	104,109
Currency translation differences	7,495	1,328	(54,914)	(11,201)
At end of the year/period	274,670	244,710	991,891	1,120,987

The fair values of the listed securities are determined based on the closing price quoted in active markets. The fair values of the unlisted securities are measured using a valuation technique with unobservable inputs. The major assumptions used in the valuation refer to Note 3.3(c).

(c) Structured deposits

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

The movement of the wealth management products during the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	160,000	—	—	—
Additions	961,000	3,676,000	6,933,000	10,924,000
Disposals	(1,126,657)	(3,697,544)	(6,966,061)	(8,779,772)
Fair value changes	5,657	21,544	33,061	42,146
At end of the year/period	—	—	—	2,186,374

(d) Amounts recognized in the consolidated income statements

During the Track Record Period, the following gains/(losses) were recognized in the consolidated income statements:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Fair value gains/(losses) on investments in:					
Debt investments	65,285	(149,292)	139,949	(53,627)	1,562
Equity investments	(467)	9,945	(4,637)	(1,602)	104,109
Derivative	—	(266)	2,338	17	43
Structured deposits	5,657	21,544	33,061	4,033	42,146
	70,475	(118,069)	170,711	(51,179)	147,860

(e) Risk exposure and fair value measurements

Information about the Group's exposure to financial risk and information about the methods and assumptions used in determining fair value are set out in Note 3.3.

27 Cash and cash equivalents, restricted cash and term deposits

The Group

(a) Cash and cash equivalents

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and in hand	10,773,845	12,243,328	17,811,424	17,342,113
Less : restricted cash (b)	(2,138,999)	(4,284,298)	(493,364)	(477,548)
Less : term deposits with initial term of over three months (c)	(1,407,737)	(1,286,116)	(5,890,189)	(7,938,748)
Cash and cash equivalents	7,227,109	6,672,914	11,427,871	8,925,817

(b) Restricted cash

As at December 31, 2018, USD310,367,000 (equivalent to RMB2,130,107,000) was restricted guarantee deposits held in a separate reserve account that is pledged to the bank as security deposits under bank borrowings agreements (Note 36). RMB3,890,000 was restricted guarantee deposits held at bank as unconditional and irrevocable guarantee. RMB5,002,000 was restricted deposits held at bank as a special fund, which is regulated by the Science and Technology Innovation Committee of Shenzhen, the Department of Finance of Shenzhen and the bank.

As at December 31, 2019, USD611,551,000 (equivalent to RMB4,266,222,000) was restricted guarantee deposits held in a separate reserve account that is pledged to the bank as security deposits under bank borrowings agreements (Note 36). RMB18,076,000 was restricted guarantee deposits for issuance of bank acceptance notes.

As at December 31, 2020, USD73,700,000 (equivalent to RMB480,887,000) was restricted guarantee deposits held in a separate reserve account that is pledged to the bank as security deposits under bank borrowings agreements (Note 36). RMB12,151,000 was restricted guarantee deposits for issuance of bank acceptance notes. USD50,000 (equivalent to RMB326,000) was restricted deposits for credit cards and foreign currency accounts.

As at June 30, 2021, USD73,700,000 (equivalent to RMB476,109,000) was restricted guarantee deposits held in a separate reserve account that is pledged to the bank as security deposits under bank borrowings agreements (Note 36). RMB1,116,000 was restricted guarantee deposits for issuance of bank acceptance notes. USD50,000 (equivalent to RMB323,000) was restricted deposits for credit cards and foreign currency accounts.

(c) Term deposits were deposits with initial terms of over three months were neither past due nor impaired. The directors of the Company considered that the carrying amount of the term

deposits with initial terms of over three months approximated to their fair value as at December 31, 2018, 2019 and 2020 and June 30, 2021.

Cash and cash equivalents are denominated in:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
— USD	5,873,854	4,450,829	1,747,497	5,647,754
— RMB	1,264,452	1,991,702	9,618,367	3,235,424
— SGD	55,121	50,271	9,799	1,055
— HKD	17,975	32,535	20,006	35,888
— JPY	15,674	147,576	22,164	649
— Arab Emir Dirham ("AED")	—	—	6,840	—
— New Taipei Dollar ("NTD")	—	—	2,390	—
— Others	33	1	808	5,047
	7,227,109	6,672,914	11,427,871	8,925,817

Restricted cash is denominated in:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
— USD	2,130,107	4,266,222	481,213	476,432
— RMB	8,892	18,076	12,151	1,116
	2,138,999	4,284,298	493,364	477,548

Term deposit is denominated in:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
— USD	1,407,737	1,286,116	5,789,576	7,834,663
— RMB	—	—	100,613	104,085
	1,407,737	1,286,116	5,890,189	7,938,748

The Company

(a) Cash and cash equivalents

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	303,266	38,212	436	412,452

Cash and cash equivalents are denominated in:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
— USD	303,262	38,209	433	411,414
— RMB	3	3	3	3
— HKD	1	—	—	1,035
	303,266	38,212	436	412,452

28 Share capital

Authorized:

	Number of ordinary shares	Number of preferred shares
At January 1, 2018	199,559,695	440,305
Share split	1,994,794,900,560	5,005,099,440
Re-designation upon issuance of preferred shares	(6,940,000,255)	6,940,000,255
At December 31, 2018 and January 1, 2019	1,988,054,460,000	11,945,540,000
Re-designation upon issuance of preferred shares	(1,878,101,397)	1,878,101,397
At December 31, 2019 and January 1, 2020	1,986,176,358,603	13,823,641,397
Re-designation upon issuance of preferred shares	(6,058,330,000)	6,058,330,000
At December 31, 2020 and January 1, 2021	1,980,118,028,603	19,881,971,397
Re-designation upon issuance of preferred shares	(183,170,000)	183,170,000
At June 30, 2021	1,979,934,858,603	20,065,141,397

Issued:

	Note	Number of shares	Share capital
			RMB'000
At January 1, 2018		985,404	2
Share split	(a)	9,853,054,596	*
Repurchase of ordinary shares	(b)	(645,450,000)	—
At December 31, 2018	(c)	9,208,590,000	2
Issue of ordinary shares	(d)	1,056,840,000	*
Repurchase of ordinary shares	(d)	(52,891,397)	—
At December 31, 2019 and 2020		10,212,538,603	2
Issue of ordinary shares	(e)	1,504,720,000	*
At June 30, 2021		11,717,258,603	2

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

(a) On October 15, 2014, the Company was incorporated in the Cayman Islands with an authorized share capital of USD50,000 divided into 200,000,000 ordinary shares of par value of USD0.00025 each, of which 1 ordinary share had been issued to Amind Inc. ("Amind") on February 12, 2015.

On May 26, 2015 and June 30, 2015, pursuant to shareholder resolutions, additional 820,403 ordinary shares with a total cash consideration of USD6,887,163 had been issued to Amind, including USD205 recorded in share capital and USD6,886,958 (equivalent to RMB43,866,000) recorded in share premium.

On December 8, 2017, pursuant to several equity transfer agreements, Amind transferred 7,273 ordinary shares to two investors, namely SCP AIV II, L.P. and Desire Perfect Limited. No change in the Company's share capital and other reserve after the equity transfer.

From December 30, 2016 to June 30, 2017, pursuant to shareholder resolutions, 165,000 ordinary shares of par value of USD0.00025 each, was issued to Sense Talent Limited ("Sense Talent") as a reserved share-based compensation plan pool. These ordinary shares are recorded in treasury shares in the consolidated financial statements and will transfer to ordinary shares upon exercise of options or RSUs according to the share-based compensation plan (Note 31).

(b) On April 9, 2018, pursuant to a shareholder resolution, the Company split its ordinary shares with a ratio of 1:10,000. Upon the share split, the total number of ordinary shares increased from 985,404 to 9,854,040,000, Amind held 8,131,310,000 ordinary shares, Sense Talent held 1,650,000,000 ordinary shares, SCP AIV II, L.P. held 63,640,000 ordinary shares and Desire Perfect Limited held 9,090,000 ordinary shares.

(c) On April 17, 2018 and June 8, 2018, pursuant to shareholder resolutions, the Company repurchased 602,550,000 and 42,900,000 ordinary shares from Amind and Sense Talent, respectively. The total cash consideration was USD82,064,970, equivalent to RMB551,082,000, including USD16 recorded as a decrease in share capital and USD82,064,954 (equivalent to RMB551,082,000) recorded as a decrease in other reserve.

On February 1, 2019, pursuant to a board resolution, Sense Talent transferred all its remaining ordinary shares to SenseTalent Management Limited ("SenseTalent Management"), another share-based compensation plan vehicle.

(d) On February 1, 2019, pursuant to board resolutions, additional 1,056,840,000 ordinary shares of par value of USD0.000000025 each, was issued to SenseTalent Management as a reserved share-based compensation plan pool. These ordinary shares are recorded in treasury shares in the consolidated financial statements and will transfer to ordinary shares upon exercise of options or RSUs according to the share-based compensation plan (Note 31). On March 27, 2019, pursuant to shareholder resolutions, the Company repurchased 52,891,397 ordinary shares from SenseTalent Management with a total cash consideration of USD15,000,000, USD1 recorded as a decrease in share capital and USD14,999,999 (equivalent to RMB103,446,000) recorded as a decrease in other reserve.

(e) On February 26, 2021, pursuant to a shareholder resolution, additional 1,504,720,000 ordinary shares of par value of USD0.000000025 each, was issued to SenseTalent Management as a reserved share-based compensation plan pool.

(f) During the six months ended June 30, 2021, SenseTalent Management transferred 246,510,000 ordinary shares to several financial investors. In the same period, Amind transferred 622,679,398 ordinary shares to XWORLD Enterprise Inc. ("XWorld"), Vision Worldwide Enterprise Inc. ("Vision Worldwide"), Infinity Vision Enterprise Inc. ("Infinity Vision") based on the respective shareholding percentages of the controlling parties of these entities in Amind. No change in the Company's share capital and other reserve after the equity transfer.

29 Other reserves

The Group

	Shares held for share award scheme	Share premium	Share base compensation expenses	Other comprehensive income reserve	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2018	*	235,183	147,190	(66,067)	29,966	346,272
Share-based compensation expenses (Note 7)	—	—	15,064	—	—	15,064
Exercise of restricted shares and share options	—	104,567	(104,538)	—	—	29
Repurchase of ordinary shares (Note 28(c))	—	—	—	—	(551,082)	(551,082)
Share of additions in reserves of an associate (Note 12)	—	—	—	—	18,979	18,979
Changes in credit risk for financial liabilities designated as at fair value through profit or loss (Note 30)	—	—	—	(409,429)	—	(409,429)
At December 31, 2018	*	339,750	57,716	(475,496)	(502,137)	(580,167)
At January 1, 2019	*	339,750	57,716	(475,496)	(502,137)	(580,167)
Share-based compensation expenses (Note 7)	—	—	131,019	—	—	131,019
Exercise of restricted shares and share options	—	24,523	(22,802)	—	—	1,721
Repurchase of ordinary shares (Note 28(d))	—	—	—	—	(103,446)	(103,446)
Capital injections by non-controlling shareholders	—	—	—	—	151,059	151,059
A put liabilities with a non-controlling shareholder	—	—	—	—	(279,048)	(279,048)
Changes in credit risk for financial liabilities designated as at fair value through profit or loss (Note 30)	—	—	—	(194,322)	—	(194,322)
At December 31, 2019	*	364,273	165,933	(669,818)	(733,572)	(873,184)
At January 1, 2020	*	364,273	165,933	(669,818)	(733,572)	(873,184)
Share-based compensation expenses (Note 7)	—	—	887,043	—	—	887,043
Exercise of restricted shares and share options	—	694,149	(681,669)	—	—	12,480
Loans waived by controlling shareholder	—	—	—	—	39,104	39,104
Changes in credit risk for financial liabilities designated as at fair value through profit or loss (Note 30)	—	—	—	(498,299)	—	(498,299)
At December 31, 2020	*	1,058,422	371,307	(1,168,117)	(694,468)	(432,856)
At January 1, 2021	*	1,058,422	371,307	(1,168,117)	(694,468)	(432,856)
Share-based compensation expenses (Note 7)	—	—	1,421,007	—	—	1,421,007
Exercise of restricted shares and share options	—	1,307,211	(1,278,178)	—	—	29,033
Capital contribution by controlling shareholder	—	—	—	—	10,365	10,365
Consideration paid to the then equity owners for acquisition of subsidiaries under common control	—	—	—	—	(15,219)	(15,219)
Changes in credit risk for financial liabilities designated as at fair value through profit or loss (Note 30)	—	—	—	(2,507)	—	(2,507)
As at June 30, 2021	*	2,365,633	514,136	(1,170,624)	(699,322)	1,009,823

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

(i) During the Track Record Period, SenseFancy Investment Limited and Amind Holding Inc., companies ultimately controlled by the controlling shareholder, Prof. Tang, gradually provided shareholder loans to SenseTime Investment

Limited with a total amount of RMB39,104,000. Pursuant to an agreement on December 31, 2020, all these shareholder loans were waived and recorded as an increase in other reserve (Note 40(b)).

(ii) During the six months ended June 30, 2021, the Company received a cash contribution from the controlling shareholder, Prof. Tang, with a total amount of USD1,604,000 (equivalent to RMB10,365,000) and recorded as a capital contribution by controlling shareholder in other reserve.

(iii) During the six months ended June 30, 2021, the Group acquired 100% equity interest in SenseTime Investment Limited from Amind Holding Inc. at a consideration of USD2,355,000 (equivalent to RMB15,219,000). The total purchase consideration of RMB15,219,000 was recorded in other reserve and settled subsequently in August 2021.

The Company

	Share premium	Share base compensation expenses	Other comprehensive income reserve	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2018	235,183	147,190	(66,067)	—	316,306
Share-based compensation expenses (Note 7)	—	15,064	—	—	15,064
Exercise of restricted shares and share options	104,567	(104,538)	—	—	29
Repurchase of ordinary shares (Note 28(c))	—	—	—	(551,082)	(551,082)
Changes in credit risk for financial liabilities designated as at fair value through profit or loss (Note 30)	—	—	(409,429)	—	(409,429)
At December 31, 2018	339,750	57,716	(475,496)	(551,082)	(629,112)
At January 1, 2019	339,750	57,716	(475,496)	(551,082)	(629,112)
Share-based compensation expenses (Note 7)	—	131,019	—	—	131,019
Exercise of restricted shares and share options	24,523	(22,802)	—	—	1,721
Repurchase of ordinary shares (Note 28(d))	—	—	—	(103,446)	(103,446)
Changes in credit risk for financial liabilities designated as at fair value through profit or loss (Note 30)	—	—	(194,322)	—	(194,322)
At December 31, 2019	364,273	165,933	(669,818)	(654,528)	(794,140)
At January 1, 2020	364,273	165,933	(669,818)	(654,528)	(794,140)
Share-based compensation expenses (Note 7)	—	887,043	—	—	887,043
Exercise of restricted shares and share options	694,149	(681,669)	—	—	12,480
Changes in credit risk for financial liabilities designated as at fair value through profit or loss (Note 30)	—	—	(498,299)	—	(498,299)
At December 31, 2020	1,058,422	371,307	(1,168,117)	(654,528)	(392,916)
At January 1, 2021	1,058,422	371,307	(1,168,117)	(654,528)	(392,916)
Share-based compensation expenses (Note 7)	—	1,421,007	—	—	1,421,007
Exercise of restricted shares and share options	1,307,211	(1,278,178)	—	—	29,033
Capital contribution by controlling shareholder	—	—	—	10,365	10,365
Changes in credit risk for financial liabilities designated as at fair value through profit or loss (Note 30)	—	—	(2,507)	—	(2,507)
As at June 30, 2021	2,365,633	514,136	(1,170,624)	(644,163)	1,064,982

30 Preferred share liabilities and other financial liabilities

(a) Preferred share liabilities

The movement of the convertible redeemable preferred share are set out as below:

	Series A-1	Series A-2	Series B-1	Series B-2	Series B-3	Series C-1	Series C-2	Series C+	Series C++	Series C-prime	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2018	234,493	54,239	481,058	2,394,647	65,552	—	—	—	—	—	3,229,989
Issuance of preferred shares	—	—	—	—	—	459,022	3,399,361	4,263,828	3,477,655	—	11,599,866
Repurchase of preferred shares (i)	(74,595)	(45,024)	(298,382)	(315,060)	—	—	—	—	—	—	(733,061)
Transferred from other financial liabilities	—	—	152,649	—	—	—	—	—	—	—	152,649
Fair value change	377,688	68,039	201,231	1,175,498	29,637	198,133	637,124	328,276	97,908	—	3,113,534
Share-based compensation (ii)	—	—	—	—	—	85,617	—	—	—	—	85,617
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	4,762	3,656	27,944	125,490	3,141	20,612	37,567	112,025	66,743	—	401,940
Currency translation differences	21,042	2,316	19,564	155,887	4,606	54,315	283,441	137,935	(23,455)	—	655,651
At December 31, 2018	563,390	83,226	584,064	3,536,462	102,936	817,699	4,357,493	4,842,064	3,618,851	—	18,506,185
At January 1, 2019	563,390	83,226	584,064	3,536,462	102,936	817,699	4,357,493	4,842,064	3,618,851	—	18,506,185
Issuance of preferred shares	—	—	—	—	—	—	—	—	1,021,953	3,998,478	5,020,431
Repurchase of preferred shares (i)	(48,822)	(29,506)	(190,822)	(653,878)	—	—	—	—	—	—	(923,028)
Transferred from other financial liabilities	—	—	—	—	218,523	—	—	36,881	—	—	255,404
Fair value change	137,910	24,583	119,501	794,856	59,029	146,145	699,469	590,177	649,506	457,821	3,678,997
Effects of changes in own credit risk for financial liabilities designated as at fair value through profit or loss	1,311	863	6,449	40,937	2,897	6,975	50,780	60,676	17,935	5,499	194,322
Currency translation differences	10,299	1,345	3,862	43,093	6,026	15,293	80,720	88,127	106,634	17,959	373,358
At December 31, 2019	664,088	80,511	523,054	3,761,470	389,411	986,112	5,188,462	5,617,925	5,414,879	4,479,757	27,105,669

The movement of the convertible redeemable preferred share are set out as below:

	Series A-1	Series A-2	Series B-1	Series B-2	Series B-3	Series C-1	Series C-2	Series C+	Series C++	Series C-prime	Series D	Series D+	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2020	664,088	80,511	523,054	3,761,470	389,411	986,112	5,188,462	5,617,925	5,414,879	4,479,757	—	—	27,105,669
Issuance of preferred shares	—	—	—	—	—	—	—	—	—	—	10,975,507	3,994,605	14,970,112
Fair value change	459,453	51,403	233,772	2,059,122	212,386	513,014	2,234,759	1,734,607	1,000,594	687,734	1,369,641	(330)	10,556,155
Effects of changes in own credit risk for financial liabilities designated as at fair value through profit or loss	1,931	808	5,489	48,546	4,944	11,904	86,666	103,556	102,516	86,984	41,774	3,181	498,299
Currency translation differences	(68,023)	(8,044)	(46,834)	(357,826)	(36,998)	(92,307)	(461,751)	(463,282)	(410,218)	(331,885)	(612,353)	(55,057)	(2,944,578)
At December 31, 2020	1,057,449	124,678	715,481	5,511,312	569,743	1,418,723	7,048,136	6,992,806	6,107,771	4,922,590	11,774,569	3,942,399	50,185,657
At January 1, 2021	1,057,449	124,678	715,481	5,511,312	569,743	1,418,723	7,048,136	6,992,806	6,107,771	4,922,590	11,774,569	3,942,399	50,185,657
Issuance of preferred shares	—	—	—	—	—	—	—	—	—	—	—	639,670	639,670
Fair value change	71,328	8,300	44,185	334,059	31,961	75,041	315,262	233,114	126,737	79,455	302,588	88,256	1,710,286
Effects of changes in own credit risk for financial liabilities designated as at fair value through profit or loss	6	3	18	162	16	40	289	346	342	290	725	270	2,507
Currency translation differences	(10,609)	(1,251)	(7,171)	(55,235)	(5,707)	(14,203)	(70,469)	(69,798)	(60,848)	(49,006)	(117,390)	(39,477)	(501,164)
At June 30, 2021	1,118,174	131,730	752,513	5,790,298	596,013	1,479,601	7,293,218	7,156,468	6,174,002	4,953,329	11,960,492	4,631,118	52,036,956

(i) During the year ended December 31, 2018, the Company repurchased total 487,400,000 shares of Series A-1/A-2/B-1/B-2 preferred shares at a price of USD0.2331 per share with total cash consideration of USD113,612,940 (equivalent to RMB733,061,000).

During the year ended December 31, 2019, the Company repurchased total 483,400,000 shares of Series A-1/A-2/B-1/B-2 preferred shares at a price of USD0.2836 per share with total cash consideration of USD137,092,240 (equivalent to RMB923,028,000).

(ii) During the year ended December 31, 2018, the Company issued total 602,550,000 shares of Series C-1 preferred shares at a price of USD0.1212 per share with total cash consideration of USD73,053,000 (equivalent to RMB459,022,000) to one investor. The fair value of preferred shares at the time was USD86,002,000, and the difference between the fair value and issue value was recognized as share-based compensation with total amount of USD12,949,000 (equivalent to RMB85,617,000).

(iii) During the year ended December 31, 2018, the Company issued 602,550,000 shares of Preferred Shares to Series C-1 preferred shareholders at a cash consideration of USD73,053,162 (equivalent to RMB459,022,000).

During the year ended December 31, 2018, the Company issued 2,895,440,000 shares of Preferred Shares to Series C-2 preferred shareholders at a cash consideration of USD532,760,960 (equivalent to RMB3,399,361,000).

During the year ended December 31, 2018, the Company issued 2,761,100,000 shares of Preferred Shares to Series C+ preferred shareholders at a cash consideration of USD643,612,410 (equivalent to RMB4,263,828,000).

During the year ended December 31, 2018 and 2019, the Company issued 2,307,091,397 shares of Preferred Shares to Series C++ preferred shareholders at a cash consideration of USD654,291,120 (equivalent to RMB4,499,608,000).

During the year ended December 31, 2019, the Company issued 1,825,210,000 shares of Preferred Shares to Series C-prime preferred shareholders at a cash consideration of USD574,941,150 (equivalent to RMB3,998,478,000).

During the year ended December 31, 2020, the Company issued 4,524,880,000 shares of Preferred Shares to Series D preferred shareholders at a cash consideration of USD1,599,997,568 (equivalent to RMB10,975,507,000).

During the year ended December 31, 2020 and the six months ended June 30, 2021, the Company issued 1,716,620,000 shares of Preferred Shares to Series D+ preferred shareholders at a cash consideration of USD702,784,228 (equivalent to RMB4,634,275,000).

The key terms of the Series A-1 preferred shares to Series D+ preferred shares (collectively, "Preferred Shares") are summarized as below:

(1) **Liquidation preference**

In the event of the occurrence of any:

(i) Any direct or indirect consolidation, amalgamation, scheme of arrangement or merger of any group companies or, unless otherwise consented in writing by the majority of each series of preferred shareholders, Amind Inc. with or into any other person or other reorganization in which the members or shareholders of such group company immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganization own less than fifty percent (50%) of such group company's voting power in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganization, or any transaction or series of related transactions to which such group company is a party or target in which in excess of fifty percent (50%) of such group company's voting power is transferred;

(ii) A sale, transfer, license or other disposition of all or substantially all of the assets (including the material intellectual property) of any group company (or any series of related transactions resulting in such sale, transfer, license or other disposition of all or substantially all of the assets (including the intellectual property) of such group company);

(iii) The exclusive licensing of all or substantially all of any group company's intellectual property to a third party; and

(iv) Liquidation, dissolution or winding up of the Company, whether voluntary or involuntary.

all assets and funds of the Company legally available for distribution to the shareholders (after satisfaction of all creditors' claims and claims that may be preferred by applicable law) shall be distributed to the shareholders as follows:

Each holder of preferred shares shall be entitled to receive for each series of preferred shares it holds on the preferential basis, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of other series of preferred shares and ordinary shares or any other class or series of shares by reason of their ownership of such shares, the amount equal to the higher of (i) 120% to 500% of the respective applicable issue price (ii) internal rate of return ("IRR") of 8% to 15% per annum in respect of the respective applicable issue price (as adjusted for any share splits, subdivisions, share consolidations, share dividends or similar re-capitalization events) commencing from the relative issue date up to and including the date on which the preference amount is received by the preferred shareholders then outstanding, plus all declared but unpaid dividends on such respective preferred shares, by the following order: (1) Series D+; (2) Series D; (3) Series C-prime; (4) Series C++; (5) Series C+; (6) Series C-1 and Series C-2; (7) Series B-1, Series B-2 and Series B-3; (8) Series A-1 and Series A-2.

If there are any assets or funds remaining after the aggregate preference amount has been distributed or paid in full to the applicable holders of Preferred Shares, the remaining assets and funds of the Company available for distribution to the shareholders shall be distributed rateably among all members other than the holders of the Series A preferred shares according to the relative number of ordinary shares held by such shareholders on an as-converted basis.

(2) **Redemption rights and price**

The shareholders of preferred shares may give a written notice to the Company at any time or from time to time requesting redemption of all or part of their preferred shares under specific conditions as provided in the Article of Association. The redemption price of each share to be redeemed shall equal to (x) the sum of (A) one hundred percent (100%) of the issue price for each series, (B) a compound interest rate of 8% per annum, for each year such preferred shares was outstanding measured from the issue date with respect to such preferred shares held by certain investors through the date of redemption thereof (calculated on a pro rata basis in case of a partial year), plus (C) any declared but unpaid dividends thereon up to the date of actual payment of such redemption price, proportionally adjusted for share subdivisions, share dividends, reorganizations, reclassifications, consolidations or mergers.

For Series D-1 and Series D+ preferred shares, the Company shall repurchase all of the preferred shares, if a request being made by any of the holders of Series D-1 and Series D+ preferred shares, at any time after the earlier of:

(i) the failure by the Company to complete an IPO, deemed liquidation event or share sale by June 30, 2024;

(ii) the occurrence of a material breach by any of the group companies, the founders or founders' companies of any of their respective representations, warrants, covenants, agreements or undertakings as set out in the relevant agreements and such group companies, the founders or founders' companies fail to cure such material breach within a reasonable period of time; and

(iii) any holder of any other class of shares has successfully exercised its redemption right.

For other series of Preferred Shares, the redemption terms are similar, except for the respective redemption commerce dates as set out below:

	Redemption Commencement date	
Series A-1, Series A-2 and Series B-1 preferred shares	complete a Qualified IPO by the fifth anniversary of Series B-1 issue date	October 10, 2021
Series B-2 and Series B-3 preferred shares	complete an IPO, deemed liquidation event or share sale by the fifth anniversary of Series B-2 issue date	January 25, 2022
Series C-1 to Series C-prime preferred shares	complete an IPO, deemed liquidation event or share sale by the fifth anniversary of Series B-2 issue date	January 25, 2022

On June 23, 2021, the Company signed a letter with the Series A to Series C-prime preferred shareholders to extend the redemption date of these convertible redeemable preferred shares to January 31, 2023.

(3) **Dividend rights**

(i) The holders of the Preferred Shares shall be entitled to receive dividends at the same rate as for the holders of the ordinary shares (calculated on an as converted basis), payable out of funds or assets when and as such funds or assets become legally available therefor on parity with each other and the holders of the ordinary shares, when, as, and if declared by the board of directors.

(ii) Except for an exempted distribution and except for a distribution pursuant to liquidation preference mentioned above, no dividend or distribution, whether in cash, in property, or in any other shares of the Company, shall be declared, paid, set aside or made with respect to the ordinary shares at any time unless a dividend or distribution is likewise declared, paid, set aside or made, respectively, at the same time with respect to each outstanding Preferred Share such that the dividend or distribution declared, paid, set aside or made to the holders of Preferred Shares thereof shall be equal to the dividend or distribution that such holders of Preferred Shares would have received if such Preferred Share had been converted into ordinary shares immediately prior to the record date for such dividend or distribution, or if no such record date is established, the date such dividend or distribution is made, and if such share then participated in and the holder thereof received such dividend or distribution.

(4) **Conversion rights**

Unless converted earlier pursuant to the provisions with respect to automatic conversion as set out below, preferred shares shall be convertible, at the option of the holder thereof, at any time into such number of fully paid and non-assessable ordinary shares at an initial conversion ratio of 1:1, and thereafter shall be subject to adjustment and re-adjustment from time to time if (a) any share

splits, combination, share dividends and distribution or reorganizations, mergers, consolidations, reclassifications, exchanges, substitutions events occurred or (b) upon issuance of new securities or (c) if the valuation of an IPO, a deemed liquidation event or a share sale implies a price per share is less than two and one half times (2.5X) of the Series B-1 issue price, then and in such event, the conversion price for the Series B-1 preferred shares held by certain investors then in effect immediately prior to the consummation of such event shall be or shall be deemed to be adjusted.

Each preferred shares shall automatically be converted into ordinary shares at the then effective relevant conversion price upon (A) the closing of a Qualified IPO or (B) the written notice of the majority holders of Series D+ preferred shares or (C) the written notice of the majority holders of Series D preferred shares for conversion of Series D preferred shares, or (D) the written notice of the majority holders of Series C++ preferred shares for conversion of Series C++ preferred shares (E) the written notice of the majority holders of Series C+ preferred shares for conversion of Series C+ preferred shares; or (F) the written notice of the majority holders of Series C-1 and Series C-2 preferred shares for conversion of Series C-1 and Series C-2 preferred shares; or (G) the written notice of the majority holders of Series B-2 and Series B-3 preferred shares for conversion of Series B-2 and Series B-3 preferred shares; or (H) the written notice of the majority holders of Series B-1 preferred shares for conversion of Series B-1 preferred shares; or (I) the written notice of the majority holders of Series A preferred shares for conversion of Series A preferred shares.

Qualified IPO means a firm commitment underwritten public offering of the ordinary shares of the Listing Vehicle (or depositary receipts or depositary shares thereof) (i) in the United States on the New York Stock Exchange or the NASDAQ pursuant to an effective registration statement under the Securities Act, as amended, or on the Hong Kong Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange, or any other internationally recognized stock exchange, provided that in the case of any other internationally recognized stock exchange, such stock exchange is approved by (A) the Series A Majority, (B) the Series B-1 Majority, (C) the Series B-2 Majority, (D) the Series C-1/C-2 Majority, (E) the Series C+ Majority, (F) the Series C++ Majority, (G) the Series C-prime Majority, (H) the Series D Majority, and (I) the Series D+ Majority; and (ii) in each case, with an offering price (net of underwriting commissions and expenses) that implies an issuing price per share immediately upon the consummation of the public offering no lower than a pre-determined price (as adjusted for any share splits, subdivisions, share consolidations, share dividends or similar re-capitalization events); it being specified that any dividends or any other distributions solely in form of cash in respect of each Share, whether paid or accrued but unpaid as at the date thereof, shall be deducted from the issue price per share in determining whether a Qualified IPO has occurred.

(b) **Other financial liabilities**

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Convertible liabilities (i)	254,607	—	—	—
Current				
Warrant liability (ii)	5,609	7,469	14,005	—
Financial liability at fair value through profit or loss	—	266	—	—
	5,609	7,735	14,005	—
Total	260,216	7,735	14,005	—

(i) Convertible liabilities

Certain holders of preferred shares enter into investment agreements to subscribe for the preferred shares before they completed the outbound procedures, which are recognized as convertible liabilities in the consolidated balance sheets.

	Convertible liabilities
	RMB'000
At January 1, 2018	290,647
Issuance of convertible liabilities	35,218
Transferred to preferred share liabilities	(152,649)
Fair value change	64,960
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	7,489
Currency translation differences	8,942
At December 31, 2018 and at January 1, 2019	254,607
Transferred to preferred share liabilities	(255,404)
Fair value change	797
Currency translation differences	—
At December 31, 2019	—

(ii) Warrant liability

	Warrant liability
	RMB'000
At January 1, 2018	1,902
Fair value change	3,478
Currency translation differences	229
At December 31, 2018 and at January 1, 2019	5,609
Fair value change	1,747
Currency translation differences	113
At December 31, 2019 and at January 1, 2020	7,469
Fair value change	7,422
Currency translation differences	(886)
At December 31, 2020 and at January 1, 2021	14,005
Repurchase	(17,045)
Fair value change	3,324
Currency translation differences	(284)
At June 30, 2021	—

The Company issued a warrant to a financial investor (the "Warrant Holder") on May 17, 2016 for a cash consideration of USD66. Pursuant to the warrant agreement, the Warrant Holder could purchase up to 8,000,000 Series B preferred shares of the Company with a cash consideration of USD0.0768935 per share before May 16, 2021 (after share split). The Company repurchased the warrant liability from the Warrant Holder at a total price of USD2,660,000 (equivalent to RMB17,045,000) in May 2021.

(c) **Fair value valuation method**

The Company has engaged an independent valuer to determine the total fair value of the Preferred Shares and other financial liabilities. The discounted cash flow method was used to determine the total equity value of the Company and then equity allocation model was adopted to determine the fair value of the Preferred Shares as of the dates of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the fair value of Preferred Shares and other financial liabilities are as follows:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
Discount rate	20.0%	19.0%	18.0%	18.0%
DLOM	17.0%	14.5%	10.7%	7.8%

Discount rate was estimated by weighted average cost of capital as of each valuation date. The DLOM was estimated based on the option-pricing method. Under the option pricing method, the cost

of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount.

Losses on the changes in fair value of Preferred Shares and other financial liabilities of approximately RMB3,181,972,000, RMB3,681,541,000, RMB10,563,577,000, RMB3,212,000,000 and RMB1,713,610,000 are recognized in profit or loss during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, respectively. In addition, losses on the changes in fair value of Preferred Shares and other financial liabilities for the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021 of approximately RMB409,429,000, RMB194,322,000, RMB498,299,000, RMB326,465,000 and RMB2,507,000 which are attributable to changes in the credit risk of the related instruments, are recognized in other comprehensive loss for the respective years/periods.

The Company performed sensitivity test to changes in unobservable inputs in determining the fair value of the Preferred Shares and the convertible liabilities. The changes in unobservable inputs including DLOM and discount rate will result in a significantly higher or lower fair value measurement. The increase in the fair value of the Preferred Shares and the convertible liabilities would increase the loss of fair value change in the consolidated income statements. When performing the sensitivity test, management applied an increase or decrease to each unobservable input, which represents management's assessment of reasonably possible change to these unobservable inputs.

If the Company's key valuation assumptions used to determine the fair value of the Preferred Shares and the convertible liabilities had added/reduced 1% with all other variables held constant, the loss before income tax for the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2021 respectively, the estimated fair value changes from carrying amount listed in below table (assuming the change of key factors would not have significant impact on fair value change attributable to credit risk):

	As at December 31, 2018	
	DLOM	**Discount rate**
	RMB'000	*RMB'000*
Impact on the loss before income tax due to estimated Fair value changes of the Preferred Shares and the convertible liabilities		
Add 1%	119,651	1,917,617
Reduce 1%	(119,593)	(2,267,801)

	As at December 31, 2019	
	DLOM	**Discount rate**
	RMB'000	*RMB'000*
Impact on the loss before income tax due to estimated Fair value changes of the Preferred Shares and the convertible liabilities		
Add 1%	193,270	2,714,312
Reduce 1%	(193,141)	(3,189,856)

	As at December 31, 2020	
	DLOM	Discount rate
	RMB'000	*RMB'000*
Impact on the loss before income tax due to estimated Fair value changes of the Preferred Shares and the convertible liabilities		
Add 1%	327,582	4,260,108
Reduce 1%	(393,084)	(5,109,741)

	As at June 30, 2021	
	DLOM	Discount rate
	RMB'000	*RMB'000*
Impact on the loss before income tax due to estimated Fair value changes of the Preferred Shares and the convertible liabilities		
Add 1%	376,137	4,452,340
Reduce 1%	(376,125)	(5,265,363)

31 Share-based compensation plans

Starting from 2016, the board of directors approved restricted shares plan ("Pre-**[REDACTED]** RSU Plan") and share option plan ("Pre-**[REDACTED]** ESOP") for the purpose of providing incentive for certain directors, senior management members and employees contributing to the Group.

(a) Pre-[REDACTED] RSU Plan

On November 2, 2016, 68,697 RSUs were granted to employees and the exercise price of all RSUs was USD0.0998799 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 USD0.000009988 on April 9, 2018. All RSUs were vested and exercisable on December 30, 2016.

(b) Pre-[REDACTED] ESOP

From 2016 to 2021, the Company adopted several batches of Pre-**[REDACTED]** ESOP. Under these plans, the employees were required to complete a service period and meet specified performance targets. The terms and conditions of the Pre-**[REDACTED]** ESOP during the Track Record Period were as follows:

Date of options granted	Number of shares (after share split)	Vesting Periods	Contractual life of options
November 2, 2016	282,620,000	0-4 years	7 years
July 1, 2017	680,410,000	0-4 years	7 years
February 1, 2019	237,410,945	0-4 years	7 years
June 30, 2019	30,402,994	4 years	7 years
January 1, 2020	789,222,154	0-4 years	7 years
July 1, 2020	28,586,854	4 years	7 years
January 1, 2021	908,981,674	0-4 years	7 years

Movements in the number of share options granted and their related weighted average exercise price during the Track Record Period are as follows:

	Year ended December 31,						Six months ended June 30,	
	2018		2019		2020		2021	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
	(USD)		(USD)		(USD)		(USD)	
At beginning of the year/period	0.01	680,940,000	0.02	328,437,500	0.03	554,749,236	0.05	803,339,052
Granted	N.A.	—	0.04	267,813,939	0.03	817,809,008	0.04	908,981,674
Exercised	*	(343,732,500)	0.01	(33,584,594)	*	(556,613,757)	0.01	(678,234,772)
Forfeited	0.01	(8,770,000)	0.08	(7,917,609)	0.08	(12,605,435)	0.07	(2,196,065)
At end of the year/period	0.02	328,437,500	0.03	554,749,236	0.05	803,339,052	0.07	1,031,889,889

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

As at December 31, 2018, 2019, 2020 and June 30, 2021, 212,882,500, 294,484,364, 424,315,609 and 449,780,975 options were vested but not exercised.

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

			Number of share options			
Grant date	Expiry date	Exercise price	December 31, 2018	December 31, 2019	December 31, 2020	June 30, 2021
		(USD)				
November 2016	November 2023	*	115,490,000	102,897,500	102,112,500	94,854,879
July 2017	July 2024	0.03 or *	212,947,500	204,351,000	144,828,500	97,353,827
February 2019	February 2026	0.03 or 0.01 or *	—	218,387,742	205,799,979	155,375,778
June 2019	June 2026	0.01	—	29,112,994	26,015,798	23,010,798
January 2020	January 2027	0.03 or 0.01 or *	—	—	295,995,421	269,530,571
July 2020	July 2027	0.01	—	—	28,586,854	28,348,759
January 2021	January 2028	0.03 or 0.01 or *	—	—	—	363,415,277
		Total	328,437,500	554,749,236	803,339,052	1,031,889,889

* represents that the amount is less than USD0.01 for respective year/period.

(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 summarized as follows:

	November 2, 2016	July 1, 2017	February 1, 2019	June 30, 2019	January 1, 2020	July 1, 2020	January 1, 2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RSUs (i)	130,715	—	—	—	—	—	—
Share options (ii)	53,776	183,179	213,533	20,324	968,350	34,707	1,820,442

(i) RSUs

The fair value of RSUs at the grant date was determined by reference to the fair value of the underlying ordinary shares on the dates of grant.

(ii) Share options

As a private company with no quoted market of the Company's equity instruments, the Company needs to estimate the fair value of the Group's equity interests at the relevant grant dates. The equity allocation method has been applied in the determination of the fair value of each class of the shares in the Company, which requires considering the rights and preferences of each class of shares and solving for the total equity value that is consistent with a recent transaction in the Company's own securities, considering the rights and preferences of each class of shares.

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

The fair value of the share options granted under Pre-**[REDACTED]** ESOP 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
November 2, 2016	1.57%	52.75%	7 years
July 1, 2017	2.14%	50.47%	7 years
February 1, 2019	2.59%	51.17%	7 years
June 30, 2019	1.87%	51.94%	7 years
January 1, 2020	1.83%	51.71%	7 years
July 1, 2020	0.52%	52.07%	7 years
January 1, 2021	0.65%	51.69%	7 years

(d) **Share-based compensation expenses recorded during the Track Record Period**

During the Track Record Period, the amounts of share-based compensation expenses charged to administrative expenses, research and development expenses and selling expenses are as follow:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Administrative expenses	9,508	45,559	568,285	573,385	931,483
Research and development expenses	5,556	73,429	286,404	244,363	464,564
Selling expenses	—	12,031	32,354	22,737	24,960
	15,064	131,019	887,043	840,485	1,421,007

(e) **Repurchase**

During the Track Record Period, the Company repurchased shares or transferred shares to third party investors from Sense Talent and SenseTalent Management, the share-based compensation plan vehicles. Details refer to Note 28.

32 Trade and other payables and long-term payables

The Group

(a) **Trade and other payables**

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes payables	—	135,516	82,830	7,294
Trade payables				
— Third parties	359,379	730,871	532,857	320,388
— Related parties (Note 40(c))	—	1,023	1,155	332
Other payables				
— Third parties	62,906	893,480	572,560	550,605
— Related parties (Note 40(c))	36,334	44,901	15,765	18,234
Payables on purchase of property, plant and equipment, intangible assets	167,583	855,819	41,049	244,834
Payables for **[REDACTED]** expenses	—	—	—	25,552
Accrued taxes other than income tax	124,720	159,944	123,925	57,415
Staff salaries and welfare payables	127,573	260,556	318,173	169,794
VAT payables related to contract liabilities	—	7,277	18,583	19,130
Accrued warranty expenses	8,614	13,879	17,559	24,932
	887,109	3,103,266	1,724,456	1,438,510

(i) The carrying amounts of trade and other payables are considered to be approximated to their fair values, due to their short-term nature.

(ii) Aging analysis of the trade payables based on purchase date at the end of each reporting period are as follows:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 6 months	351,629	723,269	475,091	172,526
6 months to 1 year	7,425	252	12,446	94,236
1 to 2 years	325	8,373	46,475	53,958
	359,379	731,894	534,012	320,720

(b) **Long-term payables**

Long-term payables represented the obligations to pay for goods with payments due more than 1 year. The fair values of long-term payables as at December 31, 2018, 2019 ,2020 and June 30, 2021 were disclosed as follows:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long-term payables	—	—	66,005	32,207

The Company

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables for **[REDACTED]** expenses	—	—	—	25,552
Payables for acquisition of SenseTime Investment Limited (Note 29)	—	—	—	15,219
Amount due to subsidiaries	—	2,589	2,827	7,341
Others	1,516	2,131	23,216	1,940
	1,516	4,720	26,043	50,052

33 Amount due to preferred shareholders

During the Track Recorded Period, certain preferred shareholders did not complete necessary outbound investment procedures and did not pay the investment amount in USD to the Company.

Instead, they deposited RMB equivalent amount to the subsidiaries of the Company to fulfill the investment obligations under the investment agreements. Such deposits were recorded as amount due to preferred shareholders on the consolidated balance sheets.

During the six months ended June 30, 2021, all these investors completed the outbound investment procedures and remit USD investment amount to the Company and the subsidiaries of the Company also repaid the RMB deposits to these investors. Accordingly, all these outstanding balances were cleared as at June 30, 2021.

34 Contract liabilities

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Deferred service fee income(i)	—	6,436	5,223	5,290
Advances from customers	70,245	146,485	238,829	133,249
	70,245	152,921	244,052	138,539
Non-current				
Deferred service fee income(i)	—	—	9,341	19,227

(i) Deferred service fee income represented the maintenance and upgrade service obligations separated from the revenue contracts, which were analyzed in Note 2.26.

The addition of contract liabilities was mainly due to the increase of cash payments made upfront by the Group's customers under sales contract and the decrease of contract liabilities was due to the recognition of certain contract liabilities as revenue. See Note 5(f) for the analysis of the revenue, which was included in the contract liabilities balance at the beginning of the period, recognized during the Track Record Period relates to carried-forward contract liabilities.

35 Other non-current liabilities

Other non-current liability is mainly related to the capital injection to a subsidiary of the Group from a strategic technology partner ("Company Z"). On April 17, 2019, one of the subsidiaries of the Group entered into an agreement with Company Z to allot and issue 45% of the subsidiary's equity interest at a cash consideration of USD40,000,000 (equivalent to RMB279,048,000). Besides this equity subscription arrangement, the Group also entered into a put option agreement with Company Z. Company Z could sale the 45% equity it held at a pre-agreed price on the occurrence of some certain events. Since the Group is obligated to pay cash to Company Z upon occurrence of certain events beyond the Group's control, the Group recognized this non-controlling interest put option as a non-current liability and measured this liability at amortized cost subsequently.

36 Borrowings

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Bank borrowing – secured	—	—	441,000	432,000
Less: current portion of non-current borrowings	—	—	(18,000)	(22,500)
	—	—	423,000	409,500
Current				
Short-term borrowing – secured	1,513,018	3,220,756	—	—
Short-term borrowing – unsecured	39,600	105,824	573,967	188,885
Current portion of non-current borrowings	—	—	18,000	22,500
Interest payable	4,623	29,946	1,594	1,032
	1,557,241	3,356,526	593,561	212,417
Total	1,557,241	3,356,526	1,016,561	621,917

As at December 31, 2018, the Group had bank loans with carrying amount of RMB1,513,018,000 which were secured by the Group's bank deposits of USD310,376,000 (equivalent to RMB2,130,107,000) (Note 27(b)).

As at December 31, 2019, the Group had bank loans with carrying amount of RMB3,220,756,000 which were secured by the Group's bank deposits of USD611,551,000 (equivalent to RMB4,266,222,000) (Note 27(b)).

As at December 31, 2020, the Group had bank loans with carrying amount of RMB441,000,000 which were secured by the Group's bank deposits of USD73,700,000 (equivalent to RMB480,887,000) (Note 27(b)).

As at June 30, 2021, the Group had a bank loan with carrying amount of RMB432,000,000 which were secured by the Group's bank deposits of USD73,700,000 (equivalent to RMB476,109,000) (Note 27(b)).

The Group's borrowings are denominated in:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
— RMB	1,557,241	3,356,526	1,008,483	613,995
— SGD	—	—	4,455	4,338
— USD	—	—	3,623	3,584
	1,557,241	3,356,526	1,016,561	621,917

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

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
6 months or less	357,914	1,958,518	394,940	187,885
Between 6 and 12 months	1,194,704	1,368,062	197,027	23,500
Between 1 and 5 years	—	—	145,000	154,000
Over 5 years	—	—	278,000	255,500
Total	1,552,618	3,326,580	1,014,967	620,885

As at December 31, 2018, 2019, 2020 and June 30, 2021, the weighted average effective interest rate for borrowings was 4.50%, 4.47%, 4.16% and 4.04%, respectively.

The fair values of current borrowings equal to their carrying amount as the discounting impact is not significant.

The fair values of non-current borrowings as at December 31, 2018, 2019, 2020 and June 30, 2021 were disclosed as follows:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current borrowings	—	—	435,822	431,514

As at December 31, 2018, 2019, 2020 and June 30, 2021, the Group has the following undrawn bank facilities:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB facilities	21,382	3,766,903	9,227,117	6,990,700
USD facilities	—	—	202,597	232,957
	21,382	3,766,903	9,429,714	7,223,657

37 Deferred revenue

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants (i)	61,373	59,066	349,532	385,838

(i) The Group received government grants from local governments as support on research and development expenses relating to innovation activities. These government grants were related to certain research and development projects accordingly, when the required criteria set by the government are met, the portion of the qualified fund is recognized as "other income" and the remaining balance is recoded as "deferred revenue."

38 Cash flow information

(a) Cash used in operations

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Loss before income tax	(3,456,245)	(5,172,861)	(12,319,017)	(5,483,189)	(3,792,909)
Adjustments for					
— Depreciation of property, plant and equipment (Note 16)	84,676	213,727	370,956	178,073	213,571
— Amortization of intangible assets (Note 18)	4,357	22,527	57,683	21,315	25,780
— Depreciation of right-of-use assets (Note 17)	70,455	141,251	141,013	76,764	62,011
— Provision for impairment of financial assets (Note 3.1(b))	60,663	278,122	522,046	227,168	178,650
— Provision for impairment of inventories (Note 21)	9,116	13,430	23,138	8,687	16,286
— Share of loss of investments accounted for using the equity method (Note 12)	11,317	3,021	6,055	2,031	3,380
— Share-based compensation to a preferred shareholder (Note 6)	85,617	—	—	—	—
— Share-based compensation expenses (Note 7)	15,064	131,019	887,043	840,485	1,421,007
— Finance costs (Note 10)	29,488	149,874	112,509	68,708	21,785
— Finance income (Note 10)	(105,323)	(268,059)	(174,902)	(96,509)	(96,606)
— Fair value (gains)/losses on financial assets at fair value through profit or loss (Note 9)	(70,475)	118,069	(170,711)	51,179	(147,860)
— Dividend income (Note 8)	—	(3,903)	—	—	(6,172)
— Fair value losses on foreign exchange forward contracts (Note 9)	—	—	72,666	211	—
— Losses on disposal of property, plant and equipment (Note 9)	130	389	1,609	817	3,550
— Gains on early termination of leasing contracts	—	(81)	(1,549)	(1,549)	—
— Gain on disposal of an associate (Note 9)	(2,199)	—	—	—	—
— Losses on disposal of a subsidiary (Note 9)	—	405	—	—	—
— Realization of gains from downstream transactions from associates (Note 9)	(157)	(612)	(151)	(75)	(75)
— Fair value losses on financial liabilities at fair value through profit or loss (Note 30)	3,181,972	3,681,541	10,563,577	3,341,641	1,713,610
— Net foreign exchange gains	—	—	(18,052)	—	(2,734)
	(81,544)	(692,141)	73,913	(764,243)	(386,726)
Changes in working capital					
— (Increase)/decrease in long-term receivables	(98,339)	46,224	(100,950)	16,968	(71,380)
— (Increase)/decrease in contract assets	(5,532)	623	(24,325)	61	(777)
— (Increase)/decrease in trade and other receivables	(510,334)	(3,498,482)	(331,007)	324,167	(92,957)
— (Increase)/decrease in inventories	(102,648)	(337,946)	(309,341)	(158,126)	31,228
— Increase in restricted cash	(8,771)	—	(326)	(575)	—
— Increase/(decrease) in long-term payables	—	—	66,148	—	(35,399)
— (Decrease)/increase in trade and other payables	(63,910)	1,532,289	(980,886)	(687,749)	(183,613)
— Increase/(decrease) in contract liabilities	70,245	83,567	100,473	(24,808)	(94,878)
— Increase/(decrease) in deferred revenue	53,246	(2,307)	290,603	152,023	36,306
Net cash used in operations	(747,587)	(2,868,173)	(1,215,698)	(1,142,282)	(798,196)

(b) **Net debt reconciliation**

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash and cash equivalents (Note 27)	7,227,109	6,672,914	11,427,871	5,161,130	8,925,817
Preferred Shares liabilities (Note 30(a))	(18,506,185)	(27,105,669)	(50,185,657)	(31,067,722)	(52,036,956)
Other financial liabilities (Note 30(b))	(260,216)	(7,469)	(14,005)	(10,834)	—
Lease liabilities (Note 17)	(465,678)	(418,773)	(293,637)	(377,758)	(244,018)
Borrowings (Note 36)	(1,557,241)	(3,356,526)	(1,016,561)	(2,156,978)	(621,917)
Net debt	(13,562,211)	(24,215,523)	(40,081,989)	(28,452,162)	(43,977,074)

	Other assets		Liabilities from financing activities		
	Cash and cash equivalents	Lease liabilities	Preferred shares and other financial liabilities	Borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as at January 1, 2018	1,860,903	(29,934)	(3,522,538)	(179,077)	(1,870,646)
Cash flows	4,941,232	67,702	(10,258,229)	(1,356,655)	(6,605,950)
Other changes	—	(503,442)	(4,320,812)	(21,509)	(4,845,763)
Foreign exchange adjustments	424,974	(4)	(664,822)	—	(239,852)
Net debt as at December 31, 2018 and January 1, 2019	7,227,109	(465,678)	(18,766,401)	(1,557,241)	(13,562,211)
Cash flows	(724,757)	157,699	(4,612,084)	(1,669,365)	(6,848,507)
Other changes	—	(110,773)	(3,361,183)	(129,920)	(3,601,876)
Foreign exchange adjustments	170,562	(21)	(373,470)	—	(202,929)
Net debt as at December 31, 2019 and January 1, 2020	6,672,914	(418,773)	(27,113,138)	(3,356,526)	(24,215,523)
Cash flows	4,886,357	145,091	(6,846,992)	2,435,376	619,832
Other changes	—	(19,976)	(19,184,994)	(95,679)	(19,300,649)
Foreign exchange adjustments	(131,400)	21	2,945,462	268	2,814,351
Net debt as at December 31, 2020 and January 1, 2021	11,427,871	(293,637)	(50,199,662)	(1,016,561)	(40,081,989)
Cash flows	(2,406,105)	60,347	(9,185,308)	408,796	(11,122,270)
Other changes	—	(10,729)	6,846,566	(14,294)	6,821,543
Foreign exchange adjustments	(95,949)	1	501,448	142	405,642
Net debt as at June 30, 2021	8,925,817	(244,018)	(52,036,956)	(621,917)	(43,977,074)
(Unaudited)					
Net debt as at December 31, 2019 and January 1, 2020	6,672,914	(418,773)	(27,113,138)	(3,356,526)	(24,215,523)
Cash flows	(1,621,008)	77,241	(54,493)	1,259,895	(338,365)
Other changes	—	(36,218)	(3,320,719)	(60,347)	(3,417,284)
Foreign exchange adjustments	109,224	(8)	(590,206)	—	(480,990)
Net debt as at June 30, 2020	5,161,130	(377,758)	(31,078,556)	(2,156,978)	(28,452,162)

Except the non-cash transactions disclosed elsewhere in this report, there were no other material non-cash transactions during the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2021.

39 Capital commitments

Significant capital expenditure commitments are set out below:

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	18,491	30,207	520,400	782,178
Intangible assets	4,114	4,479	—	6,667
Capital contribution to financial assets at fair value through profit or loss	30,000	—	—	628
	52,605	34,686	520,400	789,473

40 Related party transactions

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

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

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

Name of related parties	Relationship with the Group
Prof. Tang	Founder and controlling shareholder of the Group
Shanghai Artificial Intelligence Research Institute Co., Ltd. (上海人工智能研究院有限公司, "SAIRI")	Associate of the Group
Hangzhou Shang Jing Yun Intelligent Technology Co., Ltd. (杭州商警雲智能科技有限公司, "Shang Jing Yun")	Associate of the Group
Beijing Linkface Technology Co., Ltd. (北京今始科技有限公司, "Linkface")	Associate of the Group
Seno China Limited	Joint venture of the Group
Hong Kong AI & Data Laboratory Limited ("HK AI Lab")	Joint venture of the Group
Amind Holding Inc. (formerly named SenseTime Holding Limited)	Company controlled by Amind Inc.
SenseFancy Investment Limited	Company controlled by Amind Inc.
Alibaba Cloud Computing Co., Ltd.	Company controlled by a significant preferred shareholders
Alibaba East China Co., Ltd.	Company controlled by a significant preferred shareholders
Alibaba Cloud (Singapore) Private Limited	Company controlled by a significant preferred shareholders
Hangzhou Alibaba Music Technology Co., Ltd.	Company controlled by a significant preferred shareholders
Softbank Corp.	Company controlled by a significant preferred shareholders

Name of related parties	Relationship with the Group
Softbank Group Corp.	Company controlled by a significant preferred shareholders
SoftBank Robotics Corp.	Company controlled by a significant preferred shareholders
Japan Computer Vision Corp.	Company controlled by a significant preferred shareholders
Zhejiang Helian Network Technology Co., Ltd. (浙江禾連網路科技有限公司, "Zhejiang Helian")	Investment with significant influence
Qingdao Hoooon Toy Co., Ltd. (青島轟轟智慧型機器人有限公司, "Qingdao Hoooon")	Investment with significant influence
Beijing Moviebook Technology Corporation Limited (北京影譜科技股份有限公司, "Beijing Moviebook Technology")	Investment with significant influence
Beijing Ling Technology Inc. (北京物靈科技有限公司, "Beijing Ling Technology")	Investment with significant influence
Zero Sports AI Beijing Co., Ltd. (賽事之窗(北京)科技有限公司, "Zero Sports AI")	Investment with significant influence
Hangzhou Seedien Technology Co., Ltd. (杭州悉點科技有限公司, "Seedien")	Investment with significant influence
Shanghai Histo Medical Pathology Diagnosis Center Co., Ltd. (上海衡道醫學病理診斷中心有限公司, "Histo Medical")	Investment with significant influence
Shanghai Yi Bang Intelligent Technology Co., Ltd. (上海益邦智能技術股份有限公司, "Shanghai Yi Bang")	Investment with significant influence

(b) Transactions with related parties

(i) Sale of products or provision of services

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Alibaba Cloud Computing Co., Ltd.	160,382	37,034	2,044	771	7,872
Japan Computer Vision Corp.	—	2,697	164,403	106,728	66,000
Shanghai Yi Bang	*	*	124,063	947	23,739
Seedien	62,357	23,575	113	—	497
SoftBank Robotics Corp.	—	17,242	23,491	23,600	—
Beijing Moviebook Technology	43,664	10,353	253	101	32
Zhejiang Helian	31,682	865	—	—	—
Shang Jing Yun	7,114	11,999	352	227	124
Softbank Group Corp.	19,790	—	—	—	—
Histo Medical	6,034	9,434	—	—	—
SenseFancy Investment Limited	—	6,265	5,777	—	—
Zero Sports AI	8,448	189	801	—	28
Beijing Ling Technology	4,114	216	—	—	—
Linkface	3,092	—	—	—	—
Softbank Corp.	1,018	1,824	—	—	598
HK AI Lab	114	1,446	279	229	—
Alibaba Cloud (Singapore) Private Limited	—	119	148	148	—
Alibaba East China Co., Ltd.	—	347	4	4	—
Hangzhou Alibaba Music Technology Co., Ltd.	302	—	—	—	—
Qingdao Hoooon	—	67	12	—	—
	348,111	123,672	321,740	132,755	98,890

(ii) Purchase of products or services

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Alibaba Cloud Computing Co., Ltd.	193,614	18,169	17,931	6,494	7,234
Shang Jing Yun	—	12,264	—	—	—
Qingdao Hoooon	—	2,369	2,925	865	—
Shanghai Yi Bang	*	*	—	—	5,606
Alibaba Cloud (Singapore) Private Limited	—	241	—	—	—
Beijing Ling Technology	—	—	2	—	1
	193,614	33,043	20,858	7,359	12,841

(iii) Purchase of property, plant and equipment and intangible assets

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Alibaba Cloud Computing Co., Ltd.	178,094	—	—	—	—
Shanghai Yi Bang	*	*	3,159	2,031	—
Shang Jing Yun	—	7,364	—	—	—
	178,094	7,364	3,159	2,031	—

(iv) Transactions with the controlling shareholder

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Shareholder loans provided by:					
SenseFancy Investment Limited	8,195	8,459	13,918	2,107	—
Amind Holding Inc.	9,966	—	—	—	—
	18,161	8,459	13,918	2,107	—
Shareholder loans waived by:					
SenseFancy Investment Limited	—	—	29,212	—	—
Amind Holding Inc.	—	—	9,892	—	—
	—	—	39,104	—	—
Capital contribution made by:					
Prof. Tang	—	—	—	—	10,365

(v) 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:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Wages, salaries and bonuses	15,298	15,814	21,576	11,195	8,696
Pension costs - defined contribution plans	96	104	88	48	56
Other social security costs, housing benefits and other employee benefits	70	76	71	33	39
Share-based compensation expenses	1,598	7,332	684,191	689,652	1,197,562
	17,062	23,326	705,926	700,928	1,206,353

(c) Balances with related parties

(i) Trade receivables

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Alibaba Cloud Computing Co., Ltd.	165,101	117,345	83,194	7,174
Shanghai Yi Bang	*	*	67,020	92,557
Shang Jing Yun	7,750	20,159	19,866	19,991
Japan Computer Vision Corp.	—	2,057	15,746	25,475
Seedien	27,375	—	—	—
Beijing Moviebook Technology	21,800	3,727	—	—
Softbank Group Corp.	20,590	—	—	—
Zhejiang Helian	19,083	54	—	—
Zero Sports AI	9,800	2,160	905	935
Histo Medical	3,500	10,000	—	—
Linkface	3,625	3,625	—	—
Softbank Corp.	1,017	—	—	—
HK AI Lab	119	—	—	—
Qingdao Hoooon	—	53	—	—
Alibaba East China Co., Ltd.	—	7	12	12
	279,760	159,187	186,743	146,144

(ii) Other receivables — non-trade

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Shanghai Yi Bang	*	*	13,427	—
Linkface	833	833	666	666
	833	833	14,093	666

(iii) Trade payables

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Qingdao Hoooon	—	1,023	960	187
Shang Jing Yun	—	—	100	100
Alibaba Cloud Computing Co., Ltd.	—	—	93	42
Beijing Ling Technology	—	—	2	3
	—	1,023	1,155	332

(iv) Other payables

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade				
Prof. Tang	10,385	10,385	10,385	—
SenseFancy investment Limited	10,295	20,831	—	—
Amind Holding Inc. (Note 29)	10,397	10,573	—	15,219
HK AI Lab	5,257	—	—	—
Seno China Limited	—	646	611	603
Trade				
Alibaba Cloud Computing Co., Ltd.	—	2,466	4,769	2,412
	36,334	44,901	15,765	18,234

(v) Payables on purchase of property, plant and equipment

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Alibaba Cloud Computing Co., Ltd.	127,584	—	—	—

(vi) Prepayment

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Shang Jing Yun	9,750	—	—	—
Shanghai Yi Bang	*	*	—	729
Alibaba Cloud Computing Co., Ltd.	2	32	30	36
	9,752	32	30	765

(vii) Contract liabilities

	As at December 31,			As at June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Alibaba Cloud Computing Co., Ltd.	—	20	5,784	165
Japan Computer Vision Corp.	—	75	1,805	1,408
Shanghai Yi Bang	*	*	1,407	1,253
SoftBank Robotics Corp.	—	217	5	5
HK AI Lab	—	181	7	7
Shang Jing Yun	—	19	27	21
Alibaba Cloud (Singapore) Private Limited	—	12	—	—
	—	524	9,035	2,859

* Shanghai Yi Bang became a related party to the Group in 2020 and the balances and the transactions with Shanghai Yi Bang were disclosed as related party balances and transactions since then.

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

The other payable balance due to Amind Holding Inc. amounting RMB15,219,000 has been settled in August 2021 and except for other payables to Seno China Limited, the remaining non-trade balances with related parties are expected to be settled before **[REDACTED]**.

41 Benefits and interests of directors

The remuneration of every director for the years ended December 31, 2018, 2019 and 2020 and for the six months ended June 30, 2020 and 2021 were set out below:

For the year ended December 31, 2018

Name of Directors	Fees	Wages and salaries	Discretionary bonuses	Share-based compensation expenses	Social security costs, housing benefits and employee welfare	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Dr. XU Li	—	1,786	554	1,536	15	3,891
Prof. Tang	—	—	—	—	—	—
Dr. WANG Xiaogang	—	1,969	550	—	—	2,519
Mr. XU Bing	—	842	7,870	—	15	8,727
Non-executive Directors						
Ms. FAN Yuanyuan	—	—	—	—	—	—
Independent non-executive Directors						
Prof. XUE Lan	—	—	—	—	—	—
Mr. LYN Frank Yee Chon	—	—	—	—	—	—
Mr. LI Wei	—	—	—	—	—	—
	—	4,597	8,974	1,536	30	15,137

For the year ended December 31, 2019

Name of Directors	Fees	Wages and salaries	Discretionary bonuses	Share-based compensation expenses	Social security costs, housing benefits and employee welfare	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Dr. XU Li	—	2,288	1,071	7,332	15	10,706
Prof. Tang	—	—	—	—	—	—
Dr. WANG Xiaogang	—	2,548	885	—	—	3,433
Mr. XU Bing	—	1,143	606	—	15	1,764
Non-executive Directors						
Ms. FAN Yuanyuan	—	—	—	—	—	—
Independent non-executive Directors						
Prof. XUE Lan	—	—	—	—	—	—
Mr. LYN Frank Yee Chon	—	—	—	—	—	—
Mr. LI Wei	—	—	—	—	—	—
	—	5,979	2,562	7,332	30	15,903

For the year ended December 31, 2020

Name of Directors	Fees	Wages and salaries	Discretionary bonuses	Share-based compensation expenses	Social security costs, housing benefits and employee welfare	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Dr. XU Li	—	2,377	1,238	353,230	16	356,861
Prof. Tang	—	—	—	—	—	—
Dr. WANG Xiaogang	—	3,306	1,054	158,310	—	162,670
Mr. XU Bing	—	1,904	1,096	158,310	16	161,326
Non-executive Directors						
Ms. FAN Yuanyuan	—	—	—	—	—	—
Independent non-executive Directors						
Prof. XUE Lan	—	—	—	—	—	—
Mr. LYN Frank Yee Chon	—	—	—	—	—	—
Mr. LI Wei	—	—	—	—	—	—
	—	7,587	3,388	669,850	32	680,857

For the six months ended June 30, 2021

Name of Directors	Fees	Wages and salaries	Discretionary bonuses	Share-based compensation expenses	Social security costs, housing benefits and employee welfare	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Dr. XU Li	—	1,226	328	510,700	8	512,262
Prof. Tang	—	—	—	—	—	—
Dr. WANG Xiaogang	—	1,266	356	373,657	—	375,279
Mr. XU Bing	—	1,031	262	303,868	8	305,169
Non-executive Directors						
Ms. FAN Yuanyuan	—	—	—	—	—	—
Independent non-executive Directors						
Prof. XUE Lan	—	—	—	—	—	—
Mr. LYN Frank Yee Chon	—	—	—	—	—	—
Mr. LI Wei	—	—	—	—	—	—
	—	3,523	946	1,188,225	16	1,192,710

(Unaudited)
For the six months ended June 30, 2020

Name of Directors	Fees	Wages and salaries	Discretionary bonuses	Share-based compensation expenses	Social security costs, housing benefits and employee welfare	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Dr. XU Li	—	1,210	630	358,039	8	359,887
Prof. TANG	—	—	—	—	—	—
Dr. WANG Xiaogang	—	2,029	537	160,882	—	163,448
Mr. XU Bing	—	847	558	160,882	8	162,295
Non-executive Directors						
Ms. FAN Yuanyuan	—	—	—	—	—	—
Independent non-executive Directors						
Prof. XUE Lan	—	—	—	—	—	—
Mr. LYN Frank Yee Chon	—	—	—	—	—	—
Mr. LI Wei	—	—	—	—	—	—
	—	4,086	1,725	679,803	16	685,630

(a) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors for the years ended December 31, 2018, 2019 and 2020 and for the six months ended June 30, 2020 and 2021.

(b) Consideration provided to third parties for making available directors' services

No consideration was provided to third parties for making available directors' services during the years ended December 31, 2018, 2019 and 2020 and for the six months ended June 30, 2020 and 2021.

(c) Information about loans, quasi-loans or other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans or other dealings were entered into by the Company in favor of directors, controlled bodies corporate by and connected entities with such directors during the years ended December 31, 2018, 2019 and 2020 and for the six months ended June 30, 2020 and 2021.

(d) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years/periods or at any time during the years ended December 31, 2018, 2019 and 2020 and for the six months ended June 30, 2020 and six months ended June 30, 2021.

42 Contingencies

As at December 31, 2018, 2019 and 2020 and June 30, 2021, there were no significant contingencies items for the Group and the Company.

43 Events after the balance sheet date

(a) On July 1, 2021, the Company granted 24,627,628 share options to its employees with vesting periods of 0 to 4 years. The exercise price of these share options were USD0.0288 or USD0.0998.

(b) From July 1, 2021 to the date of this report, the Group signed investment contracts with certain technology companies to acquire minority equity interests in these companies. The total investment amount will be up to RMB[813.5 million].

(c) In August 2021, all shareholders have passed and signed a resolution and have undertaken not to invoke the minority protection rights until the respective deadlines as set out in the exit event and qualified exit event defined under the respective agreements.

(d) In August 2021, the Group obtained an eight-year RMB2 billion syndicated loan facility at floating-rate interest. The loan facility is secured by certain building and equity interest of a subsidiary of the Group. Up to the date of this report, RMB[201.4] million had been drawn down.

Save as disclosed above and elsewhere in this report, there is no other material subsequent event undertaken by the Company or by the Group after June 30, 2021.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2021 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2021.

The information set out in this Appendix does not form part of the "Accountant's Report" from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this document, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the "Appendix I — Accountant's Report."

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the **[REDACTED]** as if it had taken place on June 30, 2021 and based on the consolidated net tangible liabilities attributable to the owners of the Company as at June 30, 2021 as shown in the Accountant's Report, the text of which is set out in Appendix I to this document, and adjusted as described below.

This unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the **[REDACTED]** been completed as at June 30, 2021 or at any future date.

	Audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at June 30, 2021	**Estimated net [REDACTED] from the [REDACTED]**	**Estimated impact related to the conversion of the Preferred Shares from liabilities to equity upon the completion of [REDACTED]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company**	**Unaudited pro forma adjusted consolidated net tangible assets per share**	
	Note 1 *RMB'000*	**Note 2** *RMB'000*	**Note 3** *RMB'000*	*RMB'000*	**Note 4** *RMB*	**Note 5** *HK$*
Based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**	(23,179,863)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**	(23,179,863)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at June 30, 2021 is extracted from the Accountant's Report set forth in Appendix I to the document, which is based on the audited consolidated net liabilities attributable to the owners of the Company as at June 30, 2021 of approximately RMB23,086,370,000 with an adjustment for the intangible assets attributable to the owners of the Company as at June 30, 2021 of approximately RMB93,493,000.

(2) The estimated net **[REDACTED]** from the **[REDACTED]** are based on the indicative **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]** per **[REDACTED]**, respectively, after deduction of the estimated **[REDACTED]** fees and other related expenses

payable by the Company (excluding **[REDACTED]** expenses approximately RMB**[REDACTED]** which had been charged to the consolidated income statements income up to June 30, 2021), and takes no account of any shares which may be issued upon the exercise of the **[REDACTED]** or upon the exercise of the share options granted under the Pre-**[REDACTED]** ESOP or any Shares that may be issued or repurchased by the Company under the general mandates and the repurchase mandates.

(3) Upon the completion of the **[REDACTED]**, all the Preferred Shares will be automatically converted into Class B Shares. These Preferred Shares will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company will be increased by approximately RMB**[REDACTED]**, being the carrying amounts of the Preferred Shares as at June 30, 2021.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in preceding paragraphs and on the basis that **[REDACTED]** Shares are in issue, assuming the **[REDACTED]** and the conversion of the Preferred Shares as detailed in paragraph (3) had been completed on June 30, 2021 but takes no account **[REDACTED]** Shares issued under the Pre-**[REDACTED]** ESOP that are subject to vesting conditions and any Shares which may be issued upon the exercise of the **[REDACTED]** or upon the exercise of the share options granted under the Pre-**[REDACTED]** ESOP or any Shares that may be issued or repurchased by the Company under the general mandates and repurchase mandates.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK$1.00 to RMB0.83426. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2021.

[REDACTED]

[REDACTED]

[REDACTED]

This Appendix contains a summary of the Memorandum and Articles of Association of our Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V, a copy of the Memorandum and Articles of Association is available for inspection.

SUMMARY OF THE CONSTITUTION OF OUR COMPANY

1. Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on [date] and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed "Documents Available for Inspection."

2. Articles of Association

The Articles of Association of the Company were conditionally adopted on [date] and include provisions to the following effect

2.1 Classes of Shares

(a) Share capital

The share capital of the Company consists of Class A Shares and Class B Ordinary Shares. The capital of the Company at the date of adoption of the Articles is US$50,000 divided into [8,000,000,000] Class A Shares of US$0.000000025 each and [1,992,000,000,000] Class B Ordinary Shares of US$0.000000025 each.

(b) Weighted voting rights

Subject to the provisions of the Articles of Association, the holders of Class A Ordinary Shares and Class B Ordinary Shares shall at all times vote together as one class on all resolutions submitted to a vote by the members. On a poll, each Class A Ordinary Share shall entitle its holder to ten votes and each Class B Ordinary Share shall entitle its holder to one vote, provided that each Class A

Ordinary Share and each Class B Ordinary Share shall entitle its holder to one vote on a poll at a general meeting in respect of a resolution on the following matters:

(i) any amendment to the Memorandum of Association or the Articles of Association;

(ii) any variation of the rights attached to any class of shares;

(iii) the appointment, election or removal of any independent non-executive Director;

(iv) the appointment or removal of the auditors; or

(v) the voluntary liquidation or winding-up of the Company.

Notwithstanding the foregoing, where a holder of Class A Ordinary Shares is permitted by the Stock Exchange from time to time to exercise more than one vote per share when voting on a resolution to amend the Memorandum of Association or the Articles of Association, any holder of Class A Ordinary Shares may elect to exercise such number of votes per share as is permitted by the Stock Exchange, up to the maximum number of votes attached to each Class A Ordinary Share as set out in the Articles of Association.

The Company shall not take any action (including the issue or repurchase of shares of any class) that would result in (i) the aggregate number of votes entitled to be cast by all holders of Class B Ordinary Shares (for the avoidance of doubt, excluding those who are also holders of Class A Ordinary Shares) present at a general meeting to be less than 10% of the votes entitled to be cast by all members at a general meeting; or (ii) an increase in the proportion of Class A Ordinary Shares to the total number of shares in issue.

(c) Restrictions on issue of Shares with weighted voting rights

No further Class A Ordinary Shares shall be issued by the Company, except with the prior approval of the Stock Exchange and pursuant to (i) an offer to subscribe for shares in the Company made to all the members of the Company pro rata (apart from fractional entitlements) to their existing holdings; (ii) a pro rata issue of shares to all the members of the Company by way of scrip dividends; or (iii) a share subdivision or other similar capital reorganization, provided that each member of the Company shall be entitled to subscribe for (in a pro rata offer) or be issued (in an issue of shares by way of scrip dividends) shares in the same class as the shares then held by him, and further provided that the proposed allotment or issuance will not result in an increase in the proportion of Class A Ordinary Shares in issue, so that:

(i) if, under a pro rata offer, any holder of Class A Ordinary Shares does not take up any part of the Class A Ordinary Shares or the rights thereto offered to him, such untaken shares (or rights) shall only be transferred to another person on the basis that such transferred rights will only entitle the transferee to an equivalent number of Class B Ordinary Shares; and

(ii) to the extent that rights to Class B Ordinary Shares in a pro rata offer are not taken up in their entirety, the number of Class A Ordinary Shares that shall be allotted, issued or granted in such pro rata offer shall be reduced proportionately.

(d) Reduction of Shares with weighted voting rights on repurchase of Shares

In the event the Company reduces the number of Class B Ordinary Shares in issue through a purchase of its own shares, the holders of Class A Ordinary Shares shall reduce their voting rights in the Company proportionately, whether through a conversion of a portion of their Class A Ordinary Shares or otherwise, if the reduction in the number of Class B Ordinary Shares in issue would otherwise result in an increase in the proportion of Class A Ordinary Shares to the total number of shares in issue.

(e) Prohibition on variation of terms of shares with weighted voting rights

The Company shall not vary the rights of the Class A Ordinary Shares so as to increase the number of votes to which each Class A Ordinary Share is entitled.

(f) Conversion of Class A Ordinary Shares

Each Class A Ordinary Share is convertible into one Class B Ordinary Share at any time by the holder thereof, such right to be exercisable by the holder of the Class A Ordinary Share delivering a written notice to the Company that such holder elects to convert a specified number of Class A Ordinary Shares into Class B Ordinary Shares.

(g) Qualification of holders of shares with weighted voting rights

Class A Ordinary Shares shall only be held by a Director or a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director. Subject to the Listing Rules or other applicable laws and regulations, each Class A Ordinary Share shall be automatically converted into one Class B Ordinary Share upon the occurrence of any of the following events:

(i) the death of the holder of such Class A Ordinary Share (or, where the holder is a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director, the death of that Director);

(ii) the holder of such Class A Ordinary Share ceasing to be a Director or a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director for any reason;

(iii) the holder of such Class A Ordinary Share (or, where the holder is a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director, the Director holding and controlling such vehicle) being deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a Director;

(iv) the holder of such Class A Ordinary Share (or, where the holder is a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director, the Director owning and controlling such vehicle) being deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules; or

(v) the transfer to another person of the beneficial ownership of, or economic interest in, such Class A Ordinary Share or the control over the voting rights attached to such Class A Ordinary Share (through voting proxies or otherwise), other than (A) the grant of any encumbrance, lien or mortgage over such share which does not result in the transfer of the legal title or beneficial ownership of, or the voting rights attached to, such share, until the same is transferred upon the enforcement of such encumbrance, lien or mortgage, (B) a transfer of the legal title to such share by a Director to a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by him, or by a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director to such Director or another limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by him, and (C) any transfer of legal title to such share by a holder of Class A Ordinary Share to a limited partnership, trust, private company or other vehicle which holds Class A Ordinary Shares on behalf of such holder.

(h) Cessation of weighted voting rights

All of the Class A Ordinary Shares in the authorized share capital shall be automatically re-designated into Class B Ordinary Shares in the event all of the Class A Ordinary Shares in issue are converted into Class B Ordinary Shares, and no further Class A Ordinary Shares shall be issued by the Company.

(i) Shares to rank pari passu

Save and except for the rights, preferences, privileges and restrictions set out in this paragraph 2.1, the Class A Ordinary Shares and the Class B Ordinary Shares shall rank *pari passu* in all other respects and shall have the same rights, preferences, privileges and restrictions.

2.2 Directors

(a) Number of Directors

The number of Directors shall not be less than two. So long as shares are listed on the Stock Exchange, the Board of Directors shall include at least three independent non-executive Directors and consist of not less than one-third of independent non-executive Directors. The Company may by ordinary resolution from time to time fix the maximum and minimum number of Directors to be appointed but unless such number is fixed as aforesaid the number of Directors shall be unlimited.

(b) Power to allot and issue Shares

Subject to the provisions of the Companies Act and the Memorandum and Articles of Association, all shares for the time being and from time to time unissued shall be under the control of the Directors, and may be redesignated, allotted, issued or otherwise disposed of in such manner, to such persons and on such terms as the Directors, in their absolute discretion, may think fit. The Directors may issue shares in separate classes and may issue shares of any class in different series.

Subject to any applicable provisions in the Memorandum of Association, and without prejudice to any special rights previously conferred on the holders of existing shares, any share may be issued with such preferred, deferred, or other special rights, or such restrictions, whether in regard to dividend, voting, return of share capital or otherwise, as the Company may from time to time by special resolution determine, and subject to the provisions of section 37 of the Companies Act, any share may, with the sanction of a special resolution, be issued on the terms that it is, or at the option of the Company or the holder is liable, to be redeemed.

(c) Power to dispose of the assets of the Company or any subsidiary

Subject to any applicable provisions of the Companies Act, the Articles of Association, and to any resolutions made in a general meeting, the business of the Company shall be managed by the Directors, who may pay all expenses incurred in setting up and registering the Company and may exercise all powers of the Company. No resolution made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that resolution had not been made.

(d) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(e) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates or a Director of any holding company of the Company directly or indirectly except as would be permitted by the Companies Ordinance if the Company were a company incorporated in Hong Kong, and except as permitted under the Companies Act.

(f) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any shares or

warrants in the Company or any company which is a holding company of the Company and should the Company purchase or otherwise acquire its own shares or warrants.

(g) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established. A Director, notwithstanding his interest, may be counted in the quorum present at any meeting of the Directors whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving of any security or indemnity either:

a) to the Director or any of his close associates in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(ii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iii) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

a) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

b) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(iv) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(h) Remuneration

The remuneration of the Directors and any officers of the Company shall from time to time be determined by the Company by ordinary resolution.

Every Director may be reimbursed for travel, hotel and other expenses incurred by him in attending meetings of the Directors, any committee of the Directors or general meetings of the Company or in connection with the business of the Company.

Any Director may act by himself or his firm in a professional capacity for the Company, but he or his firm shall not be entitled to any remuneration for such professional services unless approved by the Company by ordinary resolution; provided that nothing herein contained shall authorize a Director or his firm to act as auditors to the Company.

Any Director may in writing appoint another person to be his alternate to act in his place at any meeting of the Directors at which he is unable to be present. The remuneration of such alternate shall be payable out of the remuneration of the Director appointing him and the proportion thereof shall be agreed between them.

The Directors from time to time and at any time may establish any committees or local boards for managing any of the affairs of the Company and may appoint any persons to be members of such committees or local boards and may appoint any managers or agents of the Company and may fix the remuneration of any such persons.

(i) Retirement, appointment and removal

The Directors shall have power from time to time and at any time to appoint any person as a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation.

The Company may by ordinary resolution at any time remove any Director before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his stead. Any person so elected shall hold office during such time only as the Director in whose place he is elected would have held the same if he had not been removed. Nothing in this paragraph should be taken as depriving a Director removed under any provision of this paragraph of compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of termination of his appointment as Director or as derogatory from the power to remove a Director which may exist apart from the provision of this paragraph.

No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There shall be no shareholding qualification for Directors unless determined otherwise by the Company by ordinary resolution.

The office of a Director shall be vacated, if the Director:

(i) becomes bankrupt or makes any arrangement or composition with his creditors;

(ii) is found to be or becomes of unsound mind;

(iii) resigns his office by notice in writing to the Company; or

(iv) is removed from office by ordinary resolution.

At every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to the Articles of Association shall not be taken into account

in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(j) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

(k) Proceedings of the Board

The Directors may meet together (either within or outside of the Cayman Islands) for the dispatch of business, adjourn, and otherwise regulate their meetings and proceedings as they think fit. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed, if there be two or more Directors shall be two, and if there be one Director the quorum shall be one. A Director represented by proxy or by an alternate Director at any meeting shall be deemed to be present for the purposes of determining whether or not a quorum is present. Failing any determination by the Board, not less than 48 hours' notice thereof shall be given to each Director either in writing or by telephone or by facsimile, telex or telegram at the address or telephone, facsimile or telex number from time to time notified to the Company by such Director or in such other manner as the Board may from time to time determine. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes of the Chairman shall have a second or casting vote. A Director may, and the Secretary or Assistant Secretary on the requisition of a Director shall, at any time summon a meeting of the Director.

2.3 Alteration to constitutional documents

Subject to the Companies Act and the rights attaching to any class or series of shares, the Company may at any time and from time to time by special resolution alter or amend the Memorandum or Articles of Association in whole or in part.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Act, be varied or abrogated only with (in addition to a special resolution to amend the Memorandum or the Articles of Association) the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of shares of that class by members holding shares representing three-fourths in nominal value of the shares present in person or by proxy and voting at such meeting. For so long as any Class A Ordinary Share is in issue and unless such change is otherwise required by

law or the Listing Rules, (a) any change to the composition of the Board of Directors set out in Paragraph 2.2(a) above; (b) any change in the proportion of votes required to pass a resolution of the members, whether as an ordinary resolution or a special resolution or in respect of particular matters or generally; (c) any variation to the number of votes attached to a share of any class, except any such variation arising from an automatic conversion of a Class A Ordinary Share into a Class B Ordinary Share in paragraph 2.1(f); and (d) any change to the matters in respect of which each Class A Ordinary Share and each Class B Ordinary Share shall entitle its holder to one vote on a poll at a general meeting as summarized in paragraph 2.1(b) above, and any change to the quorum requirements for meetings of Directors as summarized in paragraph 2.2(k) above or to this provision, shall require the consent in writing of the holders of not less than three-fourths in nominal or par value of the issued Class A Ordinary Shares. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of Capital

The Company may from time to time by ordinary resolution increase the share capital by such sum, to be divided into shares of such classes or series and amount, as the resolution shall prescribe.

The Company may by ordinary resolution:

(i) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;

(ii) convert all or any of its paid up shares into stock and reconvert that stock into paid up shares of any denomination;

(iii) subdivide its existing shares, or any of them, into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; and

(iv) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled.

The Company may by special resolution reduce its share capital and any capital redemption reserve in any manner authorized by law.

2.6 Special resolution

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and where a poll is taken regard shall be had in computing such a majority to the number of votes to which each member of the Company is entitled, and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed in the aggregate by all of the members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company and where a poll is taken regard shall be had in computing a majority to the number of votes to which each member is entitled and includes an ordinary resolutions approved in writing by all of the members entitled to vote at a general meeting of the Company in one or more instruments signed in the aggregate by all of the members and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments if more than one, is signed.

2.7 Voting rights

Subject to paragraph 2.1(b) above and any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, every member who is entitled to vote at a general meeting and every person representing such a member as proxy shall have one vote for each share of which such member or the member represented by the proxy is the holder.

Where any member is required under the Listing Rules to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, or other person in the nature of a committee appointed by that court, and any such committee or other person, may vote by proxy.

Members who are entitled to vote at a general meeting shall not be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares carrying the right to vote held by him have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided on a poll, save that the Chairman may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its respective nominee(s)) is a member it may authorize such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. The person so authorized will be deemed to have been duly authorized without the need of producing any documents of title, notarized authorization and/or further evidence to substantiate that it is so authorized. A person so authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or it respective nominee(s)) which he represents as that recognized clearing house (or its respective nominee(s)) could exercise as if such person were an individual member holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands, notwithstanding any contrary provision contained in the Articles of Association.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting in each year other than the year of the Company's adoption of the Articles of Association, within a period of not more than 15 months after the holding of the last preceding annual general meeting or not more than 18 months after the date of adoption of the Articles of Association (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it and shall be held at such time and place as the Board shall appoint. The Directors may, whenever they think fit, convene an extraordinary general meeting of the Company.

General meetings shall also be convened on the written requisition of any member or members entitled to attend and vote at general meetings of the Company who hold not less than 10 per cent of the paid up voting share capital of the Company deposited at the registered office of the Company specifying the objects of the meeting for a date no later than 21 days from the date of deposit of the requisition signed by the requisitionists, and if the Directors do not convene such meeting for a date not later than 45 days after the date of such deposit, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors to convene the general meeting shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Act.

The Board may from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or authorized by the Directors or by the Company by ordinary resolution.

The Board shall cause to be prepared and to be laid before the members at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts prepared and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members at an annual general meeting shall not less than 21 days before the date of the meeting be sent in the manner in which notices may be served by the Company, provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

Copies of those documents to be laid before the Member of the Company at an annual general meeting shall not less than 21 days before the date of the meeting be sent in the manner in which notices may be served by the Company as provided herein to every member and every holder of debentures of the Company, provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Board.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. Subject to the requirement under the Listing Rules, the notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place, and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and to all members other than such as, under the provisions hereof or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company.

Notwithstanding that a meeting of the Company is called by shorter notice, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all the members entitled to attend and vote thereat or their proxies; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

When a meeting is adjourned for fourteen (14) days or more, at least seven (7) clear days' notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

2.12 Transfer of shares

Transfers of shares which are listed on the Stock Exchange may be effected by any method of transferring or dealing in securities permitted by the Listing Rules and which has been approved by the Board for such purpose.

The instrument of transfer of any share shall be in any usual or common form or such other form as the Directors may, in their absolute discretion, approve and be executed by or on behalf of the transferor and if in respect of a nil or partly paid up share, if so required by the Directors, shall also be executed on behalf of the transferee and shall be accompanied by such evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.

The Directors may, in their absolute discretion, decline to register any transfer of share that is not fully paid up or on which the Company has a lien. The Board may also decline to register any transfer of any shares unless:

(i) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(ii) the instrument of transfer is in respect of only one class of shares;

(iii) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(iv) in the case of a transfer to joint holders, the number of joint holders to which the share is to be transferred does not exceed four; and

(v) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Board may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any shares, they shall, within six weeks after the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal.

For the purpose of determining those members that are entitled to receive notice of, attend or vote at any meeting of members or any adjournment thereof, or those members that are entitled to receive payment of any dividend, or in order to make a determination as to who is a members for any other purpose, the Directors may provide that register shall, on ten business days' notice (or on six business days' notice in the case of a rights issue) being given by advertisement published on the Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as herein provided or by advertisement published in the newspapers, be closed at such times and for such periods as the Board may from time to time determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

The registration of transfers may be suspended at such times and for such periods as the Directors may, in their absolute discretion, from time to time determine, provided always that such registration shall not be suspended for more than 45 days in any year.

All instruments of transfer which are registered shall be retained by the Company, but any instrument of transfer which the Directors decline to register shall (except in any case of fraud) be returned to the person depositing the same.

2.13 Power of the Company to purchase its own shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law or the Listing Rules and subject to any rights conferred on the holders of any class of shares, the Company shall have the power to purchase or otherwise acquire any of its own shares (including redeemable shares) provided that the manner of purchase has first been authorized by a resolution of the members, and to purchase or otherwise acquire warrants for the subscription or purchase of its own shares, and shares and warrants for the subscription or purchase of any shares in any company which is its holding company and may make payment therefor in any manner authorized or not prohibited by law.

The Directors may, prior to the repurchase, determine that such shares shall be held as a treasury share. The Directors may determine to cancel a treasury share or transfer a treasury share on such terms as they think proper (including, with limitation, for nil consideration).

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to any rights and restrictions for the time being attached to any class or series of Shares, the Directors may from time to time declare dividends (including interim dividends) and other distributions on shares in issue and authorize payment of the same out of the funds of the Company lawfully available therefor. Subject to any rights and restrictions for the time being attached to any class or series of shares, the Company by ordinary resolution may declare dividends. No dividend shall exceed the amount recommended by the Directors.

Subject to any rights and restrictions for the time being attached to any class or classes of shares, all dividends shall be declared and paid according to the amount paid on the shares, but if and so long as nothing is paid up on any of the shares dividends may be declared and paid according to the par value of the shares. No amount paid on a share in advance of calls shall, while carrying interest, be treated for the purposes of this Article as paid on the share. If several persons are registered as joint holders of any share, any of them may give effectual receipts for any dividend or other moneys payable on or in respect of the share.

The Directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, in the absolute discretion of the Directors be applicable for meeting contingencies, or for equalizing dividends or for any other purpose to which those funds may be properly applied and pending such application may, in the absolute discretion of the Directors, either be employed in the business of the Company or be invested in such investments (other than shares) as the Directors may from time to time think fit.

No dividend shall bear interest against the Company.

Any dividend may be paid by check sent through the post to the registered address of the members or person entitled thereto, or in the case of joint holders, to any one of such joint holders at his registered address or to such person and such address as the members or person entitled, or such joint holders as the case may be, may direct. Every such check shall be made payable to the order of the person to whom it is sent or to the order of such other person as the members or person entitled, or such joint holders as the case may be, may direct.

The Directors when paying dividends to the members in accordance with the provisions of the Articles of Association may make such payment either in cash or in specie.

The Company may cease sending such checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered.

Any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be automatically forfeited and shall revert to the Company and shall be applied to the class or series of shares in relation to which the dividend relates.

2.16 Proxies

Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member. A member may appoint any number of proxies to attend in his stead at any one general meeting (or at any one class meeting).

An instrument appointing a proxy may be in any usual or common form or such other form as the Directors may approve, provided that it shall enable a member, according to his intention, to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized.

The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority, (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid provided always that the chairman of the meeting may at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited upon receipt of telex or cable or facsimile confirmation from the appointor that the instrument of proxy duly signed is in the course of transmission to the Company. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their partly paid shares, and each member of the Company shall (subject to receiving at least 14 days' notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on such shares.

The Directors may make arrangements on the issue of partly paid shares for a difference between the members, or the particular shares, in the amount of calls to be paid and in the times of payment. The joint holders of a share shall be jointly and severally liable to pay calls in respect thereof.

If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at such rate per annum as the Directors shall determine from the day appointed for the payment thereof to the time of the actual payment, but the Directors shall be at liberty to waive payment of that interest wholly or in part.

If a member of the Company fails to pay any call or installment of a call in respect of partly paid shares on the day appointed for payment, the Directors may, at any time thereafter during such time as any part of such call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.

The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time thereafter before the payment required by notice has been made, be forfeited by a resolution of the Directors to that effect. A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares forfeited, but his liability shall cease if and when the Company receives payment in full the amount unpaid on the shares forfeited. The Company may receive the consideration, if any, given for a share on any sale or disposition thereof pursuant to the provisions of the Articles of Association as to forfeiture and may execute a transfer of the share in favor of the person to whom the share is sold or disposed of and that person shall be registered as the holder of the share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the disposition or sale.

2.18 Inspection of register of members

The Directors shall keep or cause to be kept a register of members as required by Section 40 of the Companies Act at such place or places as the Directors may from time to time determine, and in the absence of any such determination, the Register of Members shall be kept at the registered office of the Company.

The Company shall, on demand, furnish any person seeking to inspect the register of members or part thereof which is closed by virtue of the Articles of Association with a certificate under the hand of the Secretary stating the period for which, and by whose authority, it is closed. In the event that there is an alteration of book closure dates, the Company shall give at least five business days' notice in accordance with the procedures set out in the Articles of Association. Except when a register of members is closed and, if applicable, subject to the Articles of Association, the principal register and any branch register shall during business hours be kept open to inspection by any member without charge. Such business hours are subject to such reasonable restrictions as the Company in general meeting may impose, but so that not less than two hours in each business day is to be allowed for inspections.

Any register held in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Board may impose) be open to inspection by a member without charge and any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Board may determine for each inspection. Any member may require a copy of the register, or any part thereof, on payment of HK$0.25, or such lesser sum as the Company may prescribe, for every 100 words or fractional part thereof required to

be copied. The Company shall cause any copy so required by any person to be sent to that person within a period of 10 days commencing on the date next after the day on which the request is received by the Company.

2.19 Quorum for meeting and separate class meetings

No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business.

A poll demanded on the election of a chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs.

Save as otherwise provided by the Articles of Association, two or more members of the Company holding at least one-third of the paid-up voting share capital of the Company present in person or by proxy shall be a quorum, provided always that if the Company has only one member of record the quorum shall be that one member.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholder in relation to fraud or oppression.

2.21 Procedure on liquidation

If the Company shall be wound up the liquidator may, with the sanction of an ordinary resolution of the Company, divide amongst the members in specie the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different class or series of shares. The liquidator may, with the like sanction, vest the whole or any part of such assets in

trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction shall think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

In the event of a winding-up of the Company in Hong Kong, every member who is not for the time being in Hong Kong shall be bound, within 14 days after the passing of an effective resolution to wind up the Company voluntarily, or the making of an order for the winding-up of the Company, to serve notice in writing on the Company appointing some person resident in Hong Kong and stating that person's full name, address and occupation upon whom all summonses, notices, process, orders and judgments in relation to or under the winding-up of the Company may be served, and in default of such nomination the liquidator of the Company shall be at liberty on behalf of such member to appoint some such person, and service upon any such appointee, whether appointed by the member or the liquidator, shall be deemed to be good personal service on such member for all purposes, and, where the liquidator makes any such appointment, he shall with all convenient speed give notice thereof to such member by advertisement as he shall deem appropriate or by a registered letter sent through the post and addressed to such member at his address as appearing in the register, and such notice shall be deemed to be service on the day following that on which the advertisement first appears or the letter is posted.

2.22 Untraceable members

The Company shall be entitled to sell any shares of a member or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if and provided that:

(i) all checks or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

(ii) the Company has not during that time or before the expiry of the three-month period referred to in (d) below received any indication of the whereabouts or existence of the member or person entitled to such shares by death, bankruptcy or operation of law;

(iii) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and

(iv) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as herein provided, giving notice of its intention to sell such shares, and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention.

The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANIES ACT AND TAXATION

1. Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2. Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act. As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3. Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account." At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4. Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5. Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6. Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7. Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, a director, managing director, and secretary, must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8. Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(ii) all sales and purchases of goods by the company; and

(iii) the assets and liabilities of the company.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

9. Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

10. Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11. Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12. Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13. Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14. Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15. Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16. Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17. Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18. Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19. Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(ii) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

a) on or in respect of the shares, debentures or other obligations of the Company; or

b) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

Any such undertaking aforesaid may be for any period not exceeding thirty years from the date of the approval of the application and may be in such form as the Financial Secretary of the Cayman Islands shall determine.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20. Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21. General

BGA Law (Cayman) Limited, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands Companies Act. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection — 2. Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands Companies Act or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on October 15, 2014. Our registered office address is the offices of ICS Corporate Services (Cayman) Limited, 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Companies Act" in Appendix III to this Document.

We have established our principal place of business in Hong Kong at 2/F, Harbor View 1, 12 Science Park East Avenue, Hong Kong Science & Technology Park, Shatin, Hong Kong, and registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on October 8, 2021 under the same address. Ms. Lin Jiemin has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As of the date of this Document, our Company's head offices were located at No. 1900 Hongmei Road, Xuhui District, Shanghai 200233, PRC and 2/F, Harbor View 1, 12 Science Park East Avenue, Hong Kong Science & Technology Park, Shatin, Hong Kong.

2. Changes in Share Capital

On October 15, 2014, our Company was incorporated with an authorized share capital of US$50,000 divided into 200,000,000 shares of a par value of US$ 0.00025 each.

The following changes in the share capital of our Company took place during the two years immediately preceding the date of this Document:

(a) Between August 21, 2020 and November 12, 2020, the Company completed issuance of an aggregate of 4,524,880,000 Series D Preferred Shares of par value of US$0.000000025 to the following shareholders:

Shareholders	Date on which Series D Preferred Shares were issued	Number of Series D Preferred Shares issued
Guildford Investment One Limited	August 21, 2020	468,320,000
ABADI Limited	August 21, 2020	282,805,430
EverestLu Holding Limited	August 21, 2020	282,800,000
Guangdong Hengjian Assets Management Co., Ltd. (廣東恒健資產管理有限公司)	August 21, 2020	282,800,000

Shareholders	Date on which Series D Preferred Shares were issued	Number of Series D Preferred Shares issued
Suzhou Industrial Park Oriza St Venture Fund (Limited Partnership) (蘇州工業園區元禾商湯創業投資合夥企業（有限合夥）)	August 21, 2020	164,020,000
Shanghai Electric STVC Co., Ltd. (上海電氣科技創業投資有限公司)	August 21, 2020	141,402,714
Dajia Life Insurance Co., Ltd. (大家人壽保險股份有限公司)	August 21, 2020	141,400,000
Classic Gem Limited	August 21, 2020	141,400,000
Clouse S.A., acting for the account of its Compartment 39	August 21, 2020	118,460,000
SenseLight Management L.P.	August 21, 2020	162,800,000
SensePoint Management L.P.	August 21, 2020	20,200,000
SenseLight Management L.P.	September 3, 2020	48,070,000
SensePoint Management L.P.	September 3, 2020	48,940,000
Qiushi Xingde (Tianjin) Investment Center (Limited Partnership) (秋實興德（天津）投資中心（有限合夥）)	September 3, 2020	97,280,000
Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司)	September 3, 2020	28,280,000
Irises Information Technology (Shanghai) Co., Ltd. (鳶尾花（上海）信息科技有限公司)	September 4, 2020	197,960,000
GoodByte Company Limited	September 4, 2020	141,400,000
Zunyi Hengxin Equity Investment Management Center (Limited partnership) (遵義市恒信股權投資管理中心（有限合夥）)	September 10, 2020	141,400,000
Jiaxing Shenmao No. 5 Equity Investment Partnership (Limited Partnership) (嘉興市申貿五號股權投資合夥企業（有限合夥）)	September 10, 2020	79,180,000
Guildford Investment One Limited	September 10, 2020	117,080,000
SensePoint Management L.P.	September 10, 2020	214,280,000
Qiushi Xingde (Tianjin) Investment Center (Limited Partnership) (秋實興德（天津）投資中心（有限合夥）)	September 10, 2020	24,320,000
Shanghai International Group Co., Ltd. (上海國際集團有限公司)	September 10, 2020	282,800,000
Shanghai State-owned Assets Management Co., Ltd. (上海國有資產經營有限公司)	September 10, 2020	141,400,000
Smithfield Investment Holdings Limited	September 10, 2020	141,400,000
Multitude Chance Limited	September 10, 2020	113,120,000
Shanghai Guofang Gouzhu Enterprise Service Center (Limited Partnership) (上海國方構築企業服務中心（有限合夥）)	September 10, 2020	40,400,000
Shanghai Guofang Zouzhen Enterprise Service Center (Limited Partnership) (上海國方奏臻企業服務中心（有限合夥）)	September 10, 2020	20,200,000
Mirae Asset-Naver Asia Growth Investment Pte. Ltd.	September 10, 2020	56,560,000
Shenzhen Songheshang Investment Partnership Enterprise (Limited Liability Partnership) (深圳市松和商投資合夥企業（有限合夥）)	September 10, 2020	65,040,000
SenseLight Management L.P.	November 12, 2020	28,280,000
SVF Sense (Singapore) Pte. Ltd.	November 12, 2020	177,960,000
CDBC Manufacturing Transformation and Upgrading Fund (Limited partnership) (國開製造業轉型升級基金（有限合夥）)	November 12, 2020	113,121,856
Total		**4,524,880,000**

(b) Between November 12, 2020 and June 29, 2021, the Company completed issuance of an aggregate of 1,716,620,000 Series D+ Preferred Shares of par value of US$0.000000025 to the following shareholders:

Shareholders	Date on which Series D+ Preferred Shares were Issued	Number of Series D+ Preferred Shares Issued
3W Global Fund	November 12, 2020	24,420,000
Eternal Easy Limited	November 12, 2020	24,420,000
Beijing Hai Guo He Chuang Gong Xiang Equity Investment Fund Management Center (Limited Partnership) (北京海國合創共享股權投資基金管理中心（有限合夥）)	November 12, 2020	35,200,000
Zhuhai Xunjia International Trade Co., Ltd. (珠海訊嘉國際貿易有限公司)	November 12, 2020	366,380,000
Zhuhai Yingfan International Trade Co., Ltd. (珠海瀛帆國際貿易有限公司)	November 12, 2020	366,380,000
CICC Pucheng Investment Co., Ltd. (中金浦成投資有限公司)	November 12, 2020	6,590,000
Clouse S.A., acting for the account of its Compartment 49	November 12, 2020	29,310,000
SVF Sense (Singapore) Pte. Ltd.	November 12, 2020	419,830,000
SenseSpace Management L.P.	November 12, 2020	191,890,000
SenseBlue Management L.P.	November 12, 2020	10,410,000
Delta Ville International Limited	January 21, 2021	58,620,000
Mason Stevens Limited	June 23, 2021	73,270,000
Cinda Sino-Rock Investment Limited	June 23, 2021	36,630,000
EON Capital Group Limited	June 29, 2021	73,270,000
Total		**1,716,620,000**

Other than the re-designation of authorized but unissued Ordinary Shares for the purposes of issuance of Series D Preferred Shares and Series D+ Preferred Shares described above, there has been no alteration in the authorized or issued share capital of our Company during the two years immediately preceding the date of this Document.

3. Changes in the share capital of our major subsidiaries and operating entities

A summary of the corporate information and the particulars of our principal subsidiaries are set out in note 11 to the Accountants' Report as set out in Appendix I to this Document.

The following sets out the changes in the share capital of our Principal Entities during the two years immediately preceding the date of this Document. For details of our Principal Entities, see "History and Corporate Structure — Our Major Subsidiaries and Operating Entities."

Shanghai SenseTime

On July 22, 2020, the registered capital of Shanghai SenseTime was increased from RMB1,650,000,000 to RMB3,750,000,000.

On May 31, 2021 the registered capital of Shanghai SenseTime was increased from RMB3,750,000,000 to RMB5,750,000,000.

Shenzhen SenseTime

On December 14, 2020, the registered capital of Shenzhen SenseTime was increased from RMB400,000,000 to RMB1,100,000,000.

Beijing SenseTime

On July 26, 2021, the registered capital of Beijing SenseTime was increased from RMB150,000,000 to RMB650,000,000.

SenseTime Singapore

On May 31, 2021, SenseTime Singapore issued and allotted 100,000,000 shares to SenseForce Investment Limited at par of US$1 each, following which the issued share capital of SenseTime Singapore increased from US$100,000 to US$100,100,000.

Chengdu SenseTime

On July 29, 2021, the registered capital of Chengdu SenseTime was increased from RMB100,000,000 to RMB230,000,000.

Save as disclosed above, there has been no alteration in the authorized or issued share capital of any of the major subsidiaries or operating entities of our Company within the two years immediately preceding the date of this Document.

4. Resolutions of the Shareholders of Our Company dated [•], 2021

Resolutions were passed in the meeting of our Shareholders on [•], 2021, pursuant to which, among other things:

(1) the Memorandum and Articles of Association were approved and adopted with effect from the **[REDACTED]**;

(2) conditional on: (a) the Listing Committee granting approval of the **[REDACTED]** of, and permission to deal in, the Class B Shares in issue and to be issued as mentioned in this Document; (b) the **[REDACTED]** being duly determined among our Company and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**); and (c) the obligations of the **[REDACTED]**

under the **[REDACTED]** becoming unconditional and not being terminated in accordance with the terms of the **[REDACTED]** or otherwise, in each case on or before the dates as may be specified in the **[REDACTED]**:

(a) (i) all issued Ordinary Shares held by Amind, XWorld, Infinity Vision and Vision Worldwide be re-designated and re-classified as Class A Shares of par value US$0.000000025 each, each having the rights and restrictions as set out in the Memorandum and Articles of Association; and (ii) all issued and unissued Ordinary Shares other than those set out in (i) above and all issued and unissued Preferred Shares be re-designated and re-classified as Class B Shares of par value US$0.000000025 each; such that the authorized share capital of the Company shall be US$50,000.00 divided into 8,000,000,000 Class A Shares of US$0.000000025 par value each and 1,992,000,000,000 Class B Shares of US$0.000000025 par value each and the issued share capital of the Company shall be US$**[REDACTED]** divided into **[REDACTED]** Class A Shares of US$0.000000025 par value each and **[REDACTED]** Class B Shares of US$0.000000025 par value each, in each case to be effective on the **[REDACTED]**;

(b) the **[REDACTED]** (including the **[REDACTED]**) was approved, and the proposed allotment and issue of the **[REDACTED]** under the **[REDACTED]** were approved, and the Directors were authorized to determine the **[REDACTED]** for, and to allot and issue the **[REDACTED]**;

(c) a general unconditional mandate was given to our Directors, exercisable on their behalf by XU Li, to exercise all powers of our Company to allot, issue and deal with Class B Shares or securities convertible into Class B Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Class B Shares) which might require Class B Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Class B Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the **[REDACTED]**, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or, pursuant to the exercise of any options which may be granted under the allotment and issue of Class B Shares in lieu of the whole or part of a dividend on Class B Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the total number of the Shares in issue immediately following the completion of the **[REDACTED]**, excluding any Class B Shares to be issued pursuant to the exercise of the **[REDACTED]**;

(d) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors, exercisable on their behalf by XU Li, to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total

number of Shares in issue immediately following the completion of the **[REDACTED]**, excluding any Class B Shares to be sold, or issued and allotted pursuant to the exercise of the **[REDACTED]**; and

(e) the Repurchase Mandate was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (e) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the **[REDACTED]**, excluding any Class B Shares to be sold, or issued and allotted pursuant to the exercise of the **[REDACTED]**).

Each of the general mandates referred to in sub-paragraphs (d), (e), and (f) above will remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; and

(iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this Document concerning the repurchase of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on [•], 2021, the Repurchase Mandate was given to our Directors authorizing them to exercise all the powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the **[REDACTED]** (excluding any Class B Shares to be sold, or issued and allotted pursuant to the exercise of the **[REDACTED]**), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (ii) the expiration of the period within which the next annual general meeting of our Company is required to be hold by any applicable law or the Articles of Association, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable Laws of Hong Kong and the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any repurchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the repurchase over the par value of the shares to be repurchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically canceled and the relative certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the repurchase the Directors of the Company resolve to hold the shares repurchased by the Company as treasury shares, shares repurchased by the Company shall be treated as canceled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the repurchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman law.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell their securities to the company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles of Association and subject to Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for the Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]** (assuming that (i) the **[REDACTED]** is not exercised; and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide , and each Preferred Share is converted into one Class B Share immediately upon the completion of the **[REDACTED]**) could accordingly result in up to approximately **[REDACTED]** Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or

- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this Document and are or may be material:

(1) the series D preferred shares subscription agreement dated August 11, 2020 entered into among Xiaoou Tang (湯曉鷗), Amind Inc., Abadi Limited, our Company and the

Contracting Group Companies being SenseTime Group Limited, LINKFACE Technology Limited, Kabushiki Kaisha SenseTime Japan, SenseForce Investment Limited, SenseEnergy Investment Limited, SensePower Management Limited, SenseTime International Pte. Ltd., SenseCore Investment Limited, SenseView Investment Limited, SenseGame Investment Limited, SenseAisle Investment Limited, SenseChannel Investment Limited, SenseSpeedy Investment Limited, SenseFast Investment Limited, SenseCross Investment Limited, SenseMeet Investment Limited, SenseTime Management Group Limited, SenseBrain Technology Limited LLC, SenseTime Singapore Management Pte. Ltd., Kabushiki Kaisha SenseTime EastAsia Holding, SenseTime Technology FZ-LLC, SenseTime KSA Information Systems Technology, SenseTime MiddleEast Holding Limited, SenseTime Middle East Technology Limited, SenseMotion Investment Limited, SenseMoutain Management Limited, SenseRobot Management L.P., SenseBright Investment Limited, SenseBrave Investment Limited, SenseNature Investment Limited, SENSETIME TECHNOLOGY MALAYSIA SDN. BHD., PowerTensors Group Inc., PowerTensors Technology Limited, MobileTime Intelligence Group Inc., Beijing SenseTime Technology Development Co., Ltd., (北京市商湯科技開發有限公司), Shenzhen SenseTime Technology Co., Ltd. (深圳市商湯科技有限公司), Shanghai SenseTime Intelligent Technology Co., Ltd. (上海商湯智能科技有限公司), Zhejiang SenseTime Technology Development Co., Ltd. (浙江商湯科技開發有限公司), Chengdu SenseTime Technology Co., Ltd. (成都商湯科技有限公司), Shanghai SenseTime Lingang Intelligent Technology Co., Ltd. (上海商湯臨港智能科技有限公司), Qingdao SenseTime Technology Co., Ltd. (青島商湯科技有限公司), Hainan SenseTime Technology Co., Ltd. (海南商湯科技有限公司), Shanghai Jutong Software Development Co., Ltd. (上海炬瞳軟件開發有限公司), Chongqing SenseTime Technology Co., Ltd. (重慶商湯科技有限公司), SenseTime Jutong Technology Development (Hangzhou) Co., Ltd. (商湯炬瞳科技開發(杭州)有限公司), Shanghai SenseTime Information Technology Co., Ltd. (上海商湯信息科技有限公司), Shanghai Qianyang Information Technology Co., Ltd. (上海阡颺信息科技有限公司), Shanghai Yuqin Information Technology Co., Ltd. (上海煜芩信息科技有限公司), Ningbo Qianshi Enterprise Management Partners LP (寧波阡誓企業管理合夥企業(有限合夥)), Shanghai SenseTime Educational Technology Co., Ltd. (上海商湯教育科技有限公司), SenseTime Artificial Intelligent Research Center (Shenzhen) Co., Ltd. (商湯人工智能研究中心(深圳)有限公司), Shanghai SenseTime Technology Development Co., Ltd. (上海商湯科技開發有限公司), Xizang SenseTime Venture Capital Management Co., Ltd. (西藏商湯創業投資管理有限責任公司), Ningbo Shangyun Software Co., Ltd. (寧波市商蘊軟件有限公司), Ningbo Shangyi Software Co., Ltd. (寧波市商毅軟件有限公司), Ningbo Shanglian Software Co., Ltd. (寧波市商連軟件有限公司), Ningbo Shangsheng Software Co., Ltd. (寧波市商升軟件有限公司), Hangzhou Shanggu Enterprise Management Co., Ltd. (杭州商谷企業管理有限公司), Ningbo Shangchen Software Co., Ltd. (寧波市商琛軟件有限公司), Ningbo Shanghao Software Co., Ltd. (寧波市商灝軟件有限公司), Ningbo Shangrui Software Co., Ltd. (寧波市商睿軟件有限公司), Ningbo Shangyong Software Co., Ltd. (寧波市商雍軟件有限公司), Ningbo Shangqia Software Co., Ltd. (寧波市商洽軟件有限公司), Ningbo Shangheng Software Co., Ltd. (寧波市商珩軟件有限公司), Ningbo Shangyill Software Co., Ltd. (寧波市商懿軟件有限公司), Ningbo Shangmin Software Co., Ltd. (寧波市商旻軟件有限公司), Jiangsu Nanjing SenseTime Intelligent Technology Co., Ltd. (江蘇南京商湯智能科技有限公司), Shanghai PowerTensors Intelligent Technology Co., Ltd. (上海陣量智能科技有限公司),

Shanghai MobileTime Technology Co., Ltd. (上海眸正科技有限公司), pursuant to which Abadi Limited agreed to subscribe for and our Company agreed to allot and issue 282,805,430 Series D Preferred Shares at an aggregate subscription price of US$100,000,000.05;

(2) the series D preferred shares subscription agreement dated August 11, 2020 entered into among Xiaoou Tang (湯曉鷗), Amind Inc., Guildford Investment One Limited, our Company and the Contracting Group Companies, pursuant to which Guildford Investment One Limited agreed to subscribe for and our Company agreed to allot and issue 468,320,000 Series D Preferred Shares at an aggregate subscription price of US$165,597,952;

(3) the series D+ preferred shares subscription agreement dated October 14, 2020 entered into among Xiaoou Tang (湯曉鷗), Amind Inc., Zhuhai Yingfan International Trade Co., Ltd. (珠海瀛帆國際貿易有限公司), our Company, the Contracting Group Companies, Shanghai Qianlun Technology Co., Ltd. (上海阡倫科技有限公司) and Xi'an SenseTime Intelligent Technology Co., Ltd. (西安商湯智能科技有限公司), pursuant to which Zhuhai Yingfan International Trade Co., Ltd. agreed to subscribe for and our Company agreed to allot and issue 366,380,000 Series D+ Preferred Shares at an aggregate subscription price of US$149,995,972;

(4) the series D+ preferred shares subscription agreement dated October 14, 2020 entered into among Xiaoou Tang (湯曉鷗), Amind Inc., Zhuhai Xunjia International Trade Co., Ltd. (珠海訊嘉國際貿易有限公司), our Company, the Contracting Group Companies, Shanghai Qianlun Technology Co., Ltd. (上海阡倫科技有限公司) and Xi'an SenseTime Intelligent Technology Co., Ltd. (西安商湯智能科技有限公司), pursuant to which Zhuhai Xunjia International Trade Co., Ltd. agreed to subscribe for and our Company agreed to allot and issue 366,380,000 Series D+ Preferred Shares at an aggregate subscription price of US$149,995,972;

(5) the series D preferred shares and series D+ preferred shares subscription agreement dated November 9, 2020 entered into among Xiaoou Tang (湯曉鷗), Amind Inc., SVF Sense (Singapore) Pte. Ltd., our Company, the Contracting Group Companies, Shanghai Qianlun Technology Co., Ltd. (上海阡倫科技有限公司) and Xi'an SenseTime Intelligent Technology Co., Ltd. (西安商湯智能科技有限公司), pursuant to which SVF Sense (Singapore) Pte. Ltd. agreed to subscribe for and our Company agreed to allot and issue 177,960,000 Series D Preferred Shares and 419,830,000 Series D+ Preferred Shares at an aggregate subscription price of US$234,805,058;

(6) the Pre-**[REDACTED]** Shareholders' Agreement;

(7) the exclusive business cooperation agreement dated October 10, 2020 entered into between Shanghai SenseTime Technology Development Co., Ltd. (上海商湯科技開發有限公司) ("Shanghai SenseTime Technology Development"), Shanghai Qianlun Technology

Co., Ltd. (上海阡倫科技有限公司) ("Shanghai Qianlun") and Shanghai Yuqin Information Technology Co., Ltd. (上海煜芩信息科技有限公司) ("Shanghai Yuqin"), pursuant to which the Shanghai SenseTime Technology Development and Shanghai Qianlun agreed to engage Shanghai Yuqin as their exclusive provider of business support, technical and consulting services in exchange for a service fee;

(8) the exclusive options agreement dated October 10, 2020 entered into between Shanghai Yuqin, Yang Fan (楊帆), Ma Kun (馬堃), Shanghai SenseTime Technology Development and Shanghai Qianlun, pursuant to which Yang Fan, Ma Kun, Shanghai SenseTime Technology Development and Shanghai Qianlun, jointly and individually, agreed to grant Shanghai Yuqin an irrevocable and unconditional right to purchase, or to designate one or more persons to purchase, (i) all or any part of the equity interests in Shanghai SenseTime Technology Development and Shanghai Qianlun and/or (ii) all or any part of the assets of Shanghai SenseTime Technology Development and Shanghai Qianlun at any time and from time to time in the absolute discretion of Shanghai Yuqin, to the extent permitted by PRC laws;

(9) the equity pledge agreement dated October 10, 2020 entered into between Shanghai Yuqin, Yang Fan (楊帆), Ma Kun (馬堃) and Shanghai Qianlun, pursuant to which Yang Fan and Ma Kun jointly and irrevocably agreed to pledge all of their equity interests in Shanghai Qianlun to Shanghai Yuqin;

(10) the equity pledge agreement dated October 10, 2020 entered into between Shanghai Yuqin, Shanghai Qianlun and Shanghai SenseTime Technology Development, pursuant to which Shanghai Qianlun irrevocably agreed to pledge all of its equity interests in Shanghai SenseTime Technology Development to Shanghai Yuqin;

(11) a power of attorney dated October 10, 2020 entered into between Shanghai Yuqin, Yang Fan (楊帆), Ma Kun (馬堃), Shanghai SenseTime Technology Development and Shanghai Qianlun, pursuant to which Yang Fan and Ma Kun agreed to, among other things, exclusively authorize Shanghai Yuqin or its person(s) designated by Shanghai Yuqin to exercise all their rights as direct or indirect shareholders of Shanghai SenseTime Technology Development and Shanghai Qianlun;

(12) **[REDACTED]**; and

(13) the **[REDACTED]**.

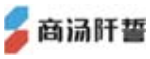
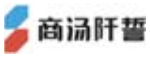
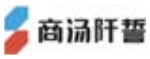
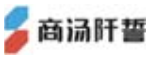
2. Intellectual Property Rights

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Registered owner	Class(es)	Place of registration	Registered number	Registration date	Expiry date
1.		Beijing SenseTime	9	PRC	26940425	December 14, 2019	December 13, 2029
2.		Beijing SenseTime	12	PRC	26952055	August 14, 2019	August 13, 2029
3.		Beijing SenseTime	42	PRC	26954337	August 14, 2019	August 13, 2029
4.		Beijing SenseTime	45	PRC	26937233	August 7, 2019	August 6, 2029
5.	sensetime	Beijing SenseTime	9	PRC	28189815	February 7, 2020	February 6, 2030
6.	sensetime	Beijing SenseTime	12	PRC	28182058	November 21, 2018	November 20, 2028
7.	sensetime	Beijing SenseTime	42	PRC	28177876	November 21, 2018	November 20, 2028
8.	sensetime	Beijing SenseTime	45	PRC	28183553	November 21, 2018	November 20, 2028
9.	商汤	Beijing SenseTime	9	PRC	31345210	July 7, 2019	July 6, 2029
10.	商汤	Beijing SenseTime	12	PRC	31332253	March 7, 2020	March 6, 2030
11.	商汤	Beijing SenseTime	42	PRC	31352853	July 7, 2019	July 6, 2029
12.	商汤	Beijing SenseTime	45	PRC	31342290	July 7, 2019	July 6, 2029
13.		Beijing SenseTime	35	PRC	32423888	August 21, 2020	August 20, 2030
14.	sensetime	Beijing SenseTime	35	PRC	33700152	March 21, 2020	March 20, 2030
15.	慧鲤	Shanghai SenseTime	9	PRC	45240950	January 7, 2021	January 6, 2031

No.	Trademark	Registered owner	Class(es)	Place of registration	Registered number	Registration date	Expiry date
16.	慧鯉	Shanghai SenseTime	35	PRC	45256187	January 7, 2021	January 6, 2031
17.	慧鯉	Shanghai SenseTime	42	PRC	45260047	January 14, 2021	January 13, 2031
18.		Beijing SenseTime	9	PRC	45623226	March 28, 2021	March 27, 2031
19.		Beijing SenseTime	28	PRC	45647622	December 14, 2020	December 13, 2030
20.		Beijing SenseTime	42	PRC	45623931	March 28, 2021	March 27, 2031
21.		Beijing SenseTime	42	PRC	46958469	February 7, 2021	February 6, 2031
22.		Beijing SenseTime	41	PRC	46958464	February 7, 2021	February 6, 2031
23.		Beijing SenseTime	35	PRC	46952278	February 7, 2021	February 6, 2031
24.		Beijing SenseTime	9	PRC	46958454	February 7, 2021	February 6, 2031
25.		Beijing SenseTime	42	PRC	46958448	February 7, 2021	February 6, 2031
26.		Beijing SenseTime	41	PRC	46967245	February 7, 2021	February 6, 2031
27.		Beijing SenseTime	35	PRC	46944970	February 7, 2021	February 6, 2031
28.		Beijing SenseTime	9	PRC	46973596	February 7, 2021	February 6, 2031
29.	羊很大	Shanghai Qianyang Information Technology Co., Ltd. (上海阡揚信息科技有限公司) ("**Shanghai Qianyang**")	42	PRC	49504706	April 21, 2021	April 20, 2031

No.	Trademark	Registered owner	Class(es)	Place of registration	Registered number	Registration date	Expiry date
30.	羊很大	Shanghai Qianyang	28	PRC	49480863	April 21, 2021	April 20, 2031
31.	羊很大	Shanghai Qianyang	25	PRC	49485166	April 21, 2021	April 20, 2031
32.	羊很大	Shanghai Qianyang	21	PRC	49492503	April 21, 2021	April 20, 2031
33.	羊很大	Shanghai Qianyang	20	PRC	49480843	April 21, 2021	April 20, 2031
34.	羊很大	Shanghai Qianyang	18	PRC	49485144	April 21, 2021	April 20, 2031
35.	羊很大	Shanghai Qianyang	16	PRC	49508152	April 21, 2021	April 20, 2031
36.	羊很大	Shanghai Qianyang	14	PRC	49508145	April 21, 2021	April 20, 2031
37.	羊很大	Shanghai Qianyang	9	PRC	49504311	April 21, 2021	April 20, 2031
38.	羊很大	Shanghai Qianyang	35	PRC	51009454	June 28, 2021	June 27, 2031
39.	TETRAS.AI	Shanghai SenseTime	9	PRC	44724618	May 7, 2021	May 6, 2031
40.	TETRAS.AI	Shanghai SenseTime	35	PRC	44731411	February 14, 2021	February 13, 2031
41.	TETRAS.AI	Shanghai SenseTime	42	PRC	44731419	February 21, 2021	February 20, 2031
42.	SenseID	Beijing SenseTime	42	PRC	21553070	September 21, 2018	September 20, 2028
43.	SenseKeeper	Beijing SenseTime	9	PRC	21553086	November 28, 2017	November 27, 2027
44.	SenseKeeper	Beijing SenseTime	42	PRC	21553082	November 28, 2017	November 27, 2027
45.	SenseFace	Beijing SenseTime	9	PRC	21553081	January 21, 2018	January 20, 2028

No.	Trademark	Registered owner	Class(es)	Place of registration	Registered number	Registration date	Expiry date
46.	SenseFace	Beijing SenseTime	42	PRC	21553080	November 28, 2017	November 27, 2027
47.	SensePhoto	Beijing SenseTime	42	PRC	21966050	February 7, 2018	February 6, 2028
48.	SenseCity	Shenzhen SenseTime	45	PRC	18917418	February 21, 2017	February 20, 2027
49.	SenseCity	Shenzhen SenseTime	9	PRC	18917598	February 21, 2017	February 20, 2027
50.	SenseCity	Shenzhen SenseTime	42	PRC	18917600	February 21, 2017	February 20, 2027
51.	SenseFace	Shenzhen SenseTime	9	PRC	18922957	April 7, 2018	April 6, 2028
52.	SenseFace	Shenzhen SenseTime	45	PRC	18923211	February 28, 2017	February 27, 2027
53.	SenseCrowd	Shenzhen SenseTime	9	PRC	18922828	February 21, 2017	February 20, 2027
54.	SenseCrowd	Shenzhen SenseTime	42	PRC	18922921	February 21, 2017	February 20, 2027
55.	SenseCrowd	Shenzhen SenseTime	45	PRC	18923051	February 21, 2017	February 20, 2027
56.	SenseNext	Shenzhen SenseTime	9	PRC	21506761	November 28, 2017	November 27, 2027
57.	SenseHello	Beijing SenseTime	9	PRC	22480569	February 7, 2018	February 6, 2028
58.	SenseHello	Beijing SenseTime	42	PRC	22480571	February 7, 2018	February 6, 2028
59.	SenseID	Beijing SenseTime	9	PRC	22479138	January 7, 2019	January 6, 2029
60.	SenseGo	Beijing SenseTime	9	PRC	24010242	April 28, 2018	April 27, 2028
61.	SenseGo	Beijing SenseTime	35	PRC	24009688	April 28, 2018	April 27, 2028
62.	SenseGo	Beijing SenseTime	42	PRC	24010990	April 28, 2018	April 27, 2028

No.	Trademark	Registered owner	Class(es)	Place of registration	Registered number	Registration date	Expiry date
63.	SenseDrive	Beijing SenseTime	9	PRC	24967571	June 28, 2018	June 27, 2028
64.	SenseDrive	Beijing SenseTime	42	PRC	24970188	June 21, 2018	June 20, 2028
65.	SenseTotem	Beijing SenseTime	9	PRC	25166933	July 28, 2018	July 27, 2028
66.	SenseTotem	Beijing SenseTime	42	PRC	25165758	July 28, 2018	July 27, 2028
67.	SenseDLC	Beijing SenseTime	9	PRC	26013628	August 28, 2018	August 27, 2028
68.	SenseDLC	Beijing SenseTime	42	PRC	26010654	August 28, 2018	August 27, 2028
69.	SenseDLC	Beijing SenseTime	45	PRC	26016690	August 14, 2018	August 13, 2028
70.	SenseVideo	Beijing SenseTime	9	PRC	26680058	July 14, 2020	July 13, 2030
71.	SenseVideo	Beijing SenseTime	42	PRC	26234493A	December 7, 2018	December 6, 2028
72.	SenseVideo	Beijing SenseTime	45	PRC	26247632	August 21, 2018	August 20, 2028
73.	SenseDrive	Beijing SenseTime	12	PRC	27660135	October 28, 2018	October 27, 2028
74.	SenseNext	Beijing SenseTime	42	PRC	28642677	April 7, 2019	April 6, 2029
75.	SenseTotem	Beijing SenseTime	45	PRC	28819309	December 14, 2018	December 13, 2028
76.	SenseNebula	Beijing SenseTime	9	PRC	30020682	January 28, 2019	January 27, 2029
77.	SenseNebula	Beijing SenseTime	45	PRC	30031146	January 28, 2019	January 27, 2029
78.	SensePass	Beijing SenseTime	9	PRC	30314101	February 14, 2019	February 13, 2029

No.	Trademark	Registered owner	Class(es)	Place of registration	Registered number	Registration date	Expiry date
79.	SensePass	Beijing SenseTime	42	PRC	30297205	April 28, 2019	April 27, 2029
80.	SenseCare	Beijing SenseTime	9	PRC	31235415	May 28, 2019	May 27, 2029
81.	SenseCare	Beijing SenseTime	42	PRC	31235411	March 28, 2020	March 27, 2030
82.	SenseCare	Beijing SenseTime	44	PRC	31235410	March 7, 2019	March 6, 2029
83.	SenseParrots	Beijing SenseTime	9	PRC	33004968	May 7, 2019	May 6, 2029
84.	SenseParrots	Beijing SenseTime	42	PRC	32981926	May 7, 2019	May 6, 2029
85.		Beijing SenseTime	9	PRC	32993148	February 7, 2020	February 6, 2030
86.	POWERTENSORS	Beijing SenseTime	9	PRC	46572159	February 28, 2021	February 27, 2031
87.	POWERTENSORS	Beijing SenseTime	42	PRC	46549123	February 28, 2021	February 27, 2031
88.	阵量智能	Beijing SenseTime	9	PRC	46561964	February 28, 2021	February 27, 2031
89.	阵量智能	Beijing SenseTime	42	PRC	46572191	February 28, 2021	February 27, 2031
90.	SenseThunder	Beijing SenseTime	9	PRC	37504424	January 28, 2020	January 27, 2030
91.	SenseThunder	Beijing SenseTime	42	PRC	37504429	January 7, 2020	January 6, 2030
92.	商汤 sensetime	Beijing SenseTime	9 and 42	U.S.	6003310	March 3, 2020	March 3, 2026
93.	商汤 sensetime	Beijing SenseTime	7, 9, 12, 35, 36, 38, 42 and 45	South Korea	40-1461167	March 22, 2019	March 22, 2029

No.	Trademark	Registered owner	Class(es)	Place of registration	Registered number	Registration date	Expiry date
94.		Beijing SenseTime	7, 9, 12, 35, 36, 37 38, 41, 42 and 45	Canada	TMA1091978	January 19, 2021	January 19, 2031
95.		Beijing SenseTime	7, 9, 12, 35, 36, 38, 42 and 45	European Union	017895993	November 25, 2020	May 7, 2028
96.		Beijing SenseTime	7, 9, 12, 35, 36, 38, 42 and 45	United Kingdom	UK00003309675	August 17, 2018	May 9, 2028
97.		Beijing SenseTime	9	India	3828635	May 9, 2018	May 9, 2028
98.		Beijing SenseTime	42	India	3828640	May 9, 2018	May 9, 2028
99.		Beijing SenseTime	9	United Arab Emirates	292699	January 8, 2019	May 24, 2028
100.		Beijing SenseTime	42	United Arab Emirates	292700	January 8, 2019	May 24, 2028
101.		Beijing SenseTime	7	Macau	N/138954(422)	November 13, 2018	November 13, 2025
102.		Beijing SenseTime	9	Macau	N138955(170)	November 13, 2018	November 13, 2025
103.		Beijing SenseTime	42	Macau	N/138960(763)	November 13, 2018	November 13, 2025
104.		Beijing SenseTime	7, 9, 12, 35, 36, 38, 42 and 45	Thailand	201112672	June 4, 2018	June 3, 2028
105.		Beijing SenseTime	7, 9, 12, 35, 36, 38, 42 and 45	Myanmar	IV8851/2018	August 21, 2018	August 21, 2021
106.		Beijing SenseTime	7, 9, 12, 35, 36, 38, 42 and 45	Switzerland	725445	December 19, 2018	May 30, 2028

No.	Trademark	Registered owner	Class(es)	Place of registration	Registered number	Registration date	Expiry date
107.		SenseTime HK	7, 9, 12, 35, 36, 38, 42 and 45	Hong Kong	304543335	May 29, 2018	May 28, 2028
108.		Beijing SenseTime	7, 9, 12, 35, 36, 38, 42 and 45	Singapore	40201809997P	May 28, 2018	May 28, 2028
109.		Beijing SenseTime	7, 9, 12, 35, 36, 38, 42 and 45	Taiwan	01969270	February 1, 2019	January 31, 2029
110.		Beijing SenseTime	9	Malaysia	2018007533	June 21, 2018	June 21, 2028
111.		Beijing SenseTime	42	Malaysia	2018007528	June 21, 2018	June 21, 2028
112.		Beijing SenseTime	7, 9, 12, 35, 36, 38, 42 and 45	Japan	T6143585	May 10, 2019	May 10, 2029

(b) Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent name	Type	Patentee	Place of registration	Patent number	Grant date	Expiry date
1.	Posture detection method and device, electronic equipment and storage medium (姿態檢測方法及裝置、電子設備和存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201810949860.8	August 25, 2020	August 19, 2038
2.	Posture estimation method and device, and computer system (姿勢估計方法和裝置、計算機系統)	Invention	Beijing SenseTime	PRC	ZL 201610431259.0	March 13, 2018	June 15, 2036
3.	Method and device for judging gaze point, electronic equipment and computer storage medium (注視點判斷方法和裝置、電子設備和計算機存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201811141352.3	January 5, 2021	September 27, 2038

No.	Patent name	Type	Patentee	Place of registration	Patent number	Grant date	Expiry date
4.	Re-identification model incremental training method and device, electronic equipment and storage medium (重識別模型增量訓練方法及裝置、電子設備和存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201811236872.2	March 23, 2021	October 22, 2038
5.	Certificate identification method and device, electronic equipment, computer storage medium (證件的識別方法和裝置、電子設備、計算機存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201711050768.X	February 26, 2021	October 30, 2037
6.	Apparatus and method for providing super-resolution for low-resolution images (用於為低分辨率圖像提供超分辨率的設備和方法)	Invention	Beijing SenseTime	PRC	ZL 201480082564.2	November 16, 2018	August 7, 2034
7.	Method and system for image classification (用於圖像分類的方法和系統)	Invention	Shenzhen SenseTime	PRC	ZL 201480083906.2	April 17, 2018	December 9, 2034
8.	Processing method, device, storage medium and equipment for image segmentation (用於圖像分割的處理方法、裝置、存儲介質及設備)	Invention	Beijing SenseTime	PRC	ZL 201810467235.X	April 6, 2021	May 15, 2038
9.	Method and equipment for generating predictive model (用於生成預測模型的方法和設備)	Invention	Beijing SenseTime	PRC	ZL 201580080145.X	November 20, 2020	May 17, 2035
10.	Method and system for multicategory object detection (用於多類別物體檢測的方法和系統)	Invention	Beijing SenseTime	PRC	ZL 201480081846.0	December 28, 2018	September 9, 2034
11.	Medical image processing method and device, electronic equipment and storage medium (醫療影像處理方法及裝置、電子設備及存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201811033736.3	July 2, 2021	September 4, 2038
12.	Method, device, electronic equipment and storage medium for acquiring sports data (一種運動數據獲取方法、裝置、電子設備及存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201710805207.X	February 9, 2021	September 7, 2037

No.	Patent name	Type	Patentee	Place of registration	Patent number	Grant date	Expiry date
13.	Image classification method and system (一種影像分類方法和系統)	Invention	Beijing SenseTime	PRC	ZL 201610438796.8	August 25, 2020	June 16, 2036
14.	Image retrieval method, device, equipment and storage medium (一種圖像檢索方法及裝置、設備和存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201811116598.5	July 27, 2021	September 24, 2038
15.	An instance segmentation method and device, electronic equipment, and storage medium (一種實例分割方法及裝置、電子設備、存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201811624119.0	April 30, 2021	December 27, 2038
16.	Method and device for detecting three-dimensional human body posture information (一種三維人體姿態信息檢測方法及裝置)	Invention	Shenzhen SenseTime	PRC	ZL 201910098332.0	July 2, 2021	January 30, 2039
17.	Method and system for checking attendance (一種考勤方法及系統)	Invention	Shenzhen SenseTime	PRC	ZL 201610290659.4	October 12, 2018	May 2, 2036
18.	Method and device for reducing compression distortion of lossy compressed image (一種降低有損壓縮圖像的壓縮失真的方法及裝置)	Invention	Beijing SenseTime	PRC	ZL 201580075726.4	August 28, 2018	February 12, 2035
19.	detection system and method based on depth image information (一種基於深度圖像信息的檢測系統及方法)	Invention	SenseTime HK	PRC	ZL 201510728999.6	February 2, 2021	October 29, 2035
20.	Multi-view video recognition method, device, equipment and storage medium (一種多視角視頻識別方法及裝置、設備和存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201810870738.1	July 2, 2021	August 1, 2038
21.	Multi-target tracking method, device, equipment and storage medium (一種多目標跟踪方法及裝置、設備和存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201811368687.9	July 2, 2021	November 15, 2038
22.	Monocular depth estimation method and its device, equipment and storage medium (一種單目深度估計方法及其裝置、設備和存儲介質)	Invention	Shenzhen SenseTime	PRC	ZL 201810496541.6	March 30, 2021	May 21, 2038

No.	Patent name	Type	Patentee	Place of registration	Patent number	Grant date	Expiry date
23.	A large-scale crowd video analysis system and method (一種大規模人群視頻分析系統和方法)	Invention	Shenzhen SenseTime	PRC	ZL 201510791068.0	February 27, 2018	November 16, 2035
24.	Sample data processing, data recognition method and device, computer equipment (樣本數據處理、數據識別方法和裝置、計算機設備)	Invention	Beijing SenseTime	PRC	ZL 201610515995.4	September 11, 2018	June 30, 2036
25.	Training method, key point detection method, device, storage medium and electronic equipment (訓練方法、關鍵點檢測方法、裝置、存儲介質和電子設備)	Invention	Beijing SenseTime	PRC	ZL 201710488351.5	January 1, 2021	June 22, 2037
26.	Virtual character driving method and device (虛擬角色驅動方法及裝置)	Invention	Shenzhen SenseTime	PRC	ZL 201810379644.4	August 7, 2020	April 24, 2038
27.	Object recognition method and device, data processing device and terminal equipment (物體識別方法和裝置、數據處理裝置和終端設備)	Invention	Beijing SenseTime	PRC	ZL 201610440636.7	April 28, 2020	June 16, 2036
28.	Object detection method, neural network training method, device and electronic equipment (物體檢測方法、神經網絡的訓練方法、裝置和電子設備)	Invention	Beijing SenseTime	PRC	ZL 201710100676.1	October 16, 2020	February 22, 2037
29.	Object segmentation method, device, equipment, storage medium and program (物體分割方法、裝置、設備、存儲介質及程序)	Invention	Beijing SenseTime	PRC	ZL 201810151947.0	August 11, 2020	February 13, 2038
30.	Image quality improvement method and device (圖像質量提升方法和裝置)	Invention	Shenzhen SenseTime	PRC	ZL 201810558182.2	November 24, 2020	May 31, 2038
31.	Image quality detection model training method and device, electronic equipment and storage medium (圖像質量檢測模型訓練方法及裝置、電子設備和存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201811359236.9	January 26, 2021	November 14, 2038

No.	Patent name	Type	Patentee	Place of registration	Patent number	Grant date	Expiry date
32.	Image blur processing method, device, storage medium and electronic equipment (圖像虛化處理方法、裝置、存儲介質及電子設備)	Invention	Shenzhen SenseTime	PRC	ZL 201710358741.0	August 20, 2019	May 18, 2037
33.	Image attribute recognition method and system and related network training method and system (圖像屬性識別方法和系統以及相關網絡訓練方法和系統)	Invention	Beijing SenseTime	PRC	ZL 201610825966.8	February 11, 2020	September 13, 2036
34.	Image generation method and device, electronic equipment and storage medium (圖像生成方法及裝置、電子設備和存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201910222054.5	July 16, 2021	March 21, 2039
35.	Image front background segmentation and network model training, image processing method and device (圖像前背景分割及網絡模型訓練、圖像處理方法和裝置)	Invention	Beijing SenseTime	PRC	ZL 201610694814.9	November 23, 2018	August 18, 2036
36.	Image retrieval method and device, electronic equipment and storage medium (圖像檢索方法及裝置、電子設備和存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201810836743.0	November 10, 2020	July 25, 2038
37.	Image restoration method, device, electronic equipment and computer storage medium (圖像恢復方法、裝置、電子設備和計算機存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201710327522.6	November 27, 2020	May 7, 2037
38.	Image processing, neural network training method and device, and storage medium (圖像處理、神經網絡訓練方法及裝置、存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201910533433.6	July 23, 2021	June 18, 2039
39.	General object detection method and device, data processing device and terminal equipment (通用物體檢測方法和裝置、數據處理裝置和終端設備)	Invention	Beijing SenseTime	PRC	ZL 201610918213.1	February 7, 2020	October 19, 2036
40.	Communication method and device, electronic equipment and storage medium (通信方法及裝置、電子設備和存儲介質)	Invention	Shanghai SenseTime	PRC	ZL 201910809368.5	June 25, 2021	August 28, 2039

No.	Patent name	Type	Patentee	Place of registration	Patent number	Grant date	Expiry date
41.	Binocular image depth estimation method and device, equipment, program and medium (雙目圖像的深度估計方法及裝置、設備、程序及介質)	Invention	Shenzhen SenseTime	PRC	ZL 201810847268.7	October 30, 2020	July 26, 2038
42.	Data labeling method and device, electronic equipment, and computer storage medium (數據標注方法和裝置、電子設備、計算機存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201810097434.6	March 23, 2021	January 30, 2038
43.	Gesture detection network training, gesture detection and control method, system and terminal (手勢檢測網絡訓練、手勢檢測及控制方法、系統及終端)	Invention	Beijing SenseTime	PRC	ZL 201610707579.4	February 22, 2019	August 18, 2036
44.	Sight tracking and training method and device, system, electronic equipment and storage medium (視綫追踪及訓練方法和裝置、系統、電子設備和存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201710384723.X	April 9, 2021	May 25, 2037
45.	Video abstract generation method and device, electronic equipment, and computer storage medium (視頻摘要生成方法和裝置、電子設備、計算機存儲介質)	Invention	Shenzhen SenseTime	PRC	ZL 201811224169.X	May 18, 2021	October 18, 2038
46.	Video repair method and device, electronic equipment and storage medium (視頻修復方法及裝置、電子設備和存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201910099762.4	February 12, 2021	January 30, 2039
47.	Video object segmentation method and device, electronic equipment, storage medium (視頻物體分割方法和裝置、電子設備、存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201710619408.0	March 2, 2021	July 25, 2037
48.	Video recognition and training method and device, electronic equipment, program and medium (視頻識別及訓練方法和裝置、電子設備、程序和介質)	Invention	Beijing SenseTime	PRC	ZL 201711329718.5	June 4, 2021	December 12, 2037

No.	Patent name	Type	Patentee	Place of registration	Patent number	Grant date	Expiry date
49.	Video generation method, video generation device, electronic device and storage medium (視頻生成方法、視頻生成裝置、電子裝置及存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201810765554.9	September 15, 2020	July 11, 2038
50.	Video stream processing method and device, electronic equipment and storage medium (視頻流處理方法及裝置、電子設備和存儲介質)	Invention	Shenzhen SenseTime	PRC	ZL 201810726676.7	August 25, 2020	July 3, 2038
51.	Video category recognition method and device, data processing device and electronic equipment (視頻類別識別方法和裝置、數據處理裝置和電子設備)	Invention	Beijing SenseTime	PRC	ZL 201611030170.X	October 11, 2019	November 14, 2036
52.	Video classification method, device, computer readable storage medium and electronic equipment (視頻分類方法、裝置、計算機可讀存儲介質和電子設備)	Invention	Shenzhen SenseTime	PRC	ZL 201711064631.X	August 11, 2020	November 1, 2037
53.	Video processing method, device, computer storage medium and terminal equipment (視頻處理方法、裝置、計算機存儲介質以及終端設備)	Invention	Shenzhen SenseTime	PRC	ZL 201910210075.5	July 2, 2021	March 18, 2039
54.	Visual tracking method, device, medium and equipment (視覺跟蹤方法、裝置、介質及設備)	Invention	Beijing SenseTime	PRC	ZL 201810885811.2	November 27, 2020	August 5, 2038
55.	Visual positioning method, device, electronic equipment and system (視覺定位方法、裝置、電子設備及系統)	Invention	Beijing SenseTime	PRC	ZL 201810581686.6	July 20, 2021	June 4, 2038
56.	Time domain motion detection method and system, electronic equipment, and computer storage medium (時域動作檢測方法和系統、電子設備、計算機存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201710263004.2	November 13, 2020	April 19, 2037
57.	Method, device, medium and equipment for generating disparity map (生成視差圖的方法、裝置、介質及設備)	Invention	Beijing SenseTime	PRC	ZL 201910267616.8	May 18, 2021	April 2, 2039

No.	Patent name	Type	Patentee	Place of registration	Patent number	Grant date	Expiry date
58.	Neural network training method and device and image processing method and device (神經網絡訓練方法及裝置以及圖像處理方法及裝置)	Invention	Beijing SenseTime	PRC	ZL 201910138574.8	March 5, 2021	February 24, 2039
59.	Neural network generation method and device, electronic equipment and storage medium (神經網絡生成方法及裝置、電子設備和存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201811352205.0	April 9, 2021	November 13, 2038
60.	Method, device and equipment for generating three-dimensional partial human body model (三維局部人體模型的生成方法、裝置及設備)	Invention	Zhejiang SenseTime Technology Development Co., Ltd. (浙江商湯科技開發有限公司) ("**Zhejiang SenseTime**")	PRC	ZL 201910403882.9	April 27, 2021	May 14, 2039
61.	Unsupervised training method, device and storage medium of three-dimensional scene recognition network (三維場景識別網絡的無監督訓練方法、裝置及存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201810171298.0	February 2, 2021	February 28, 2038
62.	Human body posture estimation method and device, electronic equipment, storage medium, and program (人體姿態估計方法和裝置、電子設備、存儲介質、程序)	Invention	Beijing SenseTime	PRC	ZL 201810106089.8	December 11, 2020	February 1, 2038
63.	Human body key point detection method and device, electronic equipment, storage medium and program (人體關鍵點檢測方法和裝置、電子設備、存儲介質和程序)	Invention	Beijing SenseTime	PRC	ZL 201810055582.1	April 2, 2021	January 18, 2038
64.	Forward collision control method and device, electronic equipment, program and medium (前向碰撞控制方法和裝置、電子設備、程序和介質)	Invention	Shenzhen SenseTime	PRC	ZL 201810360844.5	November 27, 2020	April 19, 2038

No.	Patent name	Type	Patentee	Place of registration	Patent number	Grant date	Expiry date
65.	Collision control method and device, electronic equipment and storage medium (碰撞控制方法及裝置、電子設備和存儲介質)	Invention	Shenzhen SenseTime	PRC	ZL 201810404555.0	June 25, 2021	April 27, 2038
66.	Target recognition system and method, electronic equipment and storage medium (目標識別系統及方法、電子設備和存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201910818029.3	December 29, 2020	August 29, 2039
67.	Target recognition model training and target recognition method and device, computing equipment (目標識別模型訓練和目標識別方法及裝置、計算設備)	Invention	Beijing SenseTime	PRC	ZL 201610849633.9	September 13, 2019	September 22, 2036
68.	Target object detection method and device, electronic equipment and storage medium (目標對象檢測方法和裝置、電子設備和存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201811635978.X	June 22, 2021	December 28, 2038
69.	Target object key point detection method, deep learning neural network and device (目標對象關鍵點檢測方法、深度學習神經網絡及裝置)	Invention	Beijing SenseTime	PRC	ZL 201711367020.2	October 30, 2020	December 17, 2037
70.	Cross-spectral image matching method and device, electronic equipment and storage medium (跨光譜圖像匹配方法及裝置、電子設備和存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201811250546.7	April 9, 2021	October 24, 2038
71.	Convolutional neural network training and image processing method and system, computer equipment (卷積神經網絡訓練及圖像處理的方法和系統、計算機設備)	Invention	Beijing SenseTime	PRC	ZL 201610430066.3	July 2, 2019	June 15, 2036
72.	Convolutional neural network training method and system, object classification method and classifier (卷積神經網絡訓練方法和系統、對象分類方法和分類器)	Invention	Beijing SenseTime	PRC	ZL 201610430106.4	January 14, 2020	June 15, 2036
73.	Clustering method, device and electronic equipment (聚類方法、裝置及電子設備)	Invention	Beijing SenseTime	PRC	ZL 201610586139.8	September 8, 2020	July 21, 2036

No.	Patent name	Type	Patentee	Place of registration	Patent number	Grant date	Expiry date
74.	Structured text detection method and system (結構化文本檢測方法和系統)	Invention	Beijing SenseTime	PRC	ZL 201610561355.7	June 15, 2018	July 14, 2036
75.	Vehicle, road line detection and driving control method and device (交通工具、道路綫檢測和駕駛控制方法及裝置)	Invention	Beijing SenseTime	PRC	ZL 201710807219.6	January 10, 2020	September 7, 2037
76.	Cascade convolutional neural network training and image detection method, device and system (級聯卷積神經網絡訓練和圖像檢測方法、裝置及系統)	Invention	Shenzhen SenseTime	PRC	ZL 201610439342.2	July 30, 2019	June 16, 2036
77.	Content data recommendation method, device and storage medium based on identity verification device (基於身份驗證裝置的內容數據推薦方法、裝置和存儲介質)	Invention	Shenzhen SenseTime	PRC	ZL 201710862046.8	January 5, 2021	September 20, 2037
78.	Object segmentation method, device and computing equipment based on multi-level local area fusion (基於多層次局部區域融合的物體分割方法及裝置、計算設備)	Invention	Beijing SenseTime	PRC	ZL 201610425391.0	June 22, 2018	June 14, 2036
79.	Intelligent driving control method and device based on lane line, and electronic equipment (基於車道綫的智能駕駛控制方法和裝置、電子設備)	Invention	Shanghai SenseTime	PRC	ZL 201810551908.X	June 4, 2021	May 30, 2038
80.	Living body verification method and device (活體驗證方法及裝置)	Invention	Beijing SenseTime	PRC	ZL 201610051911.6	December 29, 2020	January 25, 2036
81.	Living body detection method and device, electronic equipment and storage medium (活體檢測方法及裝置、電子設備和存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201810481863.3	November 17, 2020	May 17, 2038
82.	Pedestrian re-identification model training method and device, electronic equipment and storage medium (行人再識別模型訓練方法及裝置、電子設備和存儲介質)	Invention	Beijing SenseTime	PRC	ZL 201810152276.X	November 27, 2020	February 13, 2038

No.	Patent name	Type	Patentee	Place of registration	Patent number	Grant date	Expiry date
83.	Key point detection method and device, electronic equipment and storage medium (關鍵點檢測方法及裝置、電子設備和存儲介質)	Invention	Zhejiang SenseTime	PRC	ZL 201811593614.X	December 11, 2020	December 24, 2038
84.	Key point detection method, device, storage medium and electronic equipment (關鍵點檢測方法、裝置、存儲介質和電子設備)	Invention	Beijing SenseTime	PRC	ZL 201711009826.4	June 18, 2021	October 24, 2037
85.	Key point detection method, neural network training method, device and electronic equipment (關鍵點檢測方法、神經網絡訓練方法、裝置和電子設備)	Invention	Beijing SenseTime	PRC	ZL 201710100498.2	January 5, 2021	February 22, 2037
86.	Multi-camera calibration and correction method and device, equipment, program and medium (多目攝像機標定與校正方法和裝置、設備、程序和介質)	Invention	Shenzhen SenseTime	PRC	ZL 201711298424.0	April 2, 2021	December 7, 2037
87.	Method and device for multilayer neural network model training and road feature recognition (多層神經網絡模型訓練、道路特徵識別的方法和裝置)	Invention	Beijing SenseTime	PRC	ZL 201710108551.3	March 5, 2021	February 26, 2037
88.	Dynamic action detection method, dynamic action control method and device (動態動作檢測方法、動態動作控制方法及裝置)	Invention	Shanghai SenseTime	PRC	ZL 201810974244.8	August 18, 2020	August 23, 2038
89.	Positioning method, path determination method, device, robot and storage medium (定位方法、路徑確定方法、裝置、機器人及存儲介質)	Invention	Shanghai SenseTime	PRC	ZL 201910915168.8	June 22, 2021	September 25, 2039
90.	Monocular image depth estimation method and device, equipment, program and storage medium (單目圖像深度估計方法及裝置、設備、程序及存儲介質)	Invention	Shenzhen SenseTime	PRC	ZL 201810845040.4	April 30, 2021	July 26, 2038

No.	Patent name	Type	Patentee	Place of registration	Patent number	Grant date	Expiry date
91.	Method and device for depth restoration of monocular image, and computer equipment (單目圖像的深度恢復方法及裝置、計算機設備)	Invention	Zhejiang SenseTime	PRC	ZL 201810502947.0	March 9, 2021	May 22, 2038
92.	Method, device and electronic equipment for adjusting parameters of vehicle-mounted camera (車載相機參數的調節方法、裝置與電子設備)	Invention	Shenzhen SenseTime	PRC	ZL 201811161832.6	February 19, 2021	September 29, 2038
93.	Vehicle appearance feature recognition and vehicle retrieval method, device, storage medium, and electronic equipment (車輛外觀特徵識別及車輛檢索方法、裝置、存儲介質、電子設備)	Invention	Beijing SenseTime	PRC	ZL 201710507778.5	February 21, 2020	June 27, 2037
94.	Vehicle driving simulation method and device, electronic equipment, system, program and medium (車輛駕駛模擬方法和裝置、電子設備、系統、程序和介質)	Invention	SenseTime HK	PRC	ZL 201711242310.4	September 22, 2020	November 29, 2037
95.	Expression migration method, device storage medium and program (表情遷移方法、裝置存儲介質及程序)	Invention	Shenzhen SenseTime	PRC	ZL 201810151946.6	March 23, 2021	February 13, 2038
96.	Method and device for predicting face attributes (用於預測臉部屬性的方法和設備)	Invention	Beijing SenseTime	PRC	ZL 201480083724.5	September 21, 2018	December 11, 2034
97.	A real-time face interaction method and system (一種實時的人臉交互方法及其系統)	Invention	Shenzhen SenseTime	PRC	ZL 201610027071.X	May 5, 2020	January 13, 2036
98.	Face unlocking and information registration method and device, equipment, program, and medium （人臉解鎖及其資訊註冊方法和裝置、設備、程式、介質）	Invention	Beijing SenseTime	PRC	ZL 201710802146.1	July 24, 2020	September 6, 2037
99.	Face skin attribute recognition method and device, electronic equipment, and storage medium (人臉皮膚屬性識別方法和裝置、電子設備、存儲介質)	Invention	Shenzhen SenseTime	PRC	ZL 201710927454.7	April 2, 2021	September 29, 2037

No.	Patent name	Type	Patentee	Place of registration	Patent number	Grant date	Expiry date
100.	Method, device and electronic equipment for recognizing facial age (用於識別面部年齡的方法、裝置和電子設備)	Invention	Beijing SenseTime	PRC	ZL 201810136268.6	February 12, 2021	February 8, 2038

(c) Copyrights

As of the Latest Practicable Date, we had registered the following software copyrights which we consider to be or may be material to our business.

No.	Copyright	Version	Place of registration	Registration number	Registration date
1.	SenseTime Intelligent Scene Insight System (商湯智能場景洞察系統)	V1.0.0	PRC	2018SR678852	August 24, 2018
2.	SenseFace Face Control System (SenseFace人臉佈控系統)	V2.0.12	PRC	2017SR709207	December 20, 2017
3.	Research Scheme for Deep Learning on Image Information (深度學習視圖情報研判系統)	V3.0	PRC	2017SR625598	November 15, 2017
4.	SenseTime Face Recognition Machine Software (SensePass) (商湯人臉識別機軟件(簡稱：SensePass))	V1.0	PRC	2018SR342962	May 16, 2018
5.	SenseKeeper Pedestrian Passage Gate Face Recognition Software (Android Version) (SenseKeeper人行通道閘人臉識別軟件 (Android版))	V2.0	PRC	2017SR413652	July 31, 2017
6.	SenseTime Nebula G series security machine software (SenseNebula-G) (商湯星雲G系列安防一體機軟件 (簡稱：SenseNebula-G))	V1.0.0	PRC	2019SR0934376	September 9, 2019
7.	SenseTime Intelligent Map Detection Big Data System (商湯智能圖偵大數據實戰系統)	V1.0.0	PRC	2019SR0265332	March 20, 2019
8.	SenseTime Intelligent Edge Node Software (商湯智能邊緣節點軟件)	V1.1	PRC	2019SR0690855	July 4, 2019
9.	SenseTime Intelligent Space Management Component Platform Software (商湯智能空間管理組件平台軟件)	V1.1	PRC	2019SR0439864	May 8, 2019
10.	SenseTime Vision Module Software (Portrait Recognition SDK) (商湯人像識別SDK軟件(簡稱：人像識別SDK))	V1.1	PRC	2019SR1102022	October 30, 2019
11.	SenseTime Vision Module Software (SenseEngine) (商湯視覺模組軟件(簡稱：SenseEngine))	V1.1.0	PRC	2019SR0756998	July 22, 2019
12.	SenseTime Intelligent Real Estate Video Analysis System (SenseRealty) (商湯科技智慧地產視頻分析系統 (簡稱：SenseRealty))	V1.0	PRC	2018SR333643	May 14, 2018

No.	Copyright	Version	Place of registration	Registration number	Registration date
13.	SenseTime Mini Car Embedded Sensor Driver Programming and Network Service Software (商湯迷你小車嵌入式傳感器驅動編程與網絡服務軟件)	V1.0	PRC	2019SR0875955	August 22, 2019
14.	SenseTime Autonomous Driving Educational Car Embedded Software (商湯自動駕駛教育小車嵌入式軟件)	V1.0	PRC	2019SR0928006	September 5, 2019
15.	SenseTime Intelligent Face Recognition Module Software (商湯智能人臉識別模組軟件)	V2.0	PRC	2021SR1035647	July 14, 2021
16.	SenseTime Smart Car Cabin Front-Mounted Product Software (商湯智能車艙前裝產品軟件)	V1.0	PRC	2020SR0738378	July 8, 2020
17.	SenseTime Internet View Analysis Early Warning System (商湯互聯網視圖解析預警系統)	V1.0.1	PRC	2019SR1150836	November 14, 2019
18.	SenseTime Post-installation Vision System Software for Smart Cars (商湯智能汽車後裝視覺系統軟件)	V1.0	PRC	2019SR1378768	December 16, 2019
19.	SenseTime Anthropomorphic Operation Platform (商湯擬人化運營平台)	V1.0	PRC	2019SR1193940	November 23, 2019
20.	SenseTime Nebula Smart Camera Zhenzhi Series Binocular Camera Software (商湯星雲智能相機臻智系列雙目攝像機軟件)	V1.0.0	PRC	2020SR0975235	August 24, 2020
21.	SenseTime Smart Face Payment 3D Structured Light SPS1 Module SDK Software (商湯智能人臉支付3D結構光SPS1模組SDK軟件)	V2.0	PRC	2020SR0486556	May 21, 2020
22.	SenseTime City View Big Data Application Platform (SenseCity) (商湯城市視圖大數據應用平台(簡稱：SenseCity)	V4.0.0	PRC	2019SR1382748	December 17, 2019
23.	SenseTime G Smart Park AI all-in-one software (商湯星雲G智慧園區AI一體機軟件)	V1.0	PRC	2020SR0685617	June 29, 2020
24.	SenseTime Character Video Translation Engine Software (商湯人物視頻翻庫引擎軟件)	V1.0	PRC	2020SR0578763	June 5, 2020
25.	SenseTime High-speed Railway C4 Intelligent Analysis System (商湯高速鐵路C4智能分析軟件)	V2.0	PRC	2020SR1835620	December 16, 2020
26.	SenseTime Lidar Perception SDK Software (商湯激光雷達感知SDK軟件)	V1.0	PRC	2020SR0941562	August 18, 2020
27.	SenseTime Smart Comet Software (SenseComet) (商湯智慧公交軟件(簡稱：SenseComet))	V1.0	PRC	2020SR1869631	December 22, 2020
28.	SenseTime Zhiyin Face Recognition Terminal Software (商湯智印人臉識別終端軟件)	V1.0.0	PRC	2021SR0329640	March 3, 2021

No.	Copyright	Version	Place of registration	Registration number	Registration date
29.	SenseTime Shanglian Cloud Intelligent IoT Platform (SenseLink) (商湯商聯雲智能物聯平台(簡稱：SenseLink))	V1.9.0	PRC	2019SR0774184	July 25, 2019
30.	SenseTime City-level Open Visual Platform Software (商湯城市級開放視覺平台軟件)	V3.0	PRC	2020SR0344156	April 17, 2020
31.	SenseTime mobile phone dynamic bokeh SDK software-Android version (商湯手機動態背景虛化SDK軟件-Android版)	V1.0	PRC	2016SR258826	September 13, 2016
32.	SenseTime Mobile Phone Static Bokeh SDK Software-Android Version (商湯手機靜態背景虛化SDK軟件-Android版)	V1.0	PRC	2016SR259297	September 13, 2016
33.	SenseTime Human Skeleton Detection SDK Software (商湯人體骨架檢測SDK軟件)	V1.0	PRC	2018SR971843	December 4, 2018
34.	SenseTime Mobile Gesture Recognition SDK Software (商湯移動端手勢識別SDK軟件)	V1.0	PRC	2018SR202805	March 26, 2018
35.	SenseTime 2D Camera Facial Expression Simulation Software (商湯基於2D攝像頭表情模擬軟件)	V1.0	PRC	2018SR508747	July 3, 2018
36.	Video Intelligent Analysis Platform (視頻智能解析平台)	V1.0	PRC	2017SR600143	November 2, 2017
37.	SenseTime Crowd Analysis Software (商湯人群分析軟件)	V5.0.1	PRC	2019SR0107641	January 29, 2019
38.	Identity Verification Public Cloud Service System (身份驗證公有雲服務系統)	V1.0	PRC	2016SR249460	September 6, 2016
39.	SenseTime Interactive Living Body Detection SDK Software (商湯交互活體檢測SDK軟件)	V1.6	PRC	2018SR113626	February 14, 2018
40.	SenseTime Silent Living Detection SDK Software (商湯靜默活體檢測SDK軟件)	V1.4	PRC	2017SR663777	December 4, 2017
41.	Identity Verification Private Cloud Service System (身份驗證私有雲服務系統)	V1.0	PRC	2016SR247966	September 5, 2016
42.	SenseTime Intelligent Driving Assistant Software (商湯智能駕駛輔助軟件)	V1.0.0	PRC	2020SR0571417	June 4, 2020
43.	SenseTime Teaching Experiment Platform Software (SenseStudy) (商湯教學實驗平台軟件(簡稱:SenseStudy))	V1.0	PRC	2018SR533274	July 10, 2018
44.	Video intelligent review platform (視頻智能審核平台)	V1.0	PRC	2018SR202071	March 26, 2018

No.	Copyright	Version	Place of registration	Registration number	Registration date
45.	SenseTime Smart Office Software (SenseOffice) (商湯智慧辦公軟件(簡稱：SenseOffice))	V1.1	PRC	2019SR0672883	July 1, 2019
46.	SenseTime Intelligent Identity Verification Platform Software (商湯智能身份核驗平台軟件)	V1.1.0	PRC	2019SR0944952	September 11, 2019
47.	SenseTime Intelligent Edge Station Analysis Software (商湯智能邊緣小站分析軟件)	V1.0	PRC	2020SR0063047	January 13, 2020
48.	SenseTime Smart Business Intelligence Terminal SDK Software (商湯智慧商業智能終端SDK軟件)	V1.0	PRC	2019SR1090358	October 28, 2019
49.	SenseTime Smart Radiotherapy Scientific Research Software (商湯智慧放療科研軟件)	V1.1	PRC	2019SR1079332	October 24, 2019
50.	SenseTime Aike Smart Management Platform Web Software (商湯愛客智慧管理平台Web端軟件)	V1.0	PRC	2019SR1147312	November 13, 2019
51.	SenseTime Internet View Analysis Early Warning System (商湯互聯網視圖解析預警系統)	V1.0	PRC	2019SR0702699	July 8, 2019
52.	SenseTime Intelligent Passenger Flow Insight Software (商湯智能客流洞察軟件)	V1.0.0	PRC	2019SR0386971	April 24, 2019
53.	SenseMars Navigation Software (商湯SenseMARS導航軟件)	V1.0.0	PRC	2020SR1868694	December 21, 2020
54.	SenseTime Real-time Positioning and 3D Environment Perception Software (SenseSLAM) (商湯實時定位與三維環境感知軟件 (簡稱:SenseSLAM))	V1.0.0	PRC	2019SR0195803	February 28, 2019
55.	SenseTime Portrait Repair SDK Software (商湯人像修復SDK 軟件)	V1.0	PRC	2020SR0007751	January 2, 2020
56.	SenseTime Discovery Workshop Platform Software (SenseInnoLab) (商湯探索工坊平台軟件(簡稱:SenseInnoLab))	V1.0	PRC	2020SR0757904	July 13, 2020
57.	SenseTime Night View Camera Software (商湯夜景拍照軟件)	V1.0	PRC	2020SR0134871	February 13, 2020
58.	Tetras Dark Field Camera Software (慧鯉暗場拍照軟件)	V1.0	PRC	2020SR0276095	April 8, 2021
59.	SenseTime Optical Character Recognition Software (商湯光學字符識別軟件)	V1.0.0	PRC	2020SR0307663	April 3, 2020
60.	Tetras Super Clear Image SDK Software-Android Version (慧鯉超清影像SDK軟件-Android版)	V1.0	PRC	2020SR0291118	April 8, 2021
61.	Tetras Mobile Face Unlocking and Authentication SDK Software (慧鯉移動端人臉解鎖與認證SDK軟件)	V1.0	PRC	2020SR0300855	April 8, 2021

No.	Copyright	Version	Place of registration	Registration number	Registration date
62.	Tetras High-quality Portrait SDK Software-Android Version (慧鯉優質人像SDK軟件-Android版)	V1.0	PRC	2020SR0291116	April 8, 2021
63.	Tetras Smart Album Face Clustering System (慧鯉智能相冊人臉聚類系統)	V1.0	PRC	2020SR0287800	April 8, 2021
64.	Tetras Augmented Reality Special Effects SDK Software for Android (慧鯉增強現實特效SDK軟件Android版)	V6.15.0	PRC	2020SR0289810	April 8, 2021
65.	Tetras Intelligent Album Face Beauty Attribute Recognition System (慧鯉智能相冊人臉美顏屬性識別系統)	V1.0	PRC	2020SR0300973	April 8, 2021
66.	SenseTime Remote Sensing Image Sample Annotation Tool Software (商湯遙感影像樣本標注工具軟件)	V1.0	PRC	2019SR1211689	November 26, 2019
67.	SenseTime Space Data Management Tool Software (商湯空間數據管理工具軟件)	V1.0	PRC	2019SR1378779	December 16, 2019
68.	SenseTime Intelligent Cloud Video Analysis Software (商湯智能雲視頻分析軟件)	V1.0	PRC	2019SR0824118	August 8, 2019
69.	SenseTime Shenquan High-performance Distributed General Object Detection Framework Software (商湯深泉高性能分佈式通用物體檢測框架軟件)	V2.0	PRC	2020SR0387252	April 28, 2020
70.	SenseTime AI Expression Interactive Software (商湯AI表情互動軟件)	V1.1.0	PRC	2020SR1096221	September 15, 2020
71.	Shangtang 3D Space Augmented Reality Development Tool Software (商湯三維空間增強現實開發工具軟件)	V1.0	PRC	2020SR0333008	April 14, 2020
72.	SenseTime Augmented Reality Dream Space Mobile Application Software (商湯增強現實造夢空間移動端應用軟件)	V1.0	PRC	2020SR0784342	July 16, 2020
73.	SenseTime High-precision Positioning and Augmented Reality Platform (商湯高精定位與增強現實平台)	V1.0	PRC	2019SR1163519	November 18, 2019
74.	SenseTime Intelligent Remote Sensing Interpretation Tool Universal Change Detection Software (商湯智能遙感解譯工具通用變化檢測軟件)	V1.0	PRC	2020SR0091759	January 17, 2020
75.	SenseTime Smart Face Payment 3D Structured Light SPS1 Module SDK Software (商湯智能人臉支付3D結構光SPS1模組SDK軟件)	V1.0	PRC	2020SR0336332	April 15, 2020
76.	SenseTime Character Video Translation Engine Software (商湯人物視頻翻庫引擎軟件)	V1.1	PRC	2020SR0731951	July 7, 2020
77.	SenseTime Turing Intensive Scene Analysis Software (商湯途靈密集場景分析軟件)	V1.0.0	PRC	2020SR0638107	June 17, 2020

No.	Copyright	Version	Place of registration	Registration number	Registration date
78.	SenseTime Ruitu Intelligent Transportation Platform Software (商湯睿途智慧交通平台軟件)	V1.0	PRC	2020SR0501320	May 25, 2020
79.	SenseTime Smart Pathology Research Software (商湯智慧病理科研軟件)	V1.1	PRC	2019SR0768006	July 24, 2019
80.	SenseTime Smart Imaging Research Software (商湯智慧影像科研軟件)	V1.1	PRC	2019SR0767967	July 24, 2019
81.	SenseTime Artificial Intelligence Video Generation Platform (商湯人工智能視頻生成平台)	V1.0.0	PRC	2020SR0689280	June 29, 2020
82.	SenseTime AR Guide and Explanation Software (商湯AR導覽講解軟件)	V1.0.0	PRC	2020SR0732031	July 7, 2020
83.	SenseTime AR Barrage Software (商湯AR彈幕軟件)	V1.1.0	PRC	2020SR1096859	September 15, 2020
84.	SenseGo Retail Video Analysis System (SenseGo) (SenseGo零售視頻分析系統 (簡稱：SenseGo))	V1.0	PRC	2017SR412994	July 31, 2017
85.	Tetras Super Night Scene ISP System (慧鯉超級夜景ISP系統)	V1.0	PRC	2020SR0816569	July 23, 2020
86.	SenseTime Smart Security Software (商湯智慧安檢軟件)	V1.0.0	PRC	2020SR0587879	June 8, 2020
87.	SenseTime AI Open Platform Software (商湯AI開放平台軟件)	V1.0	PRC	2021SR0012537	January 5, 2021
88.	Tetras mobile phone video semantic segmentation SDK software-Android version (慧鯉手機視頻語義分割SDK軟件-Android版)	V1.0	PRC	2020SR1501411	September 18, 2020
89.	SenseTime Edge Node Server Software (商湯邊緣節點服務器軟件)	V1.1.0	PRC	2020SR1773900	December 9, 2020
90.	Tetras General 3D Model Reconstruction SDK Software (慧鯉通用3D模型重建SDK軟件)	V1.0	PRC	2020SR1511887	October 16, 2020
91.	Tetras Depth Sensor Data Optimization To Remove Noise SDK Software (慧鯉深度傳感器數據優化去除噪聲SDK軟件)	V1.0	PRC	2020SR0928450	August 14, 2020
92.	Tetras Mobile Terminal Gesture Recognition SDK Software (慧鯉移動端手勢識別SDK軟件)	V2.0	PRC	2020SR1509743	October 14, 2020
93.	SenseTime AI Server Software (商湯星雲AI服務器軟件)	V1.0	PRC	2021SR0177262	February 1, 2021
94.	SenseTime Mini Global Positioning System Software (商湯迷你全域定位系統軟件)	V1.0	PRC	2020SR1604165	November 18, 2020

No.	Copyright	Version	Place of registration	Registration number	Registration date
95.	SenseTime View Content Review and Analysis System (商湯視圖內容審核及解析系統)	V1.0	PRC	2020SR1562479	November 10, 2020
96.	SenseTime Fully Structured SDK Software (商湯全結構化SDK軟件)	V1.1	PRC	2020SR0280469	March 20, 2020
97.	SenseTime Intelligent Cockpit Data Management Software (商湯智能駕駛艙數據管理軟件)	V1.0.0	PRC	2020SR0059822	January 13, 2020
98.	SenseTime Intelligent Remote Sensing Interpretation Tool Vegetation Detection Software (商湯智能遙感解譯工具植被檢測軟件)	V1.0	PRC	2020SR0575837	June 5, 2020
99.	SenseTime Fully Structured SDK Software (商湯全結構化SDK軟件)	V1.0	PRC	2020SR0027074	January 7, 2020
100.	SenseAstral Defect Detection System (SenseAstral) (商湯微識缺陷檢測系統 (簡稱：SenseAstral))	V1.1	PRC	2021SR0237737	February 9, 2021
101.	Tetras Super Resolution Camera ZOOM SDK Software-Android Version (慧鯉超分辨率拍照ZOOM SDK軟件-Android版本)	V2.0	PRC	2021SR0201490	February 4, 2021
102.	Tetras SenseSR Camera Zoom SDK Software-Android Version (慧鯉SenseSR 拍照zoom SDK軟件-Android版本)	V3.0	PRC	2020SR1703255	December 1, 2020
103.	SenseTime Smart Space AI Empowerment Platform (商湯智慧空間AI賦能平台)	V1.1.0	PRC	2021SR0538323	April 14, 2021
104.	SenseTime AR Car Navigation Software (商湯AR車導覽軟件)	V1.0.0	PRC	2021SR0370495	March 10, 2021
105.	SenseTime AI Open Platform Software (商湯基石AI開放平台軟件)	V1.0	PRC	2021SR0143813	January 26, 2021
106.	Tetras Augmented Reality Special Effects SDK Software iOS Version (慧鯉增強現實特效SDK軟件iOS版)	V6.15.0	PRC	2020SR0289571	April 8, 2021
107.	Tetras Mobile Video Frame Insertion SDK Software-Android Version (慧鯉手機視頻插幀SDK軟件-Android版)	V1.0	PRC	2021SR0251794	February 18, 2021
108.	SenseTime Visual Positioning Software (商湯視覺定位軟件)	V1.0	PRC	2019SR0119604	January 31, 2019

3. Domain names

As of the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain name	Registered owner	Place of registration	Expiry date
1. .	sensetime.jp	SenseTime Japan Ltd.	Japan	May 31, 2022
2. .	sensetime.co.jp	SenseTime Japan	Japan	July 31, 2022
3. .	sensetime.com	Beijing SenseTime	PRC	December 9, 2024
4. .	visioncloudapi.cn	Beijing SenseTime	PRC	October 8, 2024
5. .	visioncloudapi.com	Beijing SenseTime	PRC	October 8, 2024
6. .	visioncloudapi.com.cn	Beijing SenseTime	PRC	October 8, 2024
7. .	facecloudapi.cn	Beijing SenseTime	PRC	October 8, 2024
8. .	facecloudapi.com	Beijing SenseTime	PRC	October 8, 2024
9. .	facecloudapi.com.cn	Beijing SenseTime	PRC	October 8, 2024
10.	dl-ad.com	Beijing SenseTime	PRC	April 26, 2022
11.	deep-smart-ad.com	Beijing SenseTime	PRC	April 26, 2022
12.	deep-ad.com	Beijing SenseTime	PRC	April 26, 2022
13.	intelligent-ad.com	Beijing SenseTime	PRC	April 26, 2022
14.	matrixcv.com	Shanghai SenseTime	PRC	March 3, 2022
15.	sensetimeapis.com	Shanghai SenseTime	PRC	November 6, 2023
16.	stqstech.com	Shanghai SenseTime Qianshi	PRC	July 9, 2026
17.	ar-alliance.com	Beijing SenseTime	PRC	August 24, 2022
18.	openmmlab.com	Beijing SenseTime	PRC	June 4, 2023
19.	senselink.site	Beijing SenseTime	PRC	November 17, 2023
20.	sensetime.co	SenseTime HK	PRC	November 15, 2021
21.	tetras.com.cn	Shenzhen Tetras.AI Technology Co., Ltd. (深圳市慧鯉科技有限公司)	PRC	June 25, 2024
22.	powertensors.cn	Shanghai SenseTime Lingang Intelligent Technology Co., Ltd. (上海商湯臨港智能科技有限公司)	PRC	June 17, 2025
23.	sensetimecapital.com	Beijing SenseTime	PRC	July 28, 2026
24.	sensetime-capital.com	Beijing SenseTime	PRC	July 28, 2026

Save as disclosed above, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

Immediately following completion of the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised; and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share each and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share each, immediately following the completion of the **[REDACTED]**), so far as our Directors are aware, the interests or short positions of our Directors and the chief executives in any Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our 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 will be required, pursuant to Section 352 of the SFO, to be entered in the register or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

(i) Interest in Shares of our Company

Name of director	Nature of interest [1]	Number and class of securities	Approximate percentage of shareholding interest in our Company immediately after the [REDACTED] [2]
Class A Shares			
Prof. Tang	Interest in a controlled corporation	6,906,080,602 Class A Shares	**[REDACTED]**
Dr. Xu Li	Interest in a controlled corporation	286,317,668 Class A Shares	**[REDACTED]**
Dr. Wang	Interest in a controlled corporation	232,171,633 Class A Shares	**[REDACTED]**
Mr. Xu Bing	Interest in a controlled corporation	104,190,097 Class A Shares	**[REDACTED]**
Class B Shares			
Prof. Tang	Interest in a controlled corporation	1,891,820,000 Class B Shares	**[REDACTED]**
Dr. Xu Li through SenseTalent	Beneficial interest	565,386,529 Class B Shares	**[REDACTED]**
Dr. Wang through SenseTalent	Beneficial interest	302,140,243 Class B Shares	**[REDACTED]**
Mr. Xu Bing through SenseTalent	Beneficial interest	252,236,581 Class B Shares	**[REDACTED]**

Notes:

(1) All interests stated are long position.

(2) The table above is calculated on the basis that the total of **[REDACTED]** Shares will be in issue immediately after completion of the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised; and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share each and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share each, immediately following the completion of the **[REDACTED]**).

2. Substantial Shareholders

For information on the persons who will, immediately following the completion of the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised; and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share each and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share each), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see "Substantial Shareholders."

3. Directors' service contracts and appointment letters

Executive Directors

Each of our executive Directors [has] entered into a service contract with our Company. Pursuant to this agreement, they agreed to act as executive Directors for an initial term of three years with effect from the date the appointment is approved by the Board or until the third annual general meeting of our Company after the **[REDACTED]** (whichever is earlier). Either party has the right to give not less than [three] months' written notice to terminate the agreement. Details of the Company's remuneration policy is described in section headed "Directors and Senior Management — Remuneration of Our Directors and Senior Management."

Non-executive Directors

Our non-executive Director [has] entered into an appointment letter with our Company. Her appointment as a Director shall continue for three years after or until the third annual general meeting of the Company after the **[REDACTED]**, whichever is earlier, (subject to retirement as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than [one] month's prior notice in writing. Under these appointment letters, the non-executive Directors are [not] entitled to receive annual salaries in their capacity as non-executive Directors.

Independent Non-executive Directors

Each of our independent non-executive Directors [has] entered into an appointment letter with our Company. The initial term of their appointment shall be three years from the date of this Document or until the third annual general meeting of the Company after the **[REDACTED]**, whichever is earlier, (subject to retirement as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than [one] month's prior notice in writing.

Save as disclosed above, none of our Directors has or will have a service contract with any member of our Group, other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

4. Directors' remuneration

The remuneration of our Directors are paid in the form of fees, wages and salaries, discretionary bonuses, share-based compensation and other benefits in kind. The aggregate amount of remuneration (including fees, wages and salaries, discretionary bonuses, share-based compensation and other benefits in kind) of our Directors for years ended December 31, 2018, 2019 and 2020, and for the six months ended June 30, 2021 was RMB15.1 million, RMB15.9 million, RMB680.9 million and RMB1,192.7 million, respectively.

Under the arrangement currently in force, the total remuneration (including fees, wages and salaries, discretionary bonuses, share-based compensation and other benefits in kind) payable to our Directors for the year ending December 31, 2021 is estimated to be RMB1,200.0 million.

None of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

5. Disclaimers

Save as disclosed in this Document:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;

(b) none of the Directors or the experts named in the section headed "— E. Other Information — 8. Qualifications and consents of experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately

preceding the date of this Document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this Document;

(d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of the Group taken as a whole;

(e) so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the **[REDACTED]**, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and

(f) none of the Directors or chief executive of the Company has 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 will 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 will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon.

D. SHARE INCENTIVE SCHEMES

1. Pre-[REDACTED] RSU Plan

(a) Summary

The following is a summary of the principal terms of the restricted stock unit ("**RSU**") plan (the "**Pre-[REDACTED] RSU Plan**") of our Company as approved by the Board on November 1, 2016 and amended from time to time. The terms of the Pre-**[REDACTED]** RSU Plan are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-**[REDACTED]** RSU Plan will not involve the grant of options by us to subscribe for our Shares.

(b) Purpose

The purpose of the Pre-**[REDACTED]** RSU Plan is to establish a comprehensive long-term incentive scheme of our Group, to motivate, attract and retain talents, and to share our success with the participants.

(c) Effectiveness and Duration

Subject to any early termination as may be determined by our Board pursuant to terms of the Pre-**[REDACTED]** RSU Plan, the Pre-**[REDACTED]** RSU Plan shall be valid and effective for a period of ten (10) years commencing on the adoption date of November 2, 2016.

(d) Administration

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

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

(e) Participants

The eligible participants in the Pre-**[REDACTED]** RSU Plan (the "**Pre-[REDACTED] RSU Participants**") include (i) key management team and key technical staff of our Group who have been continuously working in our 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 Administrators, have contributed or will contribute to our Group significantly.

(f) Maximum number of Shares as of the Latest Practicable Date

The maximum number of Shares underlying the Pre-**[REDACTED]** RSU Plan ("**RSU Limit**") is 492,327,394 Shares, all of which have been issued and held by SenseTalent, representing approximately 1.55% of the issued share capital of our Company as at the Latest Practicable Date .

(g) Terms and Conditions of RSU Award

(i) Grant of RSU Awards

The Administrators may, from time to time, select the Pre-**[REDACTED]** 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 Administrators and may differ among selected Pre-**[REDACTED]** RSU Participants.

(ii) 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 acceptance notice and return it to the Company within the time period pursuant to the terms of the Pre-**[REDACTED]** RSU Plan. Upon the receipt from the selected person of a duly executed acceptance notice, the RSU Awards are granted to such person, who becomes a grantee pursuant to the Pre-**[REDACTED]** RSU Plan.

(iii) Conditions of RSU Awards

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

(iv) Rights attached to RSU Awards

A Pre-**[REDACTED]** 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-**[REDACTED]** RSU Participant. Unless otherwise determined by our Board in its entire discretion, the Pre-**[REDACTED]** RSU Participants may not exercise voting rights in respect of the Shares underlying their RSU Awards. The Pre-**[REDACTED]** RSU Participants have the rights to any dividends or distributions from any Shares underlying an RSU Award.

(v) Exercise of RSU Awards

RSUs held by the Pre-**[REDACTED]** RSU Participants were exercised on December 30, 2016. Any RSUs or any Share underlying any RSUs shall not be transferred or sold prior to the **[REDACTED]** unless approved by the Board. After the **[REDACTED]**, subject to the lock-up period and restrictions set forth under the Pre-**[REDACTED]** RSU Plan and the sole discretion of our Board, the Pre-**[REDACTED]** 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 Administrators or our 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-**[REDACTED]** RSU Participants and the transferees.

(h) Reorganization of Capital Structure

In the event of any alteration in the capital structure of our Company, such as bonus issue, rights issue, capitalization issue, consolidation and sub-division of the share capital of our Company, our Board may make equitable adjustments to the number of Shares underlying the RSUs that it considers appropriate, at its sole and absolute discretion.

(i) Alteration or Termination of the Pre-[REDACTED] RSU Plan

(i) Alteration

The terms of the Pre-**[REDACTED]** RSU Plan may be altered or amended in any respect by our Board provided that such alteration or amendment shall not affect any subsisting rights of any grantee thereunder.

(ii) Termination

The Pre-**[REDACTED]** RSU Plan may be terminated at any time prior to the expiry of its term by our Board.

(j) No Effect on Contract of Employment

The Pre-**[REDACTED]** RSU Plan shall not confer upon any grantee any right with respect to the grantee's continuous service, nor shall it interfere in any way with his or her right or the right of our Company or any related entity to terminate the grantee's continuous service at any time.

(k) Details of the RSUs granted under the Pre-[REDACTED] RSU Plan as of the Latest Practicable Date

As of the Latest Practicable Date, the aggregate number of Shares underlying the granted RSUs is 492,327,394, representing approximately 1.55% of the issued share capital of our Company as at the Latest Practicable Date and approximately **[REDACTED]**% of the issued share capital of our Company immediately following the completion of the **[REDACTED]**.

Details of the RSUs granted pursuant to the Pre-**[REDACTED]** RSU Plan to our Directors and other connected persons are set out below:

Name	Position(s) held within our Group	Number of Shares underlying the RSUs granted as of the Latest Practicable Date	Date of grant	Exercise price (US$)	Exercise date	Approximate percentage of shareholding immediately before the completion of the [REDACTED]
Mr. Yang Fan	Co-founder and vice president	15,062,404	November 2, 2016	0.000009988	December 30, 2016	0.05%
Mr. Ma Kun	Co-founder and technical executive director	16,214,802	November 2, 2016	0.000009988	December 30, 2016	0.05%
Mr. Xu Chiheng	Co-founder and strategy director	19,124,802	November 2, 2016	0.000009988	December 30, 2016	0.06%

As of the Latest Practicable Date, RSUs in respect of 441,925,386 underlying Shares were granted to 56 grantees who are not our Directors or other connected persons of our Company.

The maximum number of Shares underlying the Pre-**[REDACTED]** RSU Plan is 492,327,394 Shares, all of which have been issued and held by SenseTalent, representing approximately 1.55% of the issued share capital of our Company as at the Latest Practicable Date. Immediately following the completion of the **[REDACTED]**, all the Shares held by SenseTalent will be converted into Class B Shares, and the aggregate number of the Class B Shares underlying the Pre-**[REDACTED]** RSU Plan will be 492,327,394, representing approximately **[REDACTED]**% of the issued share capital of our Company immediately following the completion of the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised; and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide , and each Preferred Share is converted into one Class B Share immediately upon the completion of the **[REDACTED]**). Therefore, no grant of such RSUs will cause any dilution of the shareholding of our Shareholders immediately upon the **[REDACTED]**.

2. Pre-[REDACTED] ESOP

(a) Summary

The following is a summary of the principal terms of the pre-**[REDACTED]** share option scheme of our Company as approved by the Board on November 1, 2016 and amended from time to time (the "**Pre-[REDACTED] ESOP**"). The terms of the Pre-**[REDACTED]** ESOP are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-**[REDACTED]** ESOP will not involve the grant of options by our Company to subscribe for new Shares upon our **[REDACTED]**.

(b) Purpose

The purpose of the Pre-**[REDACTED]** ESOP is to establish a comprehensive long-term incentive scheme of our Group, to motivate, attract and retain talents, and to share our success with the participants.

(c) Effectiveness and Duration

Subject to any early termination as may be determined by our Board pursuant to terms of the Pre-**[REDACTED]** ESOP, the Pre-**[REDACTED]** ESOP shall be valid and effective for a period of ten (10) years commencing on the adoption date of November 2, 2016.

(d) Administration

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

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

(e) Participants

The eligible participants in the Pre-**[REDACTED]** ESOP (the "**Pre-[REDACTED] ESOP Participants**"), as determined by the Board, include (i) key management team, key technical staff of our 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 Administrators with reference to the posts, performance and duration of service of each Pre-**[REDACTED]** ESOP Participant.

(f) Maximum number of Shares as of the Latest Practicable Date

Subject to any adjustments for other dilutive issuances, the maximum number of Shares underlying the Options under the Pre-**[REDACTED]** ESOP ("**Pre-[REDACTED] ESOP Limit**") is 3,376,931,209 Shares, all of which have been issued and held by SenseTalent, representing approximately 10.63% of the issued share capital of our Company as at the Latest Practicable Date.

(g) Terms and Conditions of Options

(i) Grant of Options

The Administrators may determine in each year whether Options shall be granted and select the Pre-**[REDACTED]** 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 Administrators and may differ among selected Pre-**[REDACTED]** ESOP Participants.

(ii) Rights attached to the Options and the underlying Shares

A Pre-**[REDACTED]** ESOP Participant only has a contingent interest in the Shares underlying an Option unless and until such Shares are actually transferred to the Pre-**[REDACTED]** 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-**[REDACTED]** ESOP Participant as a Shareholder of our Company.

No voting right shall be exercisable by the Pre-**[REDACTED]** ESOP Participants in relation to any Options or the Shares that are the subject of the Options.

(iii) Limits on Transfer of Options

Unless otherwise provided in the Pre-**[REDACTED]** ESOP or by applicable law, all Options under the Pre-**[REDACTED]** 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.

(iv) Vesting Schedule

Except for employees who joined our Company on or before December 31, 2015 or otherwise determined by the Administrator, the Pre-**[REDACTED]** ESOP Participants shall not exercise any Option granted to him/her for a period of one (1) 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 (4) years, subject to a maximum of 25% each year. The first vesting date will be on the date when the Waiting Period ends.

(h) Exercise of Options

(i) Exercise Price

The exercise price per Option shall be determined by the Administrators or any persons authorized by the 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.

(ii) Validity Period

Unless otherwise provided in the Pre-**[REDACTED]** ESOP, the validity period for the Options granted to the Pre-**[REDACTED]** ESOP Participants shall be seven (7) 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-**[REDACTED]** ESOP.

(iii) Exercise Method

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

(iv) Taxes and Expenses

The Pre-**[REDACTED]** ESOP Participants shall exercise the Options at the exercise price as determined at the time of grant and shall bear the costs incurred as a result of the exercise such as taxes and foreign exchange conversion costs.

(i) Reorganization of Capital Structure / Adjustment

In the event of any alteration in the capital structure of our Company, such as bonus issue, rights issue, capitalization issue, consolidation and sub-division of the share capital of our Company, our Board may make equitable adjustments to the number of Shares underlying the Options that it considers appropriate, at its sole and absolute discretion.

(j) Alteration or Termination of the Pre-[REDACTED] ESOP

(i) Alteration

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

(ii) Termination

The Pre-**[REDACTED]** ESOP may 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 after the **[REDACTED]**.

(k) No Effect on Contract of Employment

The Pre-**[REDACTED]** ESOP shall not confer upon any grantee any right with respect to the grantee's continuous service, nor shall it interfere in any way with his or her right or the right of our Company or any related entity to terminate the grantee's continuous service at any time.

(l) Details of the Options granted under the Pre-[REDACTED] ESOP as of the Latest Practicable Date

As of the Latest Practicable Date, the aggregate number of Shares underlying the granted Options is 2,797,614,349, representing approximately 8.80% of the issued share capital of our Company as at the Latest Practicable Date and approximately **[REDACTED]**% of the total issued share capital of our Company immediately following the completion of the **[REDACTED]**. None of the grantees were required to pay any consideration for the grant of the Options.

Details of the Options granted pursuant to the Pre-**[REDACTED]** ESOP to our Directors and other connected persons are set out below:

Name	Address	Position(s) held within our Group	Dates of grant	Exercise price (US$)	Vesting period	Number of Shares underlying the Options granted as of the Latest Practicable Date	Approximate percentage of enlarged issued share capital of our Company immediately after completion of the [REDACTED][(1)]
Dr. Xu Li	Flat A2, 1/F, Block A Grandview Tower 130 Kennedy Road Wan Chai Hong Kong	Co-founder, executive Chairman of our Board, executive Director and chief executive officer	July 1, 2017 to January 1, 2021	0.000009988 to 0.0998	0 to 4 years	565,386,529	**[REDACTED]**
Dr. Wang	Flat D, 8/F, Block A1 The Horizon 18 Fo Chun Road Pak Shek Kok New Territories Hong Kong	Co-founder, executive Director and chief scientist	November 2, 2016 to January 1, 2021	0.000009988 to 0.0998	0 to 4 years	302,140,243	**[REDACTED]**
Mr. Xu Bing	Flat A, 62/F Luna Sky, The Cullinan 1 Austin Road West Tsim Sha Tsui Kowloon Hong Kong	Co-founder, executive Director and Board secretary	January 1, 2020 to January 1, 2021	0.000009988 to 0.0998	0 to 4 years	252,236,581	**[REDACTED]**

Name	Address	Position(s) held within our Group	Dates of grant	Exercise price (US$)	Vesting period	Number of Shares underlying the Options granted as of the Latest Practicable Date	Approximate percentage of enlarged issued share capital of our Company immediately after completion of the [REDACTED][(1)]
Mr. Yang Fan	5th Floor, Ideal International Building, No. 58 North Fourth Ring West Road, Haidian District, Beijing，PRC	Co-founder and vice president	November 2, 2016 to January 1, 2021	0.000009988 to 0.0998	0 to 4 years	37,656,375	**[REDACTED]**
Mr. Ma Kun	Room 3001, Building 1A, Shenzhen Bay Science and Technology Ecological Park, Guangdong Province, PRC	Co-founder and technical executive director	November 2, 2016 to January 1, 2021	0.000009988 to 0.0998	0 to 4 years	79,399,945	**[REDACTED]**
Mr. Xu Chiheng	Room 708, Block C, West District, Guorui City, Beijing, PRC	Co-founder and strategy director	July 1, 2017	0.000009988	Vested on July 2, 2017	78,030,000	**[REDACTED]**

Note:

(1) Assuming (i) the **[REDACTED]** *is not exercised and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share immediately upon the completion of the* **[REDACTED]**.

As of the Latest Practicable Date, 1,515 grantees who are not Directors and other connected persons of our Company held an aggregate of 1,482,764,676 Options. We set forth below the information on the Options granted to grantees who are not Directors and other connected persons of our Company under the Pre-**[REDACTED]** ESOP as of the Latest Practicable Date.

Range of Shares underlying the Options granted under the Pre-[REDACTED] ESOP	**Total number of grantees**	**Dates of grant**	**Exercise Price (US$)**	**Vesting period**	**Number of Shares underlying the Options granted as of the Latest Practicable Date**	**Approximate percentage of enlarged issued share capital of our Company immediately after completion of the [REDACTED][(1)]**
1 to 99,999	487	November 2, 2016 to July 1, 2021	0.000009988 to 0.0998	4 years	26,062,713	**[REDACTED]**
100,000 to 399,999 . . .	566	November 2, 2016 to July 1, 2021	0.000009988 to 0.0998	4 years	121,008,301	**[REDACTED]**
400,000 or above	462	November 2, 2016 to July 1, 2021	0.000009988 to 0.0998	0 to 4 years	1,335,693,662	**[REDACTED]**
Total	**1,515**				**1,482,764,676**	

Note:

(1) Assuming completion of the **[REDACTED]** *(assuming (i) the* **[REDACTED]** *is not exercised and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide , and each Preferred Share is converted into one Class B Share immediately upon the completion of the* **[REDACTED]***).*

Any vested or unvested Options or any Share underlying any Option shall not be transferred or sold prior to the **[REDACTED]** unless approved by the Board. The maximum number of Shares underlying the Pre-**[REDACTED]** ESOP is 3,376,931,209 Shares, all of which have been issued and held by SenseTalent, representing approximately 10.63% of the issued share capital of our Company as at the Latest Practicable Date. Immediately following the completion of the **[REDACTED]**, all the Shares held by SenseTalent will be converted into Class B Shares, the aggregate number of Shares underlying the Pre-**[REDACTED]** ESOP will be 3,376,931,209, representing approximately **[REDACTED]**% of the issued share capital of our Company immediately following the completion of the **[REDACTED]** (assuming (i) the **[REDACTED]** is not exercised; and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide , and each Preferred Share is converted into one Class B Share immediately upon the completion of the **[REDACTED]**). Therefore, no grant of such Options will cause any dilution of the shareholding of our Shareholders immediately upon the **[REDACTED]**.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries or Consolidated Affiliated Entities.

2. Litigation

As of the Latest Practicable Date, no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against our Group, that would have a material adverse effect on our business, finance condition or results of operations.

3. Joint Sponsors

Each of the Joint Sponsors has declared its independence pursuant to Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of US$2 million for acting as the sponsors for the **[REDACTED]**.

The Joint Sponsors have made an application on our behalf to the Listing Committee for the **[REDACTED]** of, and permission to deal in, the Class B Shares in issue, the Class B Shares to be issued pursuant to the **[REDACTED]** (including any Class B Shares which may fall to be issued pursuant to (i) the exercise of the **[REDACTED]** and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share each and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share each, immediately following the completion of the **[REDACTED]**) and the Class B Shares to be issued on the conversion of any Class A Shares.

4. Preliminary expenses

The Company did not incur any material preliminary expenses.

5. No material adverse change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since June 30, 2021 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

6. Promoters

Our Company has no promoter for the purpose of the Listing Rules. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the **[REDACTED]** and the related transactions described in this Document within the two years immediately preceding the date of this Document.

7. Taxation of holders of Share

Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.13% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Cayman Islands

Other than the stamp duty payable for original documents brought to, executed in or produced before a court of the Cayman Islands, under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares.

Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the **[REDACTED]** can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this Document:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO

Name	Qualification
Haitong International Capital Limited	A licensed corporation under the SFO for type 6 (advising on corporate finance) of the regulated activity as defined under the SFO
HSBC Corporate Finance (Hong Kong) Limited	A licensed corporation under the SFO for type 6 (advising on corporate finance) of the regulated activity as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
King & Wood Mallesons	Legal advisers as to PRC law to our Company
BGA Law (Cayman) Limited	Legal advisers as to Cayman Islands laws to our Company
Frost & Sullivan International Limited	Industry consultant
Hughes Hubbard & Reed LLP	Legal advisers as to U.S. export control law to our Company

Each of the experts named above has given and has not withdrawn its consent to the issue of this Document with the inclusion of its report, letter, and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

9. Binding Effect

This Document shall have the effect, if an application is made pursuant to this Document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Document

The English language and Chinese language versions of this Document are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this Document, the English language version shall prevail.

11. Miscellaneous

(a) Save as disclosed in this Document, within the two years immediately preceding the date of this Document:

(i) neither we nor any of our major subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries and operating entities is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commission, discounts, brokerage or other special terms have been granted in connection with the issuance or sale of any shares or loan capital of any major subsidiary and operating entities;

(iv) no commission has been paid or payable (except commission to sub-**[REDACTED]**) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our major subsidiaries and operating entities.

(b) Save as disclosed in this Document:

(i) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(ii) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this Document;

(iii) the principal register of members of our Company will be maintained in the Cayman Islands by ICS Corporate Services (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to **[REDACTED]**;

(iv) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(v) our Company has no outstanding convertible debt securities or debentures;

(vi) none of the persons whose names are listed in the paragraph headed "— E. Other Information — 8. Qualifications and Consents of Experts" above is interested beneficially or non-beneficially in any shares in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for, any securities in any member of our Group; and

(vii) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) a copy of the **[REDACTED]**;

(b) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 8. Qualifications and consents of experts" in Appendix IV to this document; and

(c) copies of the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about our Business — 1. Summary of material contracts" in Appendix IV to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.sensetime.com** during a period of 14 days from the date of this document:

(a) the Memorandum and Articles of Association;

(b) the Accountant's Report prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;

(c) the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II to this document;

(d) the audited consolidated financial statements of our Group for the three years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2021;

(e) the report issued by Frost & Sullivan, the summary of which is set out in the section headed "Industry Overview" in this document;

(f) the legal opinion issued by King & Wood Mallesons, our PRC Legal Advisor, in respect of certain aspects of our Group in the PRC;

(g) the letter of advice prepared by BGA Law (Cayman) Limited, our Cayman legal advisors, in respect of certain aspects of the Cayman Companies Act referred to in Appendix III to this document;

(h) the legal opinion issued by Hughes Hubbard & Reed LLP, our legal advisors as to U.S. export control laws;

(i) the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about our Business — 1. Summary of material contracts" in Appendix IV to this document;

(j) the written consents referred to in the section headed "Statutory and General Information — B. Further Information about our Business — 1. Summary of material contracts" in Appendix IV to this document;

(k) the service contracts and letters of appointment referred to in the section headed "Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 3. Directors' service contracts and appointment letter" in Appendix IV to this document;

(l) the terms of the Pre-**[REDACTED]** RSU Plan and the Pre-**[REDACTED]** ESOP; and

(m) the Cayman Companies Act.