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 prospectus. 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.

pwc 羅兵咸永道

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 prospectus of the Company dated December 7, 2021 (the "Prospectus") in connection with the initial listing 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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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, December 7, 2021

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, 2018	2019	2020	Six months ended June 30, 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,			As at June 30,
		2018	2019	2020	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,			As at June 30,
		2018	2019	2020	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

	Note	Share capital	Other reserves	Currency translation reserves	Accumulated losses	Total	Non-controlling interests	Total deficits
		Deficits attributable to owners of the Company						
		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, 2018	2019	2020	Six months ended June 30, 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 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.

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 or 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 (Notes 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 listing 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 sells 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	—	—
Listing 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 14,500,001 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*	*RMB'000*
				(Unaudited)	
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.

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						
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:										
SenseTime MEA Ltd. (formerly named "SenseWonder Technology Limited")	—	—	—	—	51%	August 27, 2021	Nil paid	Holding company	Cayman Islands	(a)
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 % — As at December 31, 2018	2019	2020	As at June 30, 2021	As of report date	Date of establishment/ incorporation	Issued capital/paid in capital	Business activities	Place of Operation	Note
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 % As at December 31, 2018	2019	2020	As at June 30, 2021	As of report date	Date of establishment/ incorporation	Issued capital/paid in capital	Business activities	Place of Operation	Note
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	Tibet, China	(a)
Shenzhen StarAds Technology Co., Ltd. (深圳市星廣互動科技有限公司, "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	Development 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	Sales 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	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	Sales of software products and provision of related services	Sichuan, China	(b)(iv)

Name of entity	Effective interest held In terms of % — As at December 31, 2018	2019	2020	As at June 30, 2021	As of report date	Date of establishment/ incorporation	Issued capital/ paid in capital	Business activities	Place of Operation	Note
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 at December 31, 2018	2019	2020	As at June 30, 2021	As of report date	Date of establishment/ incorporation	Issued capital/ paid in capital	Business activities	Place of Operation	Note
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 (寧波阡晢企業管理合夥企業(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,	As of report date					
	2018	2019	2020	2021						
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	Jiangsu, China	(a)
Shanghai PowerTensors Intelligent Technology Co., Ltd. (上海陣量智能科技有限公司)	—	—	100%	100%	100%	May 6, 2020	USD13,200,000	Provision of AI technology consulting services and IC design services	Shanghai, China	(a)
Shanghai MobileTime Technology Co., Ltd. (上海眸正科技有限公司)	—	—	100%	100%	100%	July 21, 2020	RMB300,000,000	Provision of system integration services and software development services	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	Provision of AI technology consulting services and IC design services	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 of AI platform and provision and sale of software and hardware	Shaan'xi, 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)
Beijing YHD Culture Co., Ltd. (北京羊很大文化有限公司)	—	—	—	—	100%	November 2, 2021	Nil paid	Sales of cultural products	Beijing, China	(a)
Shenzhen YHD International Trade Co., Ltd. (深圳羊很大國際貿易有限公司)	—	—	—	—	100%	August 26, 2021	Nil paid	Sales of cultural products	Shenzhen, China	(a)
Nanchong SenseTime Technology Co., Ltd. (南充商湯科技有限公司)	—	—	—	—	100%	November 29, 2021	Nil paid	Sales of software products and provision of related services	Sichuan, China	(a)

Name of entity	Effective interest held In terms of % As at December 31, 2018	2019	2020	As at June 30, 2021	As of report date	Date of establishment/ incorporation	Issued capital/ paid in capital	Business activities	Place of Operation	Note
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 % As at December 31, 2018	2019	2020	As at June 30, 2021	As of report date	Date of establishment/ incorporation	Issued capital/ paid in capital	Business activities	Place of Operation	Note
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* *(Unaudited)*	*RMB'000*
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 listing 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 listing 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.

On December 30, 2016 and 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-based 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-based 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-IPO RSU Plan") and share option plan ("Pre-IPO ESOP") for the purpose of providing incentive for certain directors, senior management members and employees contributing to the Group.

(a) Pre-IPO 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-IPO ESOP

From 2016 to 2021, the Company adopted several batches of Pre-IPO 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-IPO 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-IPO 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 listing 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 listing 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* *(Unaudited)*	*RMB'000*
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. (浙江禾連網絡科技有限公司, "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* *(Unaudited)*	*RMB'000*
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* *(Unaudited)*	*RMB'000*
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* *(Unaudited)*	*RMB'000*
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 listing.

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 RMB813.5 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, RMB279.5 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.