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

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

OVERVIEW

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

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

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

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

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

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

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

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

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

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

Rapid Deployment and Commercialization of AI Models through Software Platforms

We develop and offer standard software platforms with modular flexibility to customers empowered by SenseCore. Our software platforms can be seamlessly integrated with customers' devices or IT infrastructure, and our AI models can be deployed both on edge devices and on the cloud through our software platforms.

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

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

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

- ***SenseAuto for Smart Auto:*** Our SenseAuto software platform, powered by around 1,400 AI models, provides automobile companies with ADAS systems, smart cabin systems and AI-as-a-Service which enables them to develop and enhance their autonomous driving capabilities. Since 2017, we have been a strategic partner with Honda to provide it with our autonomous driving-related AI technologies. In addition, we have launched SenseAuto Robobus for L4 autonomous shuttle services for bus operating companies. We also developed SenseAuto Connect, our V2X product, that enables smart interactions among vehicles and their surroundings such as roads, traffic lights and roadside units. As of June 30, 2021, we had collaborated with over 30 automobile companies and been selected as the supplier for more than 20 million automobiles across over 50 vehicle models in the next several years. We were recognized by CB Insights Research as The Most Valuable Private Auto Tech Company in 2021.

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

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

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

OUR MISSION

To create a better AI-empowered future through innovation.

OUR VISION

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

OUR STRENGTHS

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

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

OUR STRATEGIES

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

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

OUR BUSINESS MODEL

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

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

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

COMPETITIVE LANDSCAPE

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

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

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

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

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

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

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

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

KEY OPERATING DATA

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

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

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

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

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

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

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

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

Selected Items from the Consolidated Statements of Comprehensive Income

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

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

Non-IFRS measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use EBITDA/adjusted EBITDA (non-IFRS measure) and adjusted net loss (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the EBITDA/adjusted EBITDA and adjusted net loss may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

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

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

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

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

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

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

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

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

During the Track Record Period, we had net losses of RMB3,432.7 million, RMB4,967.7 million, RMB12,158.3 million and RMB3,712.9 million in 2018, 2019, 2020 and the six months ended June 30, 2021, respectively. We incurred net losses primarily due to (i) fair value losses of preferred shares and other financial liabilities; (ii) increased research and development expenses, as we continued to expand our research and development team; and (iii) share-based compensation expenses to our employees. We expect to incur significantly increased net losses and adjusted net losses in 2021, mainly attributable to (i) an increase in our fair value losses of preferred shares and other financial liabilities, primarily because our valuation is expected to increase more in 2021 than in 2020, and (ii) our investment in research and development. We expect to continue to incur net losses in the near future as we are in the stage of expanding our business and operations in the rapidly growing AI software market, and are continuously investing in research and development. In the meantime, we have achieved improved operating leverage by improving our cost structure and increasing economies of scale. Leveraging our proprietary universal AI infrastructure SenseCore, we expect to improve our research efficiency and reduce the marginal costs for production of AI models. For details, see "Business — Business Sustainability."

Revenue

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

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

Note:

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

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

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

Note:

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

Cost of sales

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

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

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

Selected Items from the Consolidated Statements of Financial Position

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

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

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

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

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

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

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

Selected Items from the Consolidated Statements of Cash Flows

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

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

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

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

We expect to maintain sufficient working capital to meet our present requirements and in the near future. As of June 30, 2021, our total cash balance was RMB19,528.4 million, including RMB8,925.8 million in cash and cash equivalents, RMB7,938.7 million in term deposits, RMB2,186.4 million in structured deposits and RMB477.5 million in restricted cash. Our total cash balance substantially exceeds our net cash used in operating activities of RMB830.9 million in the six months ended June 30, 2021. Furthermore, we expect to turn our net liabilities position into net assets upon Listing, as the convertible redeemable preferred shares will be re-designated from financial liabilities to equity. We expect to improve our operating cash outflow primarily by refining our management of working capital, as well as by expanding our revenue. We continue to leverage our leading industry position to negotiate more attractive contractual terms with our customers and have implemented strengthened customer credit term review and approval procedures. For example, we conduct individual assessment of customer's credit worthiness and examine the customer's business license and financial record. We grant the credit term to our customers based on various factors, including their individual financial conditions and our past collaborations with them, and may escalate the approval requirements where the credit term negotiated is longer than expected. We also implement credit release check before delivering our products and services according to our internal review procedures. Meanwhile, we negotiate with our suppliers and have recently been granted more favorable payment terms with several suppliers. In the future, we plan to develop relationships with more customers of sound credit profile. We also expect to collect our trade receivables in a more efficient manner and have implemented relevant measures, such as using the cash collection performance of trade receivables as one of the key performance indicators for our sales managers. In addition, we expect to increase revenue contribution from emerging revenue streams, such as Smart Life and Smart Auto, leading to a shift of our revenue mix as we develop, upgrade and commercialize our new products and services. See "Summary — Recent Development" for details. With our standardized software platform, we have achieved economies of scale, which has resulted in relatively high and increasing gross margins. We expect to improve our net margin over time as we drive operational efficiencies, including R&D efficiencies, creating significant economies of scale at the operating expense level. As a result, higher net margins will contribute to enhanced operating cash flow.

KEY FINANCIAL RATIOS

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

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

Notes:

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

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

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

BUSINESS SUSTAINABILITY

We have achieved strong growth since our inception in 2014 in terms of both revenue and customers. Our revenue grew from RMB1,853.4 million in 2018 to RMB3,026.6 million in 2019 and further to RMB3,446.2 million in 2020 with a CAGR of 36.4%, and from RMB861.2 million in the first half of 2020 to RMB1,651.8 million in the first half of 2021 with a year-on-year revenue growth rate of 91.8%. Our gross profit margin grew from 56.5% in 2018 to 56.8% in 2019 and further to 70.6% in 2020, and from 72.1% in the first half of 2020 to 73.0% in the first half of 2021.

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

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

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

Continuous Revenue Growth

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

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

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

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

Improving Operating Leverage

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

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

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

- We expect our administrative expenses to grow alongside our business growth mainly due to expected increase in employee benefit expenses. We expect to continue to evaluate and monitor the effectiveness and efficiency of our administrative expenses in order to improve our operating leverage. As such, we expect our administrative expenses to remain relatively stable as percentage of our revenue in the near future with a decrease in such percentage in the long run.

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

WVR STRUCTURE AND WVR BENEFICIARIES

WVR Structure

We are proposing to adopt a weighted voting rights structure effective immediately upon the completion of the Global Offering. Under this structure our share capital will comprise Class A Shares and Class B Shares. Each Class A Share will entitle the holder to exercise 10 votes, and each Class B Share will entitle the holder to exercise one vote, respectively, on any resolution tabled at our general meetings, except for resolutions with respect to a limited number of Reserved Matters, in relation to which each Share is entitled to one vote.

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

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

(i) Prof. Tang will beneficially own 6,906,080,602 Class A Shares and will be indirectly interested in and control 1,891,820,000 Class B Shares, representing approximately 70.22%[1] (or 70.07%[2]) of the voting rights in the Company on resolutions in general meetings of our Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carries one vote). The Class A Shares beneficially owned, and Class B Shares indirectly controlled by Prof. Tang are held by Amind, a company wholly owned by Prof. Tang.

(ii) Dr. Xu Li will beneficially own 286,317,668 Class A Shares and 565,386,529 Class B Shares, representing approximately 3.39%[1] (or 3.39%[2]) of the voting rights in the Company on resolutions in general meetings of our Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carries one vote). The Class A Shares beneficially owned by Dr. Xu Li are held by XWorld, a company wholly owned by Dr. Xu Li, and the Class B Shares are held through SenseTalent.

(iii) Dr. Wang will beneficially own 232,171,633 Class A Shares and 302,140,243 Class B Shares, representing approximately 2.60%[1] (or 2.59%[2]) of the voting rights in the Company on resolutions in general meetings of our Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carries one vote). The Class A Shares beneficially owned by Dr. Wang are held by Infinity Vision, a company wholly owned by Dr. Wang, and the Class B Shares are held through SenseTalent.

(iv) Mr. Xu Bing will beneficially own 104,190,097 Class A Shares and 252,236,581 Class B Shares, representing approximately 1.28%[1] (or 1.28%[2]) of the voting rights in the Company on resolutions in general meetings of our Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carries one vote). The Class A Shares beneficially owned by Mr. Xu Bing are held by Vision Worldwide, a company wholly owned by Mr. Xu Bing, and the Class B Shares are held through SenseTalent.

Notes:

(1) Assuming (i) the Over-allotment Option is not exercised; and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share immediately upon the completion of the Global Offering.

(2) Assuming (i) the Over-allotment Option is fully exercised; and (ii) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share immediately upon the completion of the Global Offering.

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

Prospective investors are advised to be aware of the potential risks of investing in companies with weighted voting rights structures, in particular that interests of the WVR Beneficiaries may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiaries will be in a position to exert significant influence over the affairs of our Company and the outcome of shareholders' resolutions, irrespective of how other shareholders vote. Prospective investors should make the decision to invest in our Company only after due and careful consideration. For further information about the risks associated with the WVR Structure adopted by our Company, see "Risk Factors — Risks relating to our WVR Structure."

The WVR Beneficiaries

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

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

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

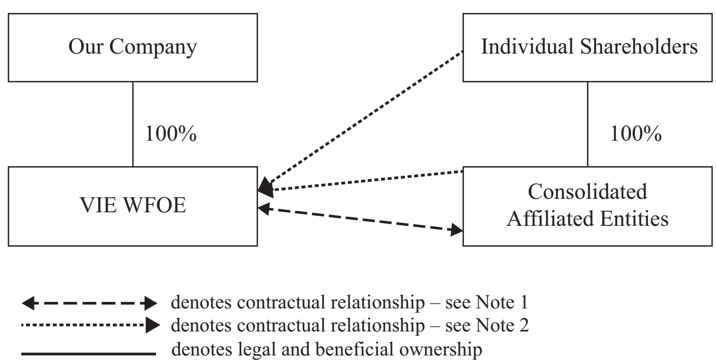
(c) Dr. Wang is our co-founder, executive Director and chief scientist of our Group and has been instrumental in driving numerous technological breakthroughs in computer vision and deep learning. As our chief scientist, he oversees and supervises our Group's research team on the developments of our proprietary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

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

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

CONTRACTUAL ARRANGEMENT

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



Notes:

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

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

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering, assuming (a) the Over-allotment Option is not exercised and (b) each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share, Prof. Tang, our founder and executive Director, will through Amind beneficially own 6,906,080,602 Class A Shares and be indirectly interested in and control 1,891,820,000 Class B Shares. Prof. Tang will be interested in approximately 26.43% of our total issued share capital and he will be entitled to exercise approximately 70.22% of the voting rights in the Company in general meetings (except for any resolutions in relation to the Reserved Matters, in relation to which each Share carries one vote). Therefore, Prof. Tang and Amind will be our Controlling Shareholders after our Listing. See "Relationship with our Controlling Shareholders" for details.

OUR PRE-IPO INVESTORS

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Class B Shares in issue (including the Class B Shares on conversion of the relevant Ordinary Shares and Preferred Shares) and the Class B Shares to be issued pursuant to the (i) Global Offering, (ii) the exercise of the Over-allotment Option and (iii) the Class B Shares that are issuable upon conversion of the Class A Shares.

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

GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering (subject to reallocation and the Over-allotment Option) comprises:

(i) the Hong Kong Public Offering of initially 150,000,000 Offer Shares (subject to reallocation) in Hong Kong as described in "Structure of the Global Offering — The Hong Kong Public Offering"; and

(ii) the International Offering of initially 1,350,000,000 Offer Shares (subject to reallocation and the Over-allotment Option) (a) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in accordance with Regulation S and (b) in the United States to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, as described in "Structure of the Global Offering — The International Offering."

The Offer Shares will represent approximately 4.51% of the total Shares in issue immediately following the completion of the Global Offering, assuming that (a) the Over-allotment Option is not exercised and (b) if the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 5.1% of the total Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option, assuming each Ordinary Share held by Amind, XWorld, Infinity Vision and Vision Worldwide is converted into one Class A Share each and each Ordinary Share held by Shareholders other than Amind, XWorld, Infinity Vision and Vision Worldwide, and each Preferred Share is converted into one Class B Share each.

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 1,500,000,000 Class B Shares are issued pursuant to the Global Offering, (ii) 33,282,400,000 Shares are issued and outstanding following the completion of the Global Offering, and (iii) the Over-allotment Option is not exercised.

	Based on an Offer Price of HK$3.85 per Offer Share	**Based on an Offer Price of HK$3.99 per Offer Share**
Market capitalization of our Shares (1)	HK$128,137 million	HK$132,797 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(2)	HK$1.29	HK$1.30

Notes:

(1) The calculation of market capitalization is based on 7,528,760,000 Class A Shares and 25,753,640,000 Class B Shares expected to be in issue immediately upon completion of the Global Offering (without taking into account Shares that may be issued upon the exercise of the Over-allotment Option).

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share as of June 30, 2021 is calculated after making the adjustments referred to in Appendix II to this prospectus and on the basis that 31,644,495,623 Shares are in issue, assuming the Global Offering and the conversion of the Preferred Shares had been completed on June 30, 2021 but takes no account 1,637,904,377 Shares issued under the Pre-IPO ESOP that are subject to vesting conditions and any Shares which may be issued upon the exercise of the Over-allotment Option or upon the exercise of the share options granted under the Pre-IPO ESOP or any Shares that may be issued or repurchased by the Company under the general mandates and repurchase mandates.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We expect to incur listing expenses of approximately HK$224.9 million, representing approximately 3.8% of the gross proceeds from the Global Offering (based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised). The listing expenses we incurred in the Track Record Period and expect to incur would consist of approximately HK$116.7 million underwriting fees and approximately HK$108.2 million non-underwriting fees (including fees and expenses of legal advisors and the reporting accountant of approximately HK$59.2 million and other fees and expenses of approximately HK$49.0 million). Among the total listing expenses which we expect to incur, approximately HK$125.6 million will be directly attributable to the issue of our Shares and capitalized, and the remaining HK$99.3 million will be expensed upon Listing. Our Directors do not expect such expenses to materially impact our results of operations in 2021.

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK$3.92 per Offer Share (being the mid-point of the stated range of the Offer Price of between HK$3.85 and HK$3.99 per Offer Share), we estimate that we will receive net proceeds of approximately HK$5,655 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

Research and Development

- Approximately 60.0% or HK$3,393 million, for enhancing our research and development capabilities, including:

Investment in SenseCore

  - Approximately 10.0% or HK$566 million will be allocated to expand the computing capabilities of our AIDCs.
  - Approximately 10.0% or HK$566 million will be used to strengthen our AI chip design capabilities and develop our own AI chip-based solutions.
  - Approximately 15.0% or HK$848 million will be allocated to enhance our AI model-related capabilities.

Product Development and Other AI Technologies Research

  - Approximately 25.0% or HK$1,414 million will be allocated to further develop our products and enhance our other AI research and development capabilities to maintain our industry-leading position.

Business Expansion

- Approximately 15.0% or HK$848 million will be allocated to investment in emerging business opportunities, and to increase adoption and penetration of our product and service offerings across industry verticals and enterprise-level scenarios, both domestically and internationally.

Potential Strategic Investment and Acquisition Opportunities

- Approximately 15.0% or HK$848 million will be allocated to pursue strategic investment and acquisition opportunities to implement our long-term growth strategies for products and services development and industry penetration, as well as cultivate our vibrant AI ecosystem to further expand our influence in the industry.

Working Capital and General Corporate Purposes

- Approximately 10.0% or HK$566 million will be used for working capital and general corporate purposes.

For more details on our plans for using the proceeds of the Global Offering, see "Future Plans and Use of Proceeds."

DIVIDEND POLICY

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

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

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

IMPACT OF THE COVID-19 PANDEMIC

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

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

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

RECENT DEVELOPMENT

Regulatory Developments

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

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

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

During the Track Record Period and up to the Latest Practicable Date, there had been no material incident of data or personal information leakage, violation of data protection and privacy laws and regulations or investigation or other legal proceedings, pending or threatened against our Group initiated by competent government authorities or third parties, that will materially and adversely affect the business of our Group. As of the Latest Practicable Date, we had not been involved in any investigations on cybersecurity review by the relevant regulatory authorities or had received any inquiry, notice, warning or sanctions in such respect. We and our PRC Legal Advisor are of the view that, assuming the Draft Administration Regulations and the Revised Draft become effective in their current forms, they will not have a material and adverse effect on our business operations, the Global Offering or the Listing, on the basis that (i) as disclosed in "Business — Data Privacy and Personal Information Protection", we have implemented comprehensive measures to ensure continuous regulatory compliance with relevant laws and regulations; (ii) as of the date of the Prospectus, we had not been subject to material fines, mandatory rectifications or other sanctions imposed by any government authorities in relation to data and cybersecurity; (iii) as of the date of the Prospectus, there had been no material incident of data or personal information leakage, violation of data protection and privacy laws and regulations or investigation or other legal proceeding, pending or threatened against our Group initiated by competent government authorities or third parties, that will materially and adversely affect our business operations; and (iv) we will continue to pay close attention to the legislative and regulatory developments in data security and comply with the latest regulatory requirements. Based on the facts and analysis mentioned above and the due diligence conducted by the Joint Sponsors detailed below, nothing has come to the attention of the Joint Sponsors that would cause them to cast doubt on the reasonableness of the Company's and its PRC Legal Advisor's views that the Draft Administration Regulations and the Revised Draft, if they come into effect in their respective current form, would not have a material and adverse impact on the Company's proposed Listing and business operations. Such due diligence works included but were not limited to (i) discussing with the Joint Sponsors' PRC legal advisor who reviewed the relevant supporting documents and who concurs with the view and analysis of the Company's PRC Legal Advisor as disclosed above; (ii) noting the basis of the Company's PRC Legal Advisor's view above including that the Company has implemented comprehensive measures as mentioned above; (iii) discussing with the Company's management in relation to the aforementioned recent regulatory developments; and (iv) discussing with the Company's PRC Legal Advisor and the Joint Sponsors' PRC legal advisor on, among other things, the basis of their views and the potential impact and latest status of the aforementioned recent regulatory developments.

- **Anti-monopoly**

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

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

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

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

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

Recent Business Development

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

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

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

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

No Material Adverse Change

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