SenseTime Group Inc.
商汤集团股份有限公司

(a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)

Stock Code: 0020

ANNUAL REPORT

2022

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. XU Li (徐立) *(Executive Chairman of the Board)*
Prof. TANG Xiao'ou (湯曉鷗)
Dr. WANG Xiaogang (王曉剛)
Mr. XU Bing (徐冰)

Non-executive Director

Ms. FAN Yuanyuan (范瑗瑗)

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms. LIN Jiemin (林潔敏)
Ms. WONG Wai Yee Ella (黃慧兒)

AUTHORIZED REPRESENTATIVES

Mr. XU Bing (徐冰)
Ms. LIN Jiemin (林潔敏)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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Hong Kong

REGISTERED OFFICE

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COMPLIANCE ADVISOR

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HONG KONG SHARE REGISTRAR

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STOCK CODE

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COMPANY'S WEBSITE

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Five-Year Financial Summary

	For the year ended December 31,				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022 RMB'000**
Continuing operations					
Revenue	1,853,422	3,026,603	3,446,165	4,700,263	**3,808,510**
Gross profit	1,046,816	1,719,164	2,432,084	3,277,638	**2,542,267**
Loss before income tax	(3,456,245)	(5,172,861)	(12,319,017)	(17,141,544)	**(6,332,812)**
Income tax credits/(expenses)	23,496	205,169	160,670	(35,506)	**239,822**
Loss for the year from continuing operations	(3,432,749)	(4,967,692)	(12,158,347)	(17,177,050)	**(6,092,990)**
Losses attributable to:					
Equity holders of the Company	(3,427,778)	(4,962,548)	(12,158,193)	(17,140,086)	**(6,044,796)**
Non-controlling interests	(4,971)	(5,144)	(154)	(36,964)	**(48,194)**

	As at December 31,				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022 RMB'000**
Total assets	16,948,113	23,948,047	38,478,637	36,944,319	**37,426,993**
Total liabilities	22,312,619	34,602,346	59,411,177	4,957,235	**8,413,133**
Total (deficits)/equity	(5,364,506)	(10,654,299)	(20,932,540)	31,987,084	**29,013,860**
Non-controlling interests	3,630	135,847	135,693	94,573	**43,636**
(Deficits)/Equity attributable to equity holders of the Company	(5,368,136)	(10,790,146)	(21,068,233)	31,892,511	**28,970,224**

FINANCIAL HIGHLIGHTS

Our revenue decreased to RMB3,808.5 million in 2022 from RMB4,700.3 million in 2021. Our gross profit decreased to RMB2,542.3 million in 2022 from RMB3,277.6 million in 2021. Our loss for the year decreased to RMB6,093.0 million in 2022 from RMB17,177.1 million in 2021. Our negative adjusted EBITDA increased to RMB4,213.4 million in 2022 from RMB879.0 million in 2021, whereas our adjusted net loss increased to RMB4,736.2 million in 2022 from RMB1,418.4 million in 2021.

Chairman's Statement

Dear Shareholders,

In 2022, artificial general intelligence (AGI) made significant progress driven by large computing power and large models. SenseTime is well prepared to take full advantage of such trends. Our continued investment in high performance computing infrastructure, research and development of large models is bearing fruits. We have continued to make breakthroughs in the major technical fields of computer vision (CV), AI-generated content (AIGC), natural language processing (NLP), speech recognition and synthesis, decision intelligence and AI chips, laying a solid foundation for achieving more powerful AGI capabilities.

In 2022, the Company's breakthroughs in core technologies are as follows:

1. SenseCore and high-performance computing: The Company continues to make breakthroughs in its AI computing infrastructure – SenseCore. SenseCore achieves a computing power output of 5.0 exaFLOPS based on the parallel computing capabilities of more than 27,000 GPUs, which can effectively support up to 20 large foundation models to train simultaneously, each using thousands of GPUs in parallel. To meet the rapidly evolving demands of training large and complex AI models, we persistently optimize our distributed computing platforms, energy-efficient data centers, high-speed network architectures, high-performance storage systems, fault tolerance and reliability in training, data security platforms, hybrid cloud computing, as well as performance monitoring and analysis systems. By investing in and innovating SenseCore's large-scale AI system capabilities, we provide a reliable, cutting-edge research and development environment, as well as a plentiful supply of computational power to address the growing needs of training large AI models.

2. Computer vision: The Company has achieved remarkable results in the field of computer vision, breaking the performance and capability boundaries of large-scale CV models. We have successfully developed the world's largest CV foundation model with 32 billion parameters, realizing high-performance object detection, image segmentation, and multi-object recognition capabilities. It has been widely applied in areas such as autonomous driving, industrial quality inspection, and medical imaging. For example, our BEVFormer++ perception algorithm, based on the large CV foundation model, won the 2022 Waymo Challenge championship in the main track.

3. AI-Generated Content: We trained a text-to-image large models, demonstrating exceptional capabilities in text-based image generation, high image quality, and fast inference speed. Our models possess a unique advantage in comprehending traditional Chinese culture, such as generating corresponding images using Chinese poetry as prompts. In terms of image quality, we support the creation of 6K ultra-high-definition images with more refined handling of light and shadow.

4. Natural language processing: The Company has made an important breakthrough in the field of NLP. The Company has successfully developed pre-trained large language model with over 100-billion parameters, which significantly improves performance in tasks such as text generation and human-computer dialogue. This model and its capabilities will be available in the market by mid-2023.

5. Speech recognition and synthesis: The Company has achieved technological leadership in the field of speech recognition and synthesis. The speech recognition models it has developed have achieved high accuracy and low latency speech-to-text conversion in a variety of scenarios. The company has also developed speech synthesis models that can generate speech with different tones and timbres according to user needs. These technologies provide strong support for the Company's digital human and SenseAuto Cabin products.

6. Reinforcement learning and decision intelligence: The Company has made progress in the field of reinforcement learning and has successfully developed a series of efficient decision intelligence models. These models have been applied in areas such as robot control, game AI and decision intelligence systems for autonomous driving.

7. AI chips and hardware acceleration: The Company has made important achievements in AI hardware and successfully developed several high-performance, low-power AI inference chips and AI ISP chips. These chips have demonstrated powerful computing capabilities in scenarios such as data centers and edge computing, providing a solid hardware foundation for the Company's AI business. At the same time, we maintain close collaboration with various semiconductor manufacturers, continuously optimizing the efficiency of AI models on hardware.

In summary, throughout 2022, the Company has achieved a series of eye-catching accomplishments in technology research and development. To better support the development of AGI, we officially offer the capabilities of our SenseCore AI platform to industry clients. SenseCore enables customers to efficiently train large AI models by providing high-performance computing resources, a rich library of pre-trained models, easy-to-use development tools, and professional technical support. With the support of SenseCore, more than 10 large model training projects have been kicked-off, covering user-defined large model development in visual, language, and multimodality. SenseCore is committed to becoming a leading infrastructure service provider in the AGI and large model era, empowering clients to achieve business value and technological breakthroughs by offering high-performance computing resources, innovative technologies, and a wide range of services.

In 2022, the Company actively promoted the application of various AI technology and transformed our business structure. In 2022, the Group's revenue from Smart Life and Smart Auto segments grew significantly, while the revenue from Smart Business and Smart City segments declined. The group's total revenue for 2022 amounted to RMB3,808.5 million, with a year-on-year decrease of 19.0%. Gross profit was RMB2,542.3 million, and the gross profit margin was 66.8%. The Smart Life segment achieved revenue of RMB955.1 million, representing a year-on-year increase of 129.9%. Four product lines of Smart Life, namely AIGC, AI sensor, AI ISP chip and Smart Healthcare have achieved commercial breakthroughs; the Smart Auto segment achieved revenue of RMB292.7 million, representing a year-on-year increase of 58.9%, the proportion of pre-installed product revenue driven by auto shipment has increased, and the value per vehicle also improved; the Smart Business segment achieved revenue of RMB1,464.3 million, representing a year-on-year decrease of 25.2%, while we achieved the expansion of SenseCore's external business and successfully increased AI-as-a Service (AIaaS) revenue; the Smart City segment realized revenue of RMB1,096.4 million, representing a year-on-year decrease of 48.8%, while we focused on serving top clients and optimizing revenue quality. Excluding share-based compensation expenses, R&D investment amounted to RMB3,795.8 million, representing a year-on-year increase of 24.0%. The net loss of the Group was RMB6,093.0 million, and the adjusted net loss was RMB4,736.2 million. As of December 31, 2022, the total balance of cash at banks and in hand, structured deposits and fair value of investments in bonds held by the Group was RMB16,602.7 million.

SENSECORE AND R&D

In 2022, pre-trained large models represented by GPT has brought a new wave of explosive growth in AI applications, and the development of large models relies on large-scale high-performance computing infrastructure. In 2022, SenseCore continued to expand, completing the deployment of 27,000 GPUs and achieving a computing power output of 5.0 exaFLOPS. It provided services for industry partners in the form of AIaaS, and fully empowered the large model training of SenseTime itself as well as its industry partners. Currently, SenseCore can effectively support up to 20 large foundation models with over 100-billion parameters to train simultaneously, each using thousands of GPUs in parallel and can support the training of super-large models with trillions of parameters. Currently, SenseCore supports over 10 large model training projects, including large language model, AIGC model, CV model, multimodality model and other self-developed and customized models among which are customized large models from 8 key customers taking up 7,000 GPUs of SenseCore.

SenseCore's AIaaS offerings include Infrastructure as a Service (IaaS), Platform as a Service (PaaS), and Model Deployment and Inference as a Service (MaaS). The main capabilities are:

Powerful computing infrastructure (IaaS)

SenseCore provides high-performance computing resources (such as GPU clusters and high-speed networks) to support the computing power required for large scale model training. Our distributed training architecture supports large-scale distributed training at the thousand-card level, with 91.5% thousand-card parallel efficiency and up to 4,000 GPU cards for single-task training, effectively reducing training time and improving computational efficiency. In 2022, SenseTime AIDC in Shanghai Lingang opened for operation, which is a large-scale, low-carbon and energy-efficient advanced computing infrastructure built by the Company and is one of the largest AI computing centers in Asia. The opening of the Shanghai Lingang AIDC greatly enhanced SenseCore's high-performance computing power supply capability.

Easy-to-use deep learning platform, rich development tools, pre-trained model library and open source ecosystem (PaaS)

We provide easy-to-use development tools and a deep learning platform to help internal and external users build and optimize models efficiently. We also provide a library of pre-trained models covering multiple domains and scenarios. Users can train their own models based on these models, significantly shortening R&D cycles and reducing R&D costs and risks. Meanwhile, we have open-sourced five platforms, namely OpenMMLab, OpenGVLab, OpenDILab, OpenXRLab and OpenPPL containing a total of over 2,500 pre-trained models and 400+ algorithms, and these open-source platforms have attracted the participation of global AI developers and received 77,000+ stars on Github.

Flexible model deployment and inference service (MaaS)

SenseCore supports users to deploy trained AI models to the cloud, edge devices or hybrid environments in one click across platforms. We have adapted and optimized classic models for 30 chips and 100+ platforms to support large-scale real-time inference. We provide optimization tools and techniques such as model compression and model fusion to further improve the performance of models in the deployment and inference stages.

Professional algorithm and expert support

SenseCore has an experienced model training support team to provide technical consultation and problem solving for users. We provide customized consulting services to assist users in optimizing model architecture, selecting appropriate algorithms, and ensuring optimal model performance.

High quality data processing, security and compliance

The training of large models requires a large amount of high-quality data. We provide tools and services such as data processing, cleaning, and semi-automated labeling to improve the quality of training data, thereby enhancing the accuracy and generalization of models. We follow strict security and compliance standards to ensure data and model security, and SenseCore uses industry-leading encryption technology and isolation policies to protect user data from unauthorized access.

SenseCore continues to drive the improvement of AI model production in terms of scale, performance and speed. In 2022, our R&D expenditure after deducting share-based salary expenses is RMB3,795.8 million, representing a year-on-year increase of 24.0%; since 2018, our accumulated R&D investment has reached RMB12,847.1 million. As of December 31, 2022, our R&D team comprises 3,466 employees, accounting for 68% of the total number of employees. Our per capita R&D efficiency continued to improve, and the average number of models produced by each R&D personnel per year has increased to 9.35, an increase of 90% from 2021. The cumulative number of commercialized models increased by 93% to 67,000.

PERFORMANCE OF EACH BUSINESS SEGMENT

In 2022, based on the capabilities of SenseCore and large models, the product matrix of our four major business lines, namely Smart Life, Smart Auto, Smart Business and Smart City were fully upgraded, and achieved transformation of the business structure: the overall revenue of Smart Life increased significantly, the four products, namely AIGC, AI sensor, AI ISP chip and Smart Health have achieved breakthroughs; the overall revenue of Smart Auto increased significantly, the proportion of pre-installed product revenue driven by auto shipment has increased, and the value per vehicle has improved substantially; the overall revenue of Smart Business declined, which focused on shifting the business towards SenseCore's external service to increase AIaaS revenue; the overall revenue of Smart City has declined, while focusing on serving top customers and optimizing the quality of revenue.

Smart Life

In 2022, the revenue of Smart Life segment reached RMB955.1 million, an increase of 129.9% year-on-year, and recorded a historical high. The proportion of revenue to the Group increased from 8.8% in 2021 to 25.1% in 2022. The number of customers of Smart Life segment reached 317, increased by 23.3% year-on-year and revenue per customer improved by 86.4%.

Establishing AIGC's multimodal full-stack capability to empower the online and offline metaverse

In 2022, the Company deployed large-scale pre-trained generative models, encompassing text, audio, images, videos, and 3D scenes, effectively enhancing the product and functionality of the SenseMARS mixed reality platform. This upgrade catered to industry clients and contributed to revenue growth. SenseMARS' AIGC capabilities have empowered over 200 apps, such as Xiaohongshu, Weibo, bilibili, ZEPETO, and Line, with a customer renewal rate exceeding 95%. SenseMARS' application to offline metaverse has also expanded to 15 million square meters, encompassing top-tier venues like large amusement parks, shopping malls, museums, and banks.

The newly launched digital human product based on AIGC combines full-stack capabilities like text generation, speech synthesis, dialogue, facial expressions & motion generation, along with high fidelity. It is applied in various scenarios such as video production, live streaming, and customer service. In a technical evaluation test conducted by one of China's four major banks, the digital human product ranked first in 142 technical indicators such as lip synchronization accuracy, aesthetic appearance, streaming concurrency, and synthesis efficiency, showcasing an overwhelming advantage. According to the "2022 China Digital Human Market Observation Report – Milestone" released by Frost & Sullivan, our digital human product has entered the "mature stage" and become a market leader. It scored the highest in six out of ten evaluation indicators, ranking first in overall competitiveness.

Breakthroughs in AI sensors and AI ISP chips lead to substantial revenue growth

In the field of smartphones and intelligent devices, we offer a product combination of AI SDK, AI sensors, and AI ISP chips, empowering clients with powerful AI capabilities. In 2022, the production of new smartphones equipped with our AI SDK reached 450 million units, with our super-resolution and portrait series functions capturing the highest market share. Our video highlight moments and intelligent album features successfully mass-produced for clients such as Oppo, vivo, and Honor. For the AI sensor, we delivered six high-performance AI sensors. Our RGBW AI sensor has been mass-produced and launched in vivo's flagship phones, while our 2x2 OCL AI sensor has been delivered to a top global smartphone manufacturer with an expected mass-production volume of more than 100 million. Our first AI-ISP chip has been successfully activated, achieving a 50% reduction in power consumption compared to similar products while processing AI 4K ultra-high-definition video. The chip also enhances video quality and resolution and is scheduled for mass production and market launch in 2023.

Breakthrough in smart health business leads to multifold growth in revenue

In the field of healthcare, our Smart Health business achieved a breakthrough in 2022, with a significant increase in revenue. We have set our strategic goal to become the "AI-driven enabler of the Future Hospital Design" and offer a variety of intelligent products and services to our hospital clients. These include SenseCare intelligent diagnosis and treatment platform, smart medical assistant for patients, intelligent hospital management platform, and AI enabled medical research services. To date, our SenseCare intelligent diagnosis and treatment platform has obtained a total of 22 domestic and international medical device certifications, including China's NMPA Class III and Class II medical device registration certificates, European CE, Singapore, Saudi Arabia, and the UAE. The platform has been implemented in over a hundred hospitals and medical institutions, including top-tier ones like Shanghai Jiao Tong University School of Medicine Affiliated Ruijin Hospital, Sichuan University West China Hospital, and Zhengzhou University First Affiliated Hospital. In 2022, SenseCare successfully assisted doctors in analyzing tens of millions of medical exams.

AI robot products

Our home consumer AI products business has made a groundbreaking achievement in 2022. The SenseRobot chess-playing robot, as the first chess-playing robot equipped with a robotic arm that can interact with humans, has entered consumers' homes. Since its official release in August 2022, it quickly became the top selling smart robot product in Tmall and JD.com, and won numerous awards such as "Product Innovation Exploration Brand", "2022 Annual Intelligent Hardware Innovation Award" and "Top 10 Best Products of Artificial Intelligence". SenseRobot greatly reduced the cost of high-precision robotic arms with the help of computer vision and reinforcement learning algorithms, realized production cost control and household-level security for consumer products, laid the foundation for the development of more consumer robotic products.

Smart Auto

Our Smart Auto segment achieved revenue of RMB292.7 million in 2022, a year-on-year increase of 58.9%. Its proportion to the Group's revenue increased from 3.9% in 2021 to 7.7% in 2022.

Mass production revenue increased significantly, with over 500,000 units delivered in 2022 and more than 8 million new pipelines.

In 2022, our SenseAuto Cabin and SenseAuto Pilot products were adapted and delivered to 27 vehicle models, with mass production volume of over 500,000. The main customers of SenseAuto Cabin include NIO, GAC, BYD, and Changan; SenseAuto L2+/L2++ advanced driving assistance system (ADAS) products are mainly delivered to the flagship models of GAC and Hozon. In 2022, we received confirmation letter as designated supplier for an estimated more than 8 million new vehicles. Our customers include GAC, Nissan, BYD, Hozon, NIO, ZEEK, Changan, Chery, etc., covering more than 80 car models of more than 30 automotive companies and continued to lead the industry.

Releasing multiple new product upgrades, L2+ and L2++ successfully mass-produced, and value per vehicle increased

Thanks to SenseCore's capabilities, we introduced large CV foundation model into the R&D of autonomous driving technology and established a complete data feedback loop system to achieve significant improvements in R&D efficiency and productization capabilities. We achieved mass production of several functions in 2022, including SenseAuto Cabin functions such as multi-mode interaction, sentry mode, smart rescue, gesture control and SenseAuto Pilot functions such as auto-piloting on highway and on urban road. This brought about a significant increase in the value of SenseAuto products per vehicle. SenseAuto Pilot successfully achieved the mass production of Bird's-eye-view (BEV) perception solution, which achieves industry-leading technical performance in 3D perception capability and effectively achieves high-precision recognition of over 3,000 types of object targets leveraging CV foundation model and data feedback loop mechanism, reducing the autonomous driving system's dependence on LIDAR and high precision maps. Our L2+ and L2++ ADAS solutions adapt to multiple computing platforms, including NVIDIA Orin, Huawei MDC and Horizon Robotics J5. At the same time, we are committed to providing more cost-effective mid-range compute platform solutions. In 2022, we achieved the industry's first L2+ ADAS solution based on the dual TI TDA4 compute platform, significantly reducing the hardware costs for mid-to-low-end electric vehicles to achieve L2+ ADAS capabilities. SenseAuto follows the technical route of continuous cost reduction, exploited tens of thousands of yuan of optimization space for the single vehicle hardware cost of the automatic driving system. In December 2022, the flagship model of GAC Aion equipped with SenseAuto Pilot Solution successfully achieved intercity highway autonomous driving with zero takeover throughout the 100 kilometer intercity highway test from Guangzhou to Shenzhen, excelled in lane changing, intelligent recognition of and avoiding vehicles, overtaking, intelligent recognition of optimal lanes, and automatic acceleration and deceleration in road sections with speed limit.

Achieved high revenue growth of the vehicle-to-road cloud integration product matrix

In 2022, to promote the widespread application of autonomous driving technology, SenseAuto introduced the AI Cloud Platform – SenseAuto Vehicle-Road Connected Platform. This platform integrates a comprehensive product matrix of "vehicle-road-cloud" and aims to create a safe and efficient intelligent transportation ecosystem. The platform not only effectively supervises vehicles and clarifies responsibility attribution, but also provides a series of high-quality services for autonomous driving R&D, such as data feedback loop and data desensitization. By combining road-side perception with vehicle-end perception, SenseAuto's platform can solve over 99% of vehicle blind spot issues. With the help of AI cloud computing, the sensing range of vehicles has been expanded a thousandfold. The platform also offers drivers practical functions such as suggesting route navigation, speeds, and carbon emission optimization, significantly reducing average intersection delays and instances of traffic signal idling, resulting in a traffic efficiency increase of over 20%.

With massive data generated by vehicles, SenseAuto's platform can automatically label and train to address numerous long-tail issues. In terms of data desensitization, SenseAuto in collaboration with the China Association of Automobile Manufacturers and the Shanghai Motor Vehicle Inspection and Certification Technology Research Center, jointly released the "Requirements and Methods for Vehicle Video and Image Desensitization Technology." This establishes a standard for desensitization methods and processes, filling the gap in domestic automotive data security area. By providing data desensitization solutions, SenseAuto assists automotive clients in completing data desensitization processing, ensuring the collection and use of data in compliance with laws and regulations, and further promoting the development of higher-level autonomous driving technology. To date, SenseAuto has provided data desensitization services for well-known automakers such as GAC Group, Nissan, Changan, and JAC Motors.

Smart Business

In 2022, revenue from the Smart Business segment declined 25.2% year-on-year to RMB1,464.3 million, with customers in some industries suffering from the adverse impact from the pandemic and the macro environment, resulting in less demand. After the domestic pandemic got effectively controlled, business activities and the general economy of China gradually recovered, customers' willingness to invest in digital transformation improved. In 2022, 38.4% of the Group's total revenue came from the Smart Business segment, representing a decrease as compared with 41.7% in 2021. The number of customers served in this segment is 717, a decrease of 22.2% year-on-year and revenue per customer decreased by 3.8%. Among them, more than 110 customers were Fortune 500 companies and listed companies.

Focusing on AI cloud business transformation, AIaaS revenue increases

In 2022, SenseCore opened its capabilities to industry customers, empowering their model development. More than 10 large model training projects have been initiated with SenseCore's support, including customized large models in the fields of NLP, AIGC, CV, multimodality, etc. In 2022, SenseCore started to generate revenue from external services, exceeding 20% of the overall revenue of the Smart Business segment. The revenue generated by SenseCore is expected to increase significantly in 2023.

Boosting digital transformation for top clients in the energy and industrial sectors

To drive the digital transformation of enterprises in digital energy and industrial sectors, we have used large CV models to solve three major challenges in the development of industrial vision models: high data acquisition cost, uneven distribution and weak generalization capability. Large CV foundation model is good at generalization, and thus enables us to successfully achieve multi-task learning, few-shot learning and out-of-distribution detection, and the accuracy rate for fragmented long-tail scenes could be over 99%, which broadens the application cases of AI technology in industrial fields. According to the "14th Five-Year Plan" of the PRC for digital economic development, the penetration rate of industrial Internet platforms will reach 45% by 2025. Leading companies in various industries have increased their investment in digital transformation and intelligent upgrading.

In the field of digital energy, we have joined hands with China's largest power grid enterprise to provide perception intelligence-enhanced automatic inspection service for more than 500 outlets nationwide, improving inspection efficiency by 5-6 times and increasing the detection rate of defects and hidden dangers by 2-3 times. In the field of power battery, we worked with China's largest power battery company to provide industrial intelligence analysis, successfully covered 6 production bases and over 80 production lines. We firmly believe that the capability of the large foundation model will further lower the threshold of developing and applying AI technology in various industries, broaden the boundary of AI.

Smart City

In 2022, the revenue of the Smart City segment decreased by 48.8% year-on-year to RMB1,096.4 million. The construction of smart cities projects in some cities was affected by the pandemic and the project progress was not as expected. The circumstance improved after the domestic pandemic has been effectively controlled. In this context, the Company took the initiative to adjust the Smart City business, focusing on serving top customers, and continuously optimizing the cash flow. In 2022, the Smart City segment accounted for 28.8% of the Group's total revenue, which is lower than 45.6% in 2021. At the same time, we maintained our competitive edge in the Smart City business. According to IDC MarketScape: China Smart City Computing Platform Vendor Assessment, 2022, SenseTime was shortlisted as a leader and ranked first in terms of strategic capability.

In the past year, the Chinese government supported the digital upgrade of cities via designated special bonds. Our SenseFoundry product was thus able to empower more cities. We added 22 new cities, and as of December 31, 2022, a total of 162 cities have deployed SenseFoundry, including 16 large cities with over 10 million population, and 4 overseas cities. We will continue to focus on our Smart City business with higher quality cash flow, so as to ensure its sound development.

As the digitalization of cities continues, urban management is faced with increasingly complex long-tail scenarios and fragmented demands. In 2022, we successfully developed a large CV foundation model for urban perception, and leveraged transfer learning and fine-tuning to create dedicated models for various scenarios. So far, SenseFoundry has incorporated around 35,000 AI models, which can cope with more long-tail and fragmented analysis needs. Combined with cloud computing, smart cities have realized real-time data processing and analysis, bringing innovative paradigms to urban management and mobility.

ENVIRONMENT, SOCIETY AND GOVERNANCE

With the birth of ChatGPT and the debut of the era of AGI, the ethics and governance of AI have once again received great attention. We are committed to our mission of "creating a better AI-empowered future through innovation", and have spared no effort in practicing ethical governance of AI and sustainable corporate development to contribute to a smarter, more prosperous, inclusive and sustainable future.

Environmental protection

In 2022, SenseTime actively practiced the concept of green development and integrated energy conservation and carbon reduction into all aspects of operation. The Company has established a top-level carbon neutral goal, and strives to achieve "carbon peak in 2025, carbon neutral operation in 2030, and net zero emissions in 2050". SenseTime pays close attention to the path of AI carbon reduction, and uses the intelligent management system to optimize the refrigeration system, emission reduction modifications and refinement of facility operation and maintenance in AIDC. The power consumption of our AIDC is more than 10% lower than the industry average level of China's medium and large data centers, saving around 45 million kWh of power consumption and reducing around 35,600 tons of carbon dioxide emissions per year. At the same time, we have set a three-year energy efficiency control target, and planned to optimize the energy consumption per computing power by 30% by 2025, and continue to promote the construction of green data centers.

In addition, SenseTime launched solutions such as smart virtual power plants, energy management and control and carbon inclusion, empowering the implementation of carbon neutral strategies in energy industry. In October 2022, SenseTime signed a strategic cooperation agreement with State Power Investment Science and Technology Research Institute to jointly build an AI-empowered platform suitable for the power industry and cooperate in developing smart new energy solutions. We endeavor to use AI technology to precisely forecast the energy supply-demand trends, generating dispatch and operation strategies automatically, balancing power supply and demand across regions, and driving energy saving and emission reduction in photovoltaic stations and energy storage power stations.

Governance and information security

SenseTime has always attached great importance to AI governance. Following the proposal of the "balanced development" ethical view of AI and the ethical principles of people centric, controllable and sustainable. SenseTime released a white paper on Balanced Development of AI Governance – SenseTime AI Ethics and Governance Annual Report (2022), advocating the development of "responsible and assessable" AI as our vision for AI governance. Since 2020, SenseTime has coordinated and promoted the building of the AI ethics governance system at workplace, carried out a large number of governance innovation practices, and has formed a set of assessable AI governance landing plans, embedding ethical principles into the entire life cycle of product design, development and deployment, forming a closed loop of AI governance. In August 2022, the SenseTime AI training platform (AutoLink) won the "Trusted AI Platform Application Benchmark Case" award by the AI Industry Development Alliance, and SenseTime's ethical governance system and algorithm evaluation tool also won the "Trusted AI Practice Excellence Case" award. In the 2022 "Trusted AI Promotion Plan" released by China Artificial Intelligence Industry Development Alliance (AIIA) and the AI Key Technology and Application Evaluation Laboratory, SenseTime was selected as one of the "Top 10 Enterprises with Outstanding Contribution in 2022".

SenseTime insists on following the highest standards of information security and data privacy regulations, and sets the information security policy of "business-driven security, comprehensive risk control, compliance in the use of personal information and privacy information, and effective data protection". In 2022, SenseAuto received ISO/SAE 21434:2021 Automotive Information Security Process Certification in December 2022, following the ISO 26262 Functional Safety ASIL B product certification and ASPICE CL2 certification in July 2020. ISO/SAE 21434 standard is the first information safety international standard for vehicles on road, providing a complete information safety structure for the entire life cycle of vehicles on road. This international certification marks that SenseAuto has more comprehensive information security management, design, development and verification capabilities, and that it has become one of the few companies in the industry to obtain all three certificates. SenseTime will continue to leverage its advantages to promote upstream and downstream cooperation in the industry, actively participate in the formulation of regulations and standards on AI security, privacy and intellectual property rights, and contribute to the construction of safer and more reliable AI technology through research, cooperation and innovation.

STRATEGIC OUTLOOK

Looking into the future, SenseTime regards AGI as its core strategic objective, with a view to achieving major breakthroughs in AGI technology in the next few years. To achieve this goal, SenseTime will focus on the following areas of work:

Large computing power

We recognize that computing power is a key driver for achieving AGI. SenseTime will use SenseCore as the core platform for large-scale model production, continue to expand its capabilities, including investing in high-performance computing infrastructure such as high-speed networks, large-scale data storage and powerful computing nodes; we will continue to conduct in-depth research on parallel computing and distributed systems to strengthen system scalability, shorten model training time, and accelerate iteration cycle. By building advanced hardware infrastructure and cloud platform, we will provide researchers with an efficient and stable computing environment to support the training and optimization of complex AI models with stronger capabilities.

Large multimodal model

SenseTime takes the R&D of large multimodal models as a strategic investment direction. These models can handle multiple data types, including text, images, audio and video, and have stronger data understanding and generation capabilities, as well as multi-task generalization capabilities. We will continue to build the capabilities of large multimodal models around the following areas:

- Model architecture innovation: optimize the model architecture that combines multiple data types to improve the processing ability of multimodal data;
- Dataset construction: construct large-scale multimodal datasets to support model training and evaluation;
- Knowledge fusion and inference: optimize multimodal knowledge representation and fusion methods to improve the performance of models in complex tasks;
- Expansion of application scenarios: Actively cooperate with partners to promote the application of large multimodal models, and focus on achieving breakthroughs in cross-domain complex applications such as intelligent assistants, autonomous driving and medical diagnosis;
- Interpretability and security: Focus on interpretability and security of models to ensure safety and reliability in various application scenarios.

Collaborating on AI-specific hardware, chips, and open research

SenseTime is partnering with various chip designers and manufacturers to promote the development of AI hardware and chips, aiming to achieve stronger AI computing capabilities and higher energy efficiency. In the field of high-performance computing, the Company recognizes the importance of cross-domain collaboration. SenseTime is actively collaborating with global research institutions, universities, and enterprises to jointly explore new ways for optimizing computing power and driving the development of AI capabilities.

Establish and execute the development goal of "AI for All", that is, to ensure the development of AI technology could benefit all mankind as a whole. To achieve this goal, SenseTime will focus on the following aspects:

- Affordability and Accessibility: SenseTime will strive to lower the cost and barriers of AI technology, making it economically and technically viable for more individuals and organizations. This means developing low-cost, high-performance hardware and software solutions, as well as providing easy-to-use APIs and development tools, enabling every company and individual to easily access AI technology.

- Open Source and Collaboration: SenseTime will advance the development of AI technology with global AI researchers and developers through open-source projects, shared resources, and collaborative research. This includes publishing research findings, open-sourcing algorithms and models to promote global AI technology innovation and exchange.

- Diversity and Inclusiveness: SenseTime will focus on the application of AI across different countries and regions. This entails conducting research and development in multiple languages and cultures, promoting the application of AI in fields such as education and healthcare to meet the needs of diverse groups.

- Policy and Regulation: SenseTime will collaborate with governments, industry partners, and academic organizations to jointly explore and establish policy and regulatory frameworks for AI technology. This includes participating in the development of regulations and standards related to AI safety, privacy, and ethics to ensure the compliance and sustainable development of AI technology.

Utilize SenseCore and large model capabilities to upgrade our four major sectors, namely Smart Life, Smart Auto, Smart Business and Smart Cities. By making full use of the capabilities of large models, we will continuously upgrade and strengthen the product matrix of the four business segments, improve product competitiveness, and promote the application of AI via commercialization:

- SenseCore: continue to advance SenseCore's external service business, actively empower large model R&D enterprises and research institutions, empower AIGC, autonomous driving, AI for Science etc. and actively support various AI application companies;

- Smart Life: deepen AIGC's multimodal full-stack capabilities and improve the products and functions of SenseMARS; promote the application of AIGC-based digital human generation products in various industries; In the field of smart phones and smart devices, continue to innovate the product portfolio of AI SDK, AI sensors and AI ISP chips to increase market penetration and revenue growth;

- Smart Auto: continue to innovate and mass-produce SenseAuto Pilot and SenseAuto Cabin products, optimize high-precision recognition and perception capabilities, reduce hardware costs and realize compatibility with multiple computing power platforms, deepen the vehicle-road-cloud integrated product matrix to create a smart transportation ecosystem, continue to maintain our leadership position in intelligent automobiles and promote industry innovation;

- Smart City and Smart Business: focus on AI cloud business transformation, increase AIaaS revenue and assist our customers' digital transformation in the digital energy and industrial sectors; continue to optimize the cash flow of Smart City business, and steadily grow business.

Management Discussion and Analysis

Year ended December 31, 2022 compared to Year ended December 31, 2021

The following table sets forth the comparative figures for the years ended December 31, 2022 and 2021:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Revenue	**3,808,510**	4,700,263
Cost of sales	**(1,266,243)**	(1,422,625)
Gross profit	**2,542,267**	3,277,638
Selling expenses	**(900,787)**	(681,584)
Administrative expenses	**(1,567,739)**	(2,298,362)
Research and development expenses	**(4,014,337)**	(3,614,140)
Net impairment losses on financial assets and contract assets	**(1,667,671)**	(517,608)
Other income	**447,255**	504,280
Other losses – net	**(1,367,311)**	(399,958)
Operating loss	**(6,528,323)**	(3,729,734)
Finance income	**260,546**	187,716
Finance cost	**(55,438)**	(33,758)
Finance income – net	**205,108**	153,958
Share of losses of investments accounted for using the equity method	**(2,357)**	(40,231)
Fair value losses of preferred shares and other financial liabilities	**(7,240)**	(13,525,537)
Loss before income tax	**(6,332,812)**	(17,141,544)
Income tax credit/(expenses)	**239,822**	(35,506)
Loss for the year	**(6,092,990)**	(17,177,050)
Loss is attributable to:		
Equity holders of the Company	**(6,044,796)**	(17,140,086)
Non-controlling interests	**(48,194)**	(36,964)
	(6,092,990)	(17,177,050)
Non-IFRS measures:		
Adjusted EBITDA	**(4,213,444)**	(878,970)
Adjusted net losses	**(4,736,199)**	(1,418,348)

Year ended December 31, 2022 compared to Year ended December 31, 2021

Revenue

Our revenue decreased by 19.0% to RMB3,808.5 million in 2022, compared to RMB4,700.3 million in 2021, primarily due to the decrease in Smart City and Smart Business revenues, partially offset by the increase in Smart Life and Smart Auto revenues. The following table sets out a breakdown of our revenue streams in absolute amounts and as percentages of our total revenue for the years indicated:

	Year ended December 31,			
	2022		2021	
	RMB million	%	RMB million	%
Smart Business	**1,464.3**	**38.4**	1,957.9	41.7
Smart City	**1,096.4**	**28.8**	2,142.8	45.6
Smart Life	**955.1**	**25.1**	415.4	8.8
Smart Auto	**292.7**	**7.7**	184.2	3.9
Total	**3,808.5**	**100.0**	4,700.3	100.0

Our Smart Business revenue decreased by 25.2% to RMB1,464.3 million in 2022, compared to RMB1,957.9 million in 2021. This primarily reflected customers' delayed AI spending and deployment of our products on their sites due to lock-down situations caused by COVID-19 in certain cities of Mainland China in 2022. Towards the end of 2022, as COVID-19 cases surged in Mainland China, many of our customers' business operations were further disrupted, which negatively impacted our selling and deployment efforts.

Our Smart City revenue decreased by 48.8% to RMB1,096.4 million in 2022, compared to RMB2,142.8 million in 2021. Our revenue was negatively affected by the COVID-19 pandemic, as some city administrators in Mainland China delayed deployment of certain Smart City operations to prioritize counter-pandemic efforts. However, we have continued our expansion in domestic city coverage and has deployed our SenseFoundry platform into 22 new cities in 2022.

Our Smart Life revenue increased by 129.9% to RMB955.1 million in 2022, compared to RMB415.4 million in 2021. The increase was primarily due to (i) increasing R&D related revenue from our work on AI ISP chips, as part of our collaboration with a global leading semiconductor company, (ii) increasing revenue from healthcare customers as remote and computer vision-related diagnosis practice became more widely accepted as a result of both technology advancement and social distancing during COVID-19 pandemic, and (iii) successful introduction of SenseMARS, our Metaverse-enabling platform, into international markets.

Our Smart Auto revenue increased by 58.9% to RMB292.7 million in 2022, compared to RMB184.2 million in 2021, primarily due to (i) increasing revenue from commercial deployment of our pre-installed smart cabin products as our auto OEM customers began to launch mass production of new car models, and (ii) revenue from new ADAS-related R&D collaborations with auto OEMs customers.

Year ended December 31, 2022 compared to Year ended December 31, 2021

Cost of Sales

Our cost of sales decreased by 11.0% from RMB1,422.6 million in 2021 to RMB1,266.2 million in 2022. 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 years indicated:

	Year ended December 31,			
	2022		2021	
	RMB million	**%**	RMB million	%
Hardware costs and subcontracting service fees	**1,118.9**	**88.4**	1,265.4	89.0
Server operation and cloud-based service fees	**13.8**	**1.1**	1.5	0.1
Employee benefit expenses	**72.1**	**5.7**	80.1	5.6
Depreciation and amortization	**39.4**	**3.1**	–	–
Other expenses	**22.0**	**1.7**	75.6	5.3
Total	**1,266.2**	**100.0**	1,422.6	100.0

The decrease in cost of sales was primarily attributable to the decrease in hardware costs and subcontracting service fees, which was generally in line with the decrease of our revenue. We began to incur depreciation and amortization in cost of sales as we started to provide AIDC services leveraging our advanced AI infrastructure in 2022.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit decreased by 22.4% from RMB3,277.6 million in 2021 to RMB2,542.3 million in 2022, primarily due to the decrease of our revenue. Our gross margin decreased from 69.7% in 2021 to 66.8% in 2022.

Research and Development Expenses

Our research and development expenses increased by 11.1% from RMB3,614.1 million in 2021 to RMB4,014.3 million in 2022, primarily due to (i) an increase of depreciation and amortization which resulted from our increasing investment in our AIDC infrastructure mainly for internal big AI model training efforts, and (ii) an increase in professional service and other consulting fees as we continue our investment in technology innovation including AI chip-related R&D efforts.

Year ended December 31, 2022 compared to Year ended December 31, 2021

Selling Expenses

Our selling expenses increased by 32.2% from RMB681.6 million in 2021 to RMB900.8 million in 2022, primarily due to (i) an increase in employee benefit expenses as a result of the expansion of our sales and marketing team, and (ii) an increase in marketing, conference and travelling expenses as we further enhance brand awareness through marketing and promotional activities in both domestic and overseas markets.

Administrative Expenses

Our administrative expenses decreased by 31.8% from RMB2,298.4 million in 2021 to RMB1,567.7 million in 2022, primarily due to a decrease in the share-based compensation expenses to our management team and administrative staff.

Net Impairment Losses on Financial Assets and Contract Assets

Our net impairment losses on financial assets and contract assets increased by 222.2% from RMB517.6 million in 2021 to RMB1,667.7 million in 2022 primarily due to increased impairment provision for trade receivables. Our provision for impairment of trade receivables as percentage of gross trade receivables increased from 16.2% as of December 31, 2021 to 33.1% as of December 31, 2022 as we experienced some delay in customer cash collection mainly due to COVID-19 related disruptions and some customers' near-term budget constraints. The increase of gross trade receivables from RMB6,064.1 million as of December 31, 2021 to RMB7,796.3 million as of December 31, 2022 also contributed to the increase of impairment provision for trade receivables.

Other Income

Our other income decreased by 11.3% from RMB504.3 million in 2021 to RMB447.3 million in 2022 primarily due to a decrease in government grants.

Other Losses, Net

We had net other losses of RMB1,367.3 million in 2022 compared to net other losses of RMB400.0 million in 2021. The net other losses in 2022 primarily consist of net foreign exchange loss of RMB453.4 million and fair value losses on financial assets at fair value through profit or loss amounting to RMB885.1 million. The net foreign exchange losses mainly resulted from the unrealized foreign exchange losses on balances of offshore financial assets denominated in RMB, held by entities whose functional currency was HKD, as RMB depreciated against HKD by 8.5% in 2022. The fair value losses on financial assets at fair value through profit or loss resulted from the decline of our investment portfolios' valuation, which largely reflected the overall challenging market conditions for technology-related assets during 2022.

Finance Income, Net

Net finance income increased from RMB154.0 million in 2021 to RMB205.1 million in 2022, primarily due to an increase in interest income earned from financial assets that are held for cash management purposes.

Year ended December 31, 2022 compared to Year ended December 31, 2021

Fair Value Losses of Preferred Shares and Other Financial Liabilities

Fair value losses of preferred shares and other financial liabilities of RMB13,525.5 million in 2021 primarily represented changes in fair value of preferred shares issued by the Company and were generally related to the increase in the valuation of our Company. As our initial public offering occurred at the end of 2021, preferred shares issued by the Company has been re-designated from financial liabilities to equity as a result of the automatic conversion into ordinary shares. Fair value losses of preferred shares and other financial liabilities of RMB7.2 million in 2022 represented the fair value change of preferred shares issued by a subsidiary of the Company.

Income Tax Credit/(Expenses)

We had income tax credit of RMB239.8 million in 2022, compared to income tax expenses of RMB35.5 million in 2021 primarily due to an increase in deductible tax losses.

Loss for the Year

As a result of the foregoing, we had a loss of RMB6,093.0 million in 2022 primarily due to our R&D efforts, net impairment losses on financial assets and contract assets, fair value losses on financial assets at fair value through profit or loss and net foreign exchange losses, compared to a loss of RMB17,177.1 million in 2021.

Non-IFRS Measures

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

Year ended December 31, 2022 compared to Year ended December 31, 2021

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

	Year ended December 31,	
	2022	2021
	RMB million	RMB million
Loss before income tax	**(6,332.8)**	(17,141.5)
Add:		
Finance income, net	**(205.1)**	(154.0)
Depreciation and amortization	**967.7**	657.8
EBITDA	**(5,570.2)**	(16,637.7)
Add:		
Fair value losses of preferred shares and other financial liabilities	**7.2**	13,525.5
Share-based compensation expenses	**464.5**	1,583.9
Fair value losses on financial assets at fair value through profit or loss[1]	**885.1**	514.7
Listing fee[1]	**–**	134.6
Adjusted EBITDA	**(4,213.4)**	(879.0)

The following table reconciles our adjusted net loss for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is net loss for the years:

	Year ended December 31,	
	2022	2021
	RMB million	RMB million
Net losses for the year	**(6,093.0)**	(17,177.1)
Add:		
Fair value losses of preferred shares and other financial liabilities	**7.2**	13,525.5
Share-based compensation expenses	**464.5**	1,583.9
Fair value losses on financial assets at fair value through profit or loss[1]	**885.1**	514.7
Listing fee[1]	**–**	134.6
Adjusted net losses	**(4,736.2)**	(1,418.4)

Note:

(1) Fair value losses on financial assets at fair value through profit or loss and Listing fee were not included in non-IFRS measures in our Prospectus.

Year ended December 31, 2022 compared to Year ended December 31, 2021

Trade, Other Receivables and Prepayments

Our trade, other receivables and prepayments increased from RMB5,775.9 million as of December 31, 2021 to RMB6,071.7 million as of December 31, 2022, which primarily comprise trade receivables and other receivables.

Trade Receivables

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

	As at December 31,	
	2022	2021
	RMB million	RMB million
Trade receivables		
– Due from related parties	**47.4**	50.9
– Due from third parties	**7,748.9**	6,013.2
Provision for impairment	**(2,578.5)**	(980.4)
Total	**5,217.8**	5,083.7

Our net trade receivables remained relatively stable as of December 31, 2022, compared to that as of December 31, 2021.

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

	As at December 31,	
	2022	2021
	RMB million	RMB million
Up to 6 months	**1,995.6**	2,659.6
6 months to 1 year	**746.1**	1,048.8
1 to 2 years	**3,244.9**	1,402.8
2 to 3 years	**1,180.0**	852.1
More than 3 years	**629.7**	100.8
	7,796.3	6,064.1

As of December 31, 2022, the aging of our gross trade receivables has worsened, compared to that as of December 31, 2021. This was generally due to the negative impact from the COVID-19 pandemic which resulted in delays in customers' payments to us. We took a series of measures on the management of working capital, including implementation of cash collection related KPIs for our sales team, leveraging our industry position to negotiate more attractive payment terms with our customers and suppliers, and developing deeper relationships with more customers of strong credit profile.

Year ended December 31, 2022 compared to Year ended December 31, 2021

The following table sets out the number of our trade receivables turnover days for the periods indicated:

	Year ended December 31,	
	2022	2021
Trade receivables turnover days[1]	**494**	319

Note:

(1) Trade receivables turnover days for a period equals the average of the opening and closing net trade receivables balance divided by revenue for the same period and multiplied by 365 days.

We had relatively long and increasing trade receivables turnover days, primarily because a significant portion of our historical revenue was derived from Smart City, which typically features a long payment cycle as required by their internal financial management and payment approval processes. Our trade receivables turnover days have been further lengthened as the COVID-19 pandemic has caused disruptions and temporary budget constraints for some of our customers.

Other Receivables

Our other receivables decreased from RMB329.2 million as of December 31, 2021 to RMB211.1 million as of December 31, 2022. The decrease was mainly attributable to reduced balance of payments on behalf of customers.

LIQUIDITY AND FINANCIAL RESOURCES

We have historically funded our cash requirements principally from capital contribution from shareholders. We had cash and cash equivalents of RMB7,962.8 million and term deposits of RMB6,212.9 million as of December 31, 2022, compared to the balance of RMB16,529.5 million and RMB4,990.8 million as of December 31, 2021.

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

	Year ended December 31,	
	2022 RMB million	2021 RMB million
Net cash used in operating activities	**(3,084.5)**	(2,485.4)
Net cash used in investing activities	**(9,298.2)**	(1,548.1)
Net cash generated from financing activities	**3,329.1**	9,378.5
Net (decrease)/increase in cash and cash equivalents	**(9,053.6)**	5,345.0
Cash and cash equivalents at the beginning of the year	**16,529.5**	11,427.9
Exchange changes on cash and cash equivalents	**486.9**	(243.3)
Cash and cash equivalents at the end of the year	**7,962.8**	16,529.5

Year ended December 31, 2022 compared to Year ended December 31, 2021

Net Cash Used in Operating Activities

Net cash generated from operating activities represents the cash generated from our operations minus the income tax paid. Cash generated from our operations primarily comprises our profit before income tax adjusted by non-cash items and changes in working capital.

For the year ended December 31, 2022, net cash used in operating activities was RMB3,084.5 million, which was primarily attributable to our loss before income tax, as adjusted by provision for impairment of financial assets and contract assets, depreciation and amortization and fair value losses on financial assets at fair value through profit or loss.

Net Cash Used in Investing Activities

For the year ended December 31, 2022, net cash used in investing activities was RMB9,298.2 million, which was mainly attributable to purchase of property, plant and equipment, acquisition of debt and equity investments and net increase in investments in term deposits.

Net Cash Generated from Financing Activities

For the year ended December 31, 2022, net cash generated from financing activities was RMB3,329.1 million, which was mainly attributable to proceeds from borrowings and net proceeds from our initial public offering's over-allotment option, partially offset by net changes in deposits from the issuance of bank borrowings.

Borrowings

As of December 31, 2021 and December 31, 2022, we had total borrowings of RMB339.9 million and RMB3,228.6 million, respectively. Repayment analysis and the currency denomination of bank borrowings of the Group as at December 31, 2022 are set out in Note 34 to the consolidated financial statements.

The Group maintains a prudent approach in its treasury management with interest rate exposure maintained principally on a floating rate basis. The Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk. The Group will continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arises.

Exposure to Exchange Rate Fluctuation

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective Group entities' functional currency. The Company's functional currency is USD. The Company's primary subsidiaries were incorporated in Mainland China, Hong Kong, Japan and Singapore. These subsidiaries considered RMB, HKD, JPY and SGD as their functional currencies, respectively.

We are primarily exposed to changes in HKD/RMB and HKD/USD exchange rates. We currently do not engage in hedging activities designed or intended to manage foreign exchange rate risk. However, we will continue to monitor changes in currency exchange rates and will take necessary measures to mitigate exchange rate impact.

Employees, Training and Remuneration Policies

As at December 31, 2022, the Group had 5,098 employees. The number of employees employed by the Group varies from time to time depending on needs.

The Group formulates the remuneration package for its employees based on the overall remuneration standard in the market, industry practice and the Group's remuneration strategy. In addition to salary, in-house training programmes and employee benefits, employees may receive year-end performance incentives depending on their individual performance, which includes cash incentives or share options.

Use of Proceeds

The Class B Shares of the Company were listed on the Main Board of the Stock Exchange on December 30, 2021. The net proceeds received by the Company from the Global Offering (as defined in the Prospectus), including the full exercise of the over-allotment option, were approximately HK$6,351.0 million. There has been no change in the intended use of proceeds and the expected timeframe for utilisation as previously disclosed in the Prospectus. Please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus for details. As of December 31, 2021, the Group had not utilised any portion of the net proceeds.

As of December 31, 2022, approximately HK$5,447.2 million of the net proceeds had been utilised by the Group in accordance with the intended purposes and expected timeframe stated in the Prospectus, and the unused net proceeds was held by way of bank deposits. The unused net proceeds will continue to be utilised in accordance with the intended purposes and expected timeframe as stated in the Prospectus.

Intended purposes as set out in the Prospectus	Planned proportion of the net proceeds (%)	Planned use of the net proceeds (Approximately HK$ million)	Net proceeds unused as of December 31, 2021 (Approximately HK$ million)	Actual use of net proceeds during the Reporting Year (Approximately HK$ million)	Net proceeds unused as of December 31, 2022 (Approximately HK$ million)	Expected timeline for fully utilising the net proceeds from the Global Offering
(i) Enhancing our research and development capabilities	60.0	3,810.6	3,810.6	3,601.3	209.3	By end of 2023
(ii) Expansion of our business	15.0	952.7	952.7	258.2	694.5	By end of 2023
(iii) Pursuing strategic investment and acquisition opportunities	15.0	952.7	952.7	952.7	–	N.A.
(iv) Working capital and general corporate purposes	10.0	635.0	635.0	635.0	–	N.A.
Total	100.0	6,351.0	6,351.0	5,447.2	903.8	

Year ended December 31, 2022 compared to Year ended December 31, 2021

The utilization of the net proceeds has been converted from RMB into HKD at an exchange rate of RMB0.81912 to HKD1.00 (being the reference exchange rate used in the Prospectus). No representation is made that any amount in HKD or RMB could have been or could be converted at the above rates or of any other rates.

Gearing Ratio

As at December 31, 2022, our gearing ratio was -11.7%, which represented a net cash position. Our gearing ratio is calculated as net debt divided by total capital at the end of each financial period. Net debt equals to our total borrowings, lease liabilities and preferred share and other financial liabilities less our cash and cash equivalents. Total capital is calculated as total equity plus net debt.

Contingent Liabilities

As of December 31, 2022, we did not have any material contingent liabilities.

Significant Investments held

As of December 31, 2022, we did not hold any significant investments in the equity interest of other companies.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For the year ended December 31, 2022, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Pledge of Assets

As of December 31, 2022, we pledged certain buildings and land use rights with carrying amount of RMB4,440.8 million and restricted guarantee deposits amounting to RMB271.4 million for borrowings.

Future Plans for Material Investments and Capital Assets

As of December 31, 2022, we have no specific future plan for material investments and acquisition of capital assets. The Group will continue to identify new investment opportunities in companies with principal businesses related to the Group's core business with a view to creating synergies with the Group's existing core business and improve the Group's service and products to its customers.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of its Shareholders. The principles of the Company's corporate governance are to promote effective internal control measures and to enhance the transparency and accountability of the Board to all the Shareholders.

In the opinion of the Board, throughout the Reporting Period, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code, save for the deviation from code provision C.2.1 which is further explained in the section headed "Chairman and Chief Executive Officer" below.

The Board will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

The Board is also committed to ensuring that the culture of the Company aligns with its purpose, values and strategy. A healthy corporate culture across the Company is vital for it to achieve its vision and mission towards sustainable growth. It is the Board's role to foster a corporate culture with the following core principles to guide the behaviour of its employees, and ensure that the Company's vision, values and business strategies are consistent with it:

1. Integrity and Code of Conduct

The Company strives to maintain high standards of business ethics and corporate governance across all our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies, such as the anti-corruption policy and the whistleblowing policy of the Company. Trainings and professional development courses are conducted from time to time to reinforce the required standards in respect of ethics and integrity. For details, please refer to the section headed "Training and Professional Development" in this annual report.

2. Commitment

The Company believes that the culture of commitment to workforce development, workplace safety and health, diversity, and sustainability is one where people have a feeling of commitment and emotional engagement with our mission. This sets the tone for a strong, productive workforce that attracts, develops, and retains the best talent and produces the highest quality work. Moreover, the Company's business development strategy is to achieve long-term, steady, and sustainable growth, while also having due regard for environment, social and governance aspects.

BOARD OF DIRECTORS

Board Composition

As at the Latest Practicable Date, the Board comprises the following Directors:

Executive Directors
Dr. XU Li (徐立) *(Executive Chairman of the Board)*
Prof. TANG Xiao'ou (湯曉鷗)
Dr. WANG Xiaogang (王曉剛)
Mr. XU Bing (徐冰)

Non-executive Director
Ms. FAN Yuanyuan (范瑗瑗)

Independent non-executive Directors
Prof. XUE Lan (薛瀾)
Mr. LYN Frank Yee Chon (林怡仲)
Mr. LI Wei (厲偉)

An up-to-date list of the Directors and their roles and functions is maintained on the Company's website and the Stock Exchange's website. The biographical details of the Directors are set out in the section headed "Biographical Details of Directors" in the Directors' Report.

Save that Prof. Tang and Dr. Wang are brothers-in-law, to the best knowledge of the Company, there is no relationship (including financial, business, family or other material/relevant relationship(s)) among the Directors.

Throughout the Reporting Period, the Board has met the requirements of the Listing Rules regarding the appointment of at least three independent non-executive directors (representing at least one-third of the Board), with at least one of whom possessing appropriate professional qualifications, or accounting, or related financial management expertise. To provide transparency to the investor community and in compliance with the Listing Rules and the Corporate Governance Code, the independent non-executive Directors of the Company are clearly identified in all corporate communications containing the names of the Directors.

Board Independence

The Company recognises the importance of board independence, which enhances the effectiveness of the Board and the governance of the Group. In light of this, the Company adopts the following key mechanisms under its governance structure, which is subject to annual review by the Board, to ensure that independent views and inputs are provided to the Board:

- the Company has complied with the requirements as to appointment of independent non-executive Directors under the Listing Rules since its listing, and all or majority of the members of the Board committees comprise independent non-executive Directors only;

- the Company has adopted a Board Diversity Policy to adopt formal practices for assessing the independence of the independent non-executive Directors annually with regards to all relevant factors, and to ensure that a wide range of criteria will be taken into account in considering suitable candidates to serve as a Director. Please refer to the paragraph headed "Board Diversity Policy" below for further details;

- the Board and the Nomination Committee will evaluate on an annual basis as to whether an independent non-executive Director is independent in accordance with the Corporate Governance Code and the relevant requirements under Rule 3.13 of the Listing Rules. Annual confirmations will also be obtained from each independent non-executive Director in this regard;

- in the event that any independent non-executive Director proposes to serve beyond nine years since the date of his or her first appointment, the Board and the Nomination Committee will carefully consider whether such reappointment will affect his or her independence;

- the Company will not grant any share incentives to the independent non-executive Director to ensure the independence of their judgement and opinion;

- the time commitment of Directors (including but not limited to the independent non-executive Directors) for performance of their responsibilities will be evaluated at least annually by the Board; and

- any Directors (including but not limited to the independent non-executive Directors) will be entitled to seek independent advices from external advisers if and when necessary for the performance of their duties.

The Company has received the annual written confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. There is also no independent non-executive Director who has served beyond nine years since the date of his or her first appointment. The Company is of the view that all independent non-executive Directors are independent.

Responsibilities and Delegation

The Board is responsible for the leadership and control of the Company, directing and supervising the Company's affairs and acting in the best interests of the Company and its Shareholders.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound risk management and internal control systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have full and timely access to all the information of the Company, and may upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company. The Directors have disclosed to the Company details of other offices held by them.

The Board reserves its discretion on all major matters relating to policy matters, strategies and budgets, risk management and internal control, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the chief executive officer and management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

Chairman and Chief Executive Officer

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

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings.

For other Board meetings and Board committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are despatched to the Directors or Board committee members at least three days before such meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

The matters considered by the Board and Board committees during the meetings and the decisions reached are recorded in sufficient details in the minutes of the meetings kept by the Joint Company Secretaries. Such details include, but are not limited to, any concerns raised by the Directors. The draft minutes of each Board meeting and Board committees meeting are sent to the relevant Directors for comments within a reasonable time after the meeting is held. All minutes are properly maintained by the Joint Company Secretaries and are available for the Directors' and Board committee members' inspection.

During the Reporting Period, the Company held 4 Board meetings, 4 Audit Committee meetings, 1 Remuneration Committee meeting, 1 Nomination Committee meeting and 2 Corporate Governance Committee meetings. The Company held one general meeting during the Reporting Period. The attendance record of each Director at the above meetings are set out in the table below:

	Attendance/Number of Meetings during the Reporting Period					
Name of Director	**Board**	**Audit Committee**	**Corporate Governance Committee**	**Nomination Committee**	**Remuneration Committee**	**General Meeting**
Dr. XU Li	4/4	–	–	1/1	1/1	1/1
Prof. TANG Xiao'ou	4/4	–	–	–	–	0/1
Dr. WANG Xiaogang	4/4	–	–	–	–	1/1
Mr. XU Bing	4/4	–	–	–	–	1/1
Ms. FAN Yuanyuan	4/4	4/4	–	–	–	1/1
Prof. XUE Lan	4/4	–	2/2	1/1	–	1/1
Mr. LYN Frank Yee Chon	4/4	4/4	2/2	–	1/1	1/1
Mr. LI Wei	3/4	3/4	2/2	1/1	1/1	1/1

In addition to the above meetings, Dr. Xu Li, the chairman of the Board, held a meeting with the independent non-executive Directors without the presence of the other Directors during the Reporting Period.

Appointment and Re-Election

According to the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

The Board is also empowered under the Articles of Association to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board from time to time and at any time. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Each Director (including the non-executive Director and independent non-executive Directors) is engaged for a term of three years or until the third annual general meeting of the Company after the Listing Date (whichever is earlier). Either party has the right to give not less than three months' written notice to terminate the agreement. Each Director is subject to retirement and re-election in accordance with the provisions of the Articles as mentioned above.

Training and Professional Development

Pursuant to code provision C.1.4 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills, so as to ensure that their contribution to the Board remains informed and relevant.

To help the Directors develop and refresh their knowledge and skills, internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period, the Company also arranged for its Hong Kong legal advisor in relation to the Listing to provide training to all Directors (including those who are beneficiaries of weighted voting rights and independent non-executive directors). The training session covered a wide range of relevant topics including Directors' duties and responsibilities, corporate governance and requirements under the Listing Rules.

The Directors are required to provide details of the training they received in each financial year to the Company for the maintenance of proper training records. Throughout the Reporting Period, the training received by the Directors was as follows:

Name of Director	Type of continuous professional development training
Dr. XU Li	A and B
Prof. TANG Xiao'ou	A and B
Dr. WANG Xiaogang	A and B
Mr. XU Bing	A and B
Ms. FAN Yuanyuan	A and B
Prof. XUE Lan	A and B
Mr. LYN Frank Yee Chon	A and B
Mr. LI Wei	A and B

Notes:

A: Attending seminar(s), conference(s), forum(s) and/or training course(s) arranged by the Company or external parties.

B: Perusing materials provided by the Company or external parties, such as materials relating to the Company's business updates, directors' duties and responsibilities, corporate governance and regulatory updates, Chapter 8A of the Listing Rules and weighted voting rights structures, and other applicable regulatory requirements.

BOARD COMMITTEES

The Board has established four Board committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee, for overseeing particular aspects of the Company's affairs. All Board committees are established with specific terms of reference which deal clearly with their authority and duties, and are posted on the Company's website and the Stock Exchange's website.

The Board is responsible for performing the corporate governance duties set out in the Corporate Governance Code which included developing and regularly reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the provisions in the Corporate Governance Code and disclosures in this annual report.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to (i) review and supervise the financial reporting process and the internal control system of the Group, (ii) oversee the audit process, (iii) provide advice and comments to the Board and (iv) perform other duties and responsibilities as assigned by the Board.

The Audit Committee comprises three members (including two independent non-executive Directors and the non-executive Director), namely Mr. Lyn Frank Yee Chon, Ms. Fan Yuanyuan and Mr. Li Wei. Mr. Lyn Frank Yee Chon, being the chairperson of the audit committee and an independent non-executive Director, has appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

During the Reporting Period, the Audit Committee has convened 4 meetings and performed the following major tasks:

- Reviewed the half-yearly and annual results announcements and annual financial reports of the Group to ensure transparency and consistency of the financial disclosures.
- Discussed matters with respect to effectiveness of the Company's financial reporting system, the system of internal control in operation, risk management system and associated procedures within the Group with senior management members, internal auditors and the Auditor.
- Reviewed, with both the external auditor and management, the audit approach and methodology applied, in particular to the Key Audit Matters included in the Auditor's Report.
- Reviewed the plans, resources and work of the Company's internal auditors.
- Approved the internal audit plan for 2022 and conducted half yearly review of the internal audit activities.
- Reviewed significant issues raised by the internal audit department of the Company, the external auditor, external consultants, and management's response to their recommendations.
- Reviewed the continuing connected transactions of the Group carried out during the Reporting Period and the related disclosures in the Annual Report.
- Reviewed the adequacy and effectiveness of the Group's risk management and internal control systems, along with its accounting, financial reporting, and internal audit functions.
- Oversaw the risks undertaken by the Company.
- Oversaw the Group's anti-money laundering system, anti-corruption policy, and whistleblowing mechanism.
- Discussed and made recommendation on the re-appointment of the Auditor.
- Reviewed the independence, terms of engagement and remuneration of PricewaterhouseCoopers for annual audit for the Reporting Period.
- Reviewed the effectiveness of the external audit process.

The Auditor was invited to attend the Audit Committee meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. The Audit Committee also met with the Auditor in the absence of the executive Directors. The Audit Committee is satisfied with the independence and engagement of the Auditor. As such, the Audit Committee has recommended its re-appointment.

The Audit Committee reviewed the interim results of the Group for the six months ended June 30, 2022 and the annual results of the Group for the financial year ended December 31, 2022 in conjunction with the external auditor. Based on this review and discussions with management, the Audit Committee was satisfied that the consolidated financial statements of the Group for the financial year ended December 31, 2022 were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended December 31, 2022. The Audit Committee therefore recommended that the consolidated financial statements of the Group for the financial year ended December 31, 2022 be approved by the Board.

For a summary of the work of the Audit Committee performed in respect of the review of the Company's risk management and internal control systems, please refer to the paragraph headed "Risk Management and Internal Control – Ongoing Review" below.

Directors' Responsibilities for Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements which should give a true and fair view of the state of affairs of the Company and of the results and cash flows for such reporting period.

In preparing the financial statements, the Board has adopted generally accepted accounting standards in Hong Kong and suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable, and prepared the financial statements on a going concern basis. The Board is responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Company's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The Auditor is responsible for auditing and reporting its opinion on the financial statements of the Company. The independent auditor's report for the Reporting Period is set out in the section headed "Independent Auditor's Report" of this annual report.

Auditor's Remuneration

For the year ended December 31, 2022, the remuneration for the audit services included statutory audits and reviews for the Group and certain subsidiaries paid to the Auditor amounted to RMB15,365,000; while the remuneration for the non-audit services (which mainly include professional services on tax advisory and other consulting services) amounted to RMB4,100,000.

Corporate Governance Committee

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

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

During the Reporting Period, the Corporate Governance Committee has convened 2 meetings and performed the following major tasks:

- Reviewed and monitored the Company's policies and practices on corporate governance, considered whether the adoption of any new policies and practices on corporate governance are necessary, and reviewed the Company's compliance with legal and regulatory requirements. The policies reviewed include the code for securities transactions by Directors and relevant employees, the board diversity policy, the shareholders' communication policy, the procedures for nomination of Directors by Shareholders, the disclosure of information policy, the connected transactions policy, the whistle-blowing policy, the dividend policy and other corporate governance policies.

- Reviewed and monitored the implementation of the Company's Code of Conduct and the Model Code which regulates the Directors' dealings in the securities of the Company.

- Reviewed the Company's compliance with the Corporate Governance Code and the deviation from code provision C.2.1, the Company's disclosure in this Corporate Governance Report and the Company's disclosure as required under Chapter 8A of the Listing Rules.

- Reviewed the remuneration, the terms of engagement and the re-appointment of the Compliance Advisor.

- Reviewed and monitored the management of conflicts of interests between the Company, its subsidiary and/or Shareholder on one hand and any WVR Beneficiary on the other.

- Reviewed and monitored all risks related to the weighted voting rights structure, including connected transactions between the Group on one hand and any WVR Beneficiary on the other.

- Reviewed the training and continuous professional development of Directors and senior management, in particular training relating to requirements under Chapter 8A of the Listing Rules and risks associated with the weighted voting rights structure.

- Reviewed the written confirmation provided by the WVR Beneficiaries that (a) they have been members of the Board throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the year; and (b) they have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year.

- Sought to ensure effective and on-going communication between the Company and its Shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules.

- Reported on the work of the Corporate Governance Committee covering all areas of its terms of reference.

In particular, the Corporate Governance Committee has confirmed to the Board it is of the view that the Company has adopted sufficient corporate governance measures to manage the potential conflict of interest between the Company, its subsidiary and/or Shareholder on one hand and any WVR Beneficiary on the other, so as to ensure that the operations and management of the Company are in the interests of the Shareholders as a whole indiscriminately. These measures include the Corporate Governance Committee (a) reviewing and monitoring transactions contemplated to be entered into by the Group and making a recommendation to the Board on any matter where there is a potential conflict of interest between the Company, its subsidiary and/or Shareholder on one hand and any WVR Beneficiary on the other, and (b) ensuring that (i) any connected transactions are disclosed and dealt with in accordance with the requirements of the Listing Rules, (ii) the terms of connected transactions are fair and reasonable and in the interest of the Company and its Shareholders as a whole, (iii) any Directors who have a conflict of interest abstain from voting on the relevant board resolution, and (iv) the Compliance Advisor is consulted on any matters related to transactions involving the WVR Beneficiaries or a potential conflict of interest between the Group and any WVR Beneficiary. The Corporate Governance Committee recommended the Board to continue the implementation of these measures and to periodically review their efficacy towards these objectives.

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

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with Rule 8A.27 of the Listing Rules and the Corporate Governance Code. The primary duties of the Nomination Committee are to (i) review the structure, size and composition of the Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of the Board, (ii) identify, select or make recommendations to the Board on the selection of individuals nominated for directorship, and ensure the diversity of Board members, (iii) assess the independence of the independent non-executive Directors and (iv) make recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of Directors and succession planning for Directors.

The Nomination Committee comprises three members, namely Mr. Li Wei, Dr. Xu Li and Prof. Xue Lan. Mr. Li Wei is the chairperson of the Nomination Committee.

During the period from the Reporting Period, the Nomination Committee has convened 1 meeting and performed the following major tasks:

- Reviewed the structure, size and composition of the Board and its committees to ensure that they have a balance of expertise, skills and experience appropriate to the requirements for the business of the Group.
- Assessed the independence of all the independent non-executive Directors.
- Recommended the re-election of the retiring Directors at the 2022 annual general meeting of the Company.
- Reviewed the board diversity policy and the policy for the nomination of directors during the Reporting Period.

Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board and see increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our competitive advantage and enhancing our ability to attract, retain and motivate employees from the widest possible pool of available talent. We have adopted a board diversity policy (the "Board Diversity Policy") with the aim of achieving an appropriate level of diversity among Board members according to the circumstances of the Group from time to time. The Board Diversity Policy, which is subject to annual review by the Nomination Committee, formally recognises the practice of ensuring that independent views and input are made available to the Board.

The Board Diversity Policy highlights the important role in the Board that independent non-executive Directors play in bringing an impartial view on the Company's strategies, performance and control, as well as ensuring that the interests of all shareholders are considered. In order to ensure that independent views and input of the independent non-executive Directors are made available to the Board, the Nomination Committee and the Board will annually assess the Directors' independence with regards to all relevant factors. These factors include whether the independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience, and whether they hold any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director, the Nomination Committee would consider a range of diversity of perspectives with reference to the Company's business model and specific needs, including but not limited to skills, knowledge, professional experience and qualifications, industry and regional experience, cultural and educational background, age, gender and the potential contributions that the candidate is expected to bring to the Board. All Board appointments will be based on merits and candidates will be considered against objective criteria, having due regard to the benefits of diversity to the Board. The Nomination Committee also reviews the Board Diversity Policy from time to time to ensure its continued effectiveness.

The Board has a balanced mix of experiences and skills, including but not limited to overall business management, research and development as well as finance and accounting. The Board also has a relatively wide range of age, ranging from 33 years old to 64 years old. In addition, in terms of gender diversity, the Board also currently has one female member. The Board therefore believes that the composition of the current Board satisfies the Board Diversity Policy.

The Board places strong emphasis on diversity (including but not limited to gender diversity) at the Board level and across all levels of the Group. Taking into account the Board's view that the current Board composition satisfies the Board Diversity Policy, the Board targets to maintain at least the current level of female representation in the Board. In considering the Board's succession, the Board will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, employees and management of the Group, and engaging external search firms. These measures will ensure that the Board will be able to develop a pipeline of potential successors to the Board, such that the Board will be able to take the opportunity to further increase the diversity on the Board (including but not limited to the proportion of female members of the Board) as and when such opportunity arise and suitable candidates are identified, taking in account the selection criteria as outlined under the paragraph "Nomination Procedures" below.

In addition to gender diversity within the Board, the Company is also committed to promoting gender diversity among its workforce generally. As at the Latest Practicable Date, the gender ratio in the Company's workforce (including senior management) is as follows:

Male	73%
Female	27%
Total	100%

The Company targets to maintain at least the current level of gender diversity in its workforce. In order to achieve such goals while also ensuring that the Group's business needs and objectives may be met and diversity across all other aspects may be achieved, the Group will continue to adopt a gender neutral employment policies to ensure that candidates of all skills, background qualities and gender will be allowed equal opportunities to be considered, and the Group will be able to select its employees from a diversified pool of talents.

Given that the AI industry is a highly specialised industry, the employees of the Group are often required to possess specialised skill sets and undergo extensive professional trainings in order to be able to meet the business needs and objectives of the Group. As such, this may pose challenges to the Group in terms of achieving gender diversity in the workforce on the one hand, and recruiting talents which are able to meet the Group's business needs and objectives on the other hand. In this regard, the Group has also developed various training programs for its employees as outlined in its Environmental, Social and Governance Report, such that the Group may continue to recruit from a broad base of talents and improve its workforce diversity, whilst also empowering its employees from all skills, background, qualities and gender to meet the business needs of the Group.

Nomination Procedures

The Nomination Committee and the Board may nominate candidates for directorship. In assessing the suitability and the potential contribution to the Board of a proposed candidate, the Nomination Committee may make reference to certain selection criteria, such as reputation for integrity, professional qualifications and skills, accomplishment and experience in the internet and technology markets, commitment and relevant contribution, diversity in all aspects. The Nomination Committee shall report its findings and make recommendation to the Board on the appointment of appropriate candidate for directorship for decision and succession planning. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee are to (i) establish, review and provide advice to the Board on the policy and structure of the remuneration for the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning remuneration, (ii) review and make recommendations to the Board on the terms of the specific remuneration package of each Director and member of senior management, (iii) review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules, and (iv) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

The Remuneration Committee comprises three members, namely Mr. Li Wei, Dr. Xu Li and Mr. Lyn Frank Yee Chon. Mr. Li Wei is the chairperson of our remuneration committee.

During the Reporting Period, the Remuneration Committee has convened 1 meeting and performed the following major tasks:

- Reviewed the remuneration policy and remuneration packages of the Directors and the senior management of the Company with reference to their performances and the corporate goals and objectives resolved by the Board.

- Conducted regular reviews on the level of remuneration with reference to companies with comparable business or scale.

- Consult with the Chairman of the Board about the performance of senior executives.

The 2022 RSU Scheme was adopted on June 20, 2022. The 2022 RSU Scheme constituted a share scheme under the updated Chapter 17 of the Listing Rules, which came into effect since January 2023. Since the date of adoption of the 2022 RSU Scheme up to the date of this annual report, no grant were made under the 2022 RSU Scheme. The Remuneration Committee will review and/or approve matters in relation to the 2022 RSU Scheme in accordance with the requirements under Chapter 17 of the Listing Rules as and when such matters are proposed under the 2022 RSU Scheme.

Remuneration Policy

The Directors and members of senior management receive remuneration from the Company in the form of fees, wages and salaries, discretionary bonuses, share-based compensation and other benefits in kind.

The Board regularly reviews and determines the remuneration and compensation packages of the Directors and senior management and receives recommendation from the Remuneration Committee, which takes into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

Pursuant to code provision E.1.5 of the Corporate Governance Code, the annual remuneration (including share-based compensation) of the members of senior management, including those members of senior management who are also executive Directors, by band for the Reporting Period is set out below:

Annual Remuneration	Number of Individuals
HK$ 0 to HK$ 0.5 million	1
HK$ 3.0 million to HK$ 3.5 million	2
HK$4.0 million to HK$ 4.5 million	1
HK$7.0 million to HK$ 7.5 million	1
HK$16.5 million to HK$17.0 million	1

Further details of the remuneration of Directors for the Reporting Period are set out in Note 39 to the Consolidated Financial Statements in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility for the risk management and internal control of the Company. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company is dedicated to the establishment and maintenance of a robust risk management and internal control system. We have adopted and continually improve our internal control mechanisms to ensure the compliance of our business operations. Furthermore, we conduct periodic review of the implementation of our risk management policies and internal control measures to ensure their effectiveness and sufficiency.

We have been committed to promoting a compliance culture and will adopt policies and procedures on various compliance matters, including the Stock Exchange's requirements on corporate governance and environmental, social and governance matters. Our Board will be collectively responsible for the establishment and operations of mechanisms in relation to corporate governance and environmental, social and governance. Our Directors are involved in the formulation of such mechanisms and the related policies.

We have adopted and implemented risk management policies in various aspects of our business operations to address various potential risks in relation to operations, compliance, information security and data privacy, intellectual property and investment.

Operational Risk Management

Operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures or external events. We have established a series of internal procedures to manage such risk.

We take a comprehensive approach with regard to operational risk management, and implement a mechanism with detailed and decentralized responsibilities and clear rewards and punishment systems. Our information technology, human resources, finance and operations departments are collectively responsible to ensure the compliance of our operations with internal procedures. In the event of a major adverse event, the matter will be escalated to our CEO and the Board to take appropriate measures. Through effective operational risk management, we expect to control operational risks within a reasonable range by identifying, measuring, monitoring and containing operational risks to reduce potential losses.

Compliance Risk Management

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of our failure to comply with relevant laws, regulations, rules and guidelines.

Compliance management refers to the dynamic managing processes of our effective identification and management of compliance risks and proactively preventing the occurrence of risk events. Compliance risk management is the core of our risk management activities, the foundation for effective internal controls and an important aspect of our corporate culture. We have established a sound compliance risk management framework as part of our comprehensive risk management system, to achieve effective identification and management of compliance risk and ensure that our operations are in compliance with applicable laws and regulations.

Information Security and Data Privacy Risk Management

We attach the greatest importance to data security and protection. We have adopted our standard protective measures including confidentiality categorization, access control, data encryption and desensitization to prevent unauthorized access, leakage, improper use or modification of, damage to or loss of data and personal information.

Our Data Security and Personal Information Protection Management Committee oversees our data security and personal information protection efforts. We have built up a comprehensive personal information management system and formulated a series of technical standards and specifications to ensure data and personal information security throughout their life cycle.

Intellectual Property Risk Management

We have implemented a set of comprehensive measures to protect our intellectual property. The key measures include:

- **Uniform and centralized IP management:** We conduct uniform and centralized IP management through our legal and IP department. Any application, implementation, authorization or transfer of our intellectual property rights will need to be subject to the approval of our legal and IP department.

- **Shared IP rights within Group:** Any of our intellectual property rights, as long as they are owned by one of our subsidiaries or controlled entities, can be shared among Group members for manufacturing, import, sales or promise to sell relevant products.

Investment Risk Management

We invest in or acquire businesses that are complementary to our business and aligned with our overall growth strategies, such as businesses that can expand our service offerings and strengthen our technological capabilities. In general, we intend to hold our investments for the long term in forms of preferred shares or ordinary shares with preference rights. In order to manage potential risks associated with investments, we generally obtain minority protection rights from our investment portfolio companies.

Our strategic investment department has primarily been responsible for our investment project sourcing, screening, due diligence, risk assessment, valuation, execution and post-investment monitoring. Each investment is assessed with consideration of strategic value, risks and reward. We have established investment project evaluation and approval processes. Our Investment Committee reviews and determines all new investments and major disposals.

Anti-corruption Risk Management

Anti-corruption risk refers to the risk of use of cheating, bribery or other illegal measures for (i) the pursuit of improper personal benefits at the expense of our Company's economic interests and (ii) the pursuit of improper interests of the Company. We have established our anti-corruption risk management policies prohibiting any corruption activities by the employees, either for the pursuit of improper personal benefits or improper interests of the Company. We have established an anti-corruption committee for the anti-corruption risk management, comprising designated personnel from our human resources, internal control, internal audit and legal and compliance departments. We have zero-tolerance of corruption and do not accept employment or promotion of persons responsible for corruption incidents. We conduct routine internal trainings and require all suppliers to execute anti-corruption commitments before engagement.

Whistleblowing Policy

We have maintained a whistleblower mechanism to encourage the internal reporting of suspicious activities. The purpose of this mechanism is to (i) foster a culture of compliance, ethical behaviour and good corporate governance across the Company; and (ii) promote the importance of ethical behaviour and encourages the internal reporting of misconduct, unlawful and unethical behavior. The nature, status and the results of the complaints received under the whistleblower mechanism are reported to the anti-corruption committee as mentioned above. The anti-corruption committee may then report any complaints received or any matters of significance to the Audit Committee as and when necessary. No incident of fraud or misconduct that have material effect on the Company's financial statements or overall operations for the year ended December 31, 2022 has been discovered.

Ongoing Review

To monitor the ongoing implementation of our risk management policies, we have established an Audit Committee to review and supervise our financial reporting process, internal control system and internal audit functions on an ongoing basis and at least annually, so as to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. For details, please refer to the section headed "Board Committees – Audit Committee" above.

In addition to our internal control department, we have also established an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting issues identified and improving our internal control system and procedures by identifying internal control failures and weaknesses on an ongoing basis. The internal audit department reports any major issues identified to the Audit Committee and Board of Directors on a timely basis.

In respect of the Reporting Period, the Board through the Audit Committee conducted a review of the risk management and internal control systems of the Company and concluded that they are effective and adequate. The Board through the Audit Committee has also reviewed the Group's internal audit functions, including but not limited to the sufficiency of resources, staff qualifications and experiences, and training programs, and were satisfied with the effectiveness of the internal audit functions.

SECURITIES DEALING AND HANDLING OF INSIDE INFORMATION

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regulating Directors' dealings in securities of the Company. In response to specific enquiries made by the Board, all Directors confirmed that they have complied with the provisions of the Model Code during the Reporting Period.

To supplement the Model Code, the Company has also implemented a policy in relation to the handling and dissemination of inside information. Access to inside information is at all times confined to relevant personnel (i.e. Directors, senior management and relevant employees) on a need-to-know basis, until the inside information is properly disclosed in accordance with applicable laws and regulations. Directors, senior management and relevant employees in possession of inside information or potential inside information are required to take reasonable steps to preserve confidentiality and to ensure that its recipients recognize their obligations to maintain confidentiality. The policy also sets out the relevant procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guidance in monitoring information disclosure.

JOINT COMPANY SECRETARIES

The Joint Company Secretaries are responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed. The current Joint Company Secretaries are Ms. Lin Jiemin and Ms. Wong Wai Yee Ella.

Ms. Lin joined the Group in August 2018 and has been serving as the Company's vice president since then. Prior to joining the Group, she had extensive working experience at Hong Kong Exchanges and Clearing Limited, with her last position being its deputy chief operating officer. Ms. Lin is the primary contact person at the Company.

Ms. Wong has been appointed to assist Ms. Lin. Ms. Wong, director of corporate services at Tricor Services Limited, has over 20 years of experience in the corporate secretarial field and provides corporate secretarial and compliance services to Hong Kong listed companies as well as multinational, private and offshore companies.

During the Reporting Period, each of the Joint Company Secretaries has attended a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer as required under Rule 3.29 of the Listing Rules.

RELATIONSHIP WITH SHAREHOLDERS

Communication with Shareholders

The Board believes that effective communication with the Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables the Shareholders and investors to make the best investment decision.

The Company communicates with the Shareholders and the investment community mainly through the Company's financial reports (including the interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's website.

Shareholders' Meetings

The general meetings of the Company serve as an opportunity for the Directors and senior management to communicate with the Shareholders. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. Notice in writing is given by the Company to the Shareholders at least 21 days before an annual general meeting and at least 14 days before any extraordinary general meeting.

Board members, in particular, the chairperson of Board committees or their delegates, appropriate management executives and external auditors will attend annual general meetings to answer Shareholders' questions.

The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.

Corporate Communication

Corporate communication will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding about the content of the communication. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means). Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communications.

Company's Website

The Company maintains a website at www.sensetime.com as a communication platform with the Shareholders and investors. Information on the Company's website is updated on a regular basis. Information released by the Company to the website of the Stock Exchange is also posted on the Company's website for corporate communications immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents etc.

Shareholders' Enquiries

Shareholders and investors may send written enquiries or requests to the Company, for the attention of the Board of Directors. The contact details are as follows:

Address:	2/F, Harbour View 1, 12 Science Park East Avenue, Hong Kong Science & Technology Park, Shatin, Hong Kong
Email:	ir@sensetime.com

Shareholders may direct their questions about their shareholdings to the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. The Company ensures that the Hong Kong Share Registrar maintains the most up-to-date information relating to the Shares at all times so that it can respond effectively to the Shareholders' enquiries.

Policies Relating to Shareholders

Shareholders' Communication Policy

The Company has established a shareholders' communication policy with the objective of ensuring that the Shareholders and the investment community at large are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to enhance the communication among Shareholders, the investment community and the Company.

The Corporate Governance Committee reviews the shareholders' communication policy on a regular basis to ensure its effectiveness, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules. The Corporate Governance Committee has reviewed the implementation and effectiveness of the shareholders' communication policy during its meetings, and are of the view that the shareholders' communication policy has been effectively implemented and that the dissemination of information to the Shareholders' were effective.

Dividend Policy

Pursuant to Code Provision F.1.1 of the Corporate Governance Code, the Company has adopted a dividend policy (the "Dividend Policy") in relation to the declaration, payment or distribution of the Company's net profits as dividends to the Shareholders.

The Company does not have any pre-determined dividend payout ratio. The Board has the discretion to declare and distribute dividends to the Shareholder, taking into account factors set out in the Dividend Policy such as the Company's financial results and cash flow situation. Dividends may be proposed and/or declared by the Board for a financial year or period, and any final dividend for a financial year will be subject to shareholders' approval.

Shareholders' Rights

To safeguard the Shareholders' interests and rights, separate resolutions are proposed at the Shareholders' meetings on each substantial issue, including the election of individual Directors, for the Shareholders' consideration and voting. All resolutions put forward at the Shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company (www.sensetime.com) and the Stock Exchange (www.hkexnews.hk) after each Shareholders' meeting.

Pursuant to the Articles of the Company, extraordinary general meetings shall be convened on the written requisition of any Shareholder or Shareholders entitled to attend and vote at general meetings of the Company who hold not less than 10 per cent of the paid up voting share capital of the Company (for the avoidance of doubt, to be determined on a one-share-one-vote basis) for a date no later than 21 days from the date of deposit of the requisition signed by the requisitionists. The written requisition shall be deposited at the registered office of the Company and shall specify the objects of the meeting requisitioned. If the Directors do not convene such meeting for a date not later than 45 days after the date of such deposit, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the Directors. All reasonable expenses incurred by the requisitionists as a result of the failure of the Directors to convene the general meeting shall be reimbursed to them by the Company.

There is no provision allowing the Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Laws or the Articles. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

A shareholder who wishes to nominate a person to stand for election as a Director of the Company at the general meeting shall serve the following documents at the registered office of the Company, namely (1) his/her/its notice of intention to propose a resolution at the general meeting; (2) a notice signed by the nominated candidate of his/her willingness to be elected; (3) the nominated candidate's information as required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; and (4) the nominated candidate's written consent to the publication of his/her personal data. The period for lodgment of such written notice shall be at least 7 days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than 7 days prior to the date of such meeting. For details, please refer to the Procedures for Shareholders to Nominate a Person for Election as a Director available on the website of the Company (www.sensetime.com).

Pursuant to the shareholders' resolutions dated June 24, 2022, the Company adopted its amended and restated Memorandum and Articles of association. The amendments are mainly made for the purpose of (i) reflecting certain amendments to the Listing Rules and (ii) making some other housekeeping improvements. The amended and restated Memorandum and Articles of Association, are available on the websites of the Company (www.sensetime.com) and the Stock Exchange (www.hkexnews.hk).

Details of the Interests and Short Positions in Shares and Underlying shares of the Company

For details of the holdings of the Directors, the chief executive and substantial shareholders in the Shares and underlying shares of the Company as at December 31, 2022, please refer to the sections headed "Directors' Interests and Short Positions in Shares, Underlying shares and Debentures of the Company or any Associated Corporations" and "Substantial Shareholders' Interests and Short Positions in Shares and Underlying shares of the Company" in this annual report.

Directors' Report

The Board of Directors is pleased to present this Directors' Report together with the audited consolidated financial statements of the Group for the year ended December 31, 2022.

GENERAL INFORMATION ABOUT THE COMPANY

Principal Activities

The Group is a leading AI software company with a focus on computer vision technologies, serving a broad range of industries. The principal activities of the Group are the sale of advanced AI software, sale of AI software platform and related services, sale of AI software-embedded hardware and related services, AIDC service as well as research and development activities in relation to AI technology. The Company is an investment holding company and details and principal activities of its principal subsidiaries are set out in Note 11 to the consolidated financial statements.

Business Review

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance, including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business, a description of the principal risks and uncertainties facing the Group and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. These discussions form part of the Group's business review.

Results and Appropriations

The results of the Group for the year ended December 31, 2022 are set out in the consolidated income statement.

The Company has adopted a dividend policy in relation to the declaration, payment or distribution of the Company's net profits as dividends to the Shareholders. For details regarding the dividend policy, please refer to the section headed "Dividend Policy" of the Corporate Governance Report. In compliance with this policy and upon due consideration of the Shareholders' and the Company's long-term interests, the Board has resolved not to recommend any final dividend for the year ended December 31, 2022.

Five-Year Financial Summary

A summary of the condensed consolidated results and financial positions of the Group is set out on page 4 of this annual report.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 16 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company during the Reporting Period are set out in Note 27 to the consolidated financial statements.

Distributable Reserves

As at December 31, 2022, the Company had distributable reserves amounting to RMB71,317.8 million.

Details of the movements in the reserves of the Company during the Reporting Period are set out in Note 42 to the consolidated financial statements.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at December 31, 2022 are set out in Note 34 to the consolidated financial statements.

Issuance of Debentures

During the Reporting Period and up to the Latest Practicable Date, the Group has not issued any debentures.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at December 31, 2022 and the Latest Practicable Date, the Company maintained the prescribed percentage of public float under the Listing Rules.

Purchase, Sale or Redemption of the Company's Listed Securities

During the Reporting Period, the Company repurchased a total of 38,475,000 Class B Shares on the Stock Exchange at an aggregate consideration of HKD75,956,740 for the purpose of enhancing long-term shareholder value. All repurchased Class B Shares during the Reporting Period were subsequently cancelled during the Reporting Period. Details of such repurchase are set out as follows:

Month of repurchase in 2022	Number of Class B Shares repurchased	Price per Class B Share paid		Aggregate Consideration (HKD)
		Highest (HKD)	Lowest (HKD)	
July	6,700,000	2.1	2.1	14,070,000
September	31,775,000	2	1.89	61,886,740
Total	38,475,000			75,956,740

During the Reporting Period, the number of Class B Shares in issue was reduced by 38,475,000 as a result of the cancellation of the repurchased Class B Shares. Upon cancellation of such Class B Shares, Infinity Vision Enterprise Inc. (a holder of Class A Shares which is wholly-owned by Dr. Wang Xiaogang) simultaneously converted an aggregate of 8,644,928 Class A Shares into 8,644,928 Class B Shares on a one-to-one ratio pursuant to 8A.21 of the Listing Rules, such that the proportion of Class A Shares of the Company shall not be increased as a result of the cancellation of the repurchased Class B Shares, pursuant to the requirements under 8A.13 and 8A.15 of the Listing Rules.

Save as disclosed above, during the Reporting Period, neither the Company nor its subsidiaries or consolidated affiliated entities had purchased, sold or redeemed any of the securities of the Company listed on the Stock Exchange.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

Donations

During the Reporting Period, the Group made charitable donations of approximately RMB12,703,000.

Tax Relief

The Company is not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities. If the Shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights (including entitlements to any relief of taxation) in relation to, the Shares, they are advised to consult an expert.

Major Customers and Suppliers

For the Reporting Period, revenue generated from the five largest customers of the Group accounted for approximately 37.2% of the Group's total revenue, and the revenue generated from the largest customer accounted for approximately 15.2% of the Group's total revenue.

For the Reporting Period, purchase amounts from the five largest suppliers of the Group accounted for approximately 48.7% of the Group's total purchase, and the purchase amounts from the largest supplier accounted for approximately 17.9% of the Group's total purchase.

None of the Directors, their close associates or any Shareholders who to the knowledge of the Directors own more than 5% of the Company's issued share capital had an interest in the share capital of any of the Group's five largest customers and suppliers during the Reporting Period.

Contracts with Controlling Shareholders

Save as disclosed in this annual report, no contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the Reporting Period.

Management Contracts

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

Legal Proceedings and Compliance

During the Reporting Period, the Company had not been and was not a party to any material legal, arbitral or administrative proceedings against it that could, individually or in the aggregate, have a material adverse effect on its business, financial condition and results of operations.

During the Reporting Period, the Company had complied with the applicable laws and regulations in relation to its business in all material respects and was not involved in any non-compliance incidents which the Directors believe would, individually, or in aggregate, have a material adverse effect on its business as a whole.

Corporate Governance

For details regarding the Company's corporate governance, please refer to the Corporate Governance Report on pages 27 to 45 of this annual report.

Environmental Policies and Performance

For details regarding the Company's environmental policies and performance, please refer to the Environmental, Social and Governance Report on pages 87 to 159 of this annual report.

WEIGHTED VOTING RIGHTS

The Company adopts a weighted voting rights structure. Under the structure, the Company's share capital comprises Class A Shares and Class B Shares. Each Class A Share entitles the holder to exercise 10 votes, and each Class B Share entitles the holder to exercise one vote, respectively, on any resolution tabled at general meetings, except for resolutions with respect to a limited number of Reserved Matters, in relation to which each Share is entitled to one vote.

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

As at December 31, 2022 and up to the date of this annual report, the WVR Beneficiaries were Prof. Tang Xiao'ou, Dr. Xu Li, Dr. Wang and Mr. Xu Bing.

(1) Prof. Tang Xiao'ou beneficially owned 6,906,080,602 Class A Shares, representing approximately 68.28% of the voting rights in the Company on resolutions in general meetings of the Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carries one vote). The Class A Shares beneficially owned by Prof. Tang Xiao'ou were held by Amind, a company wholly owned by Prof. Tang Xiao'ou.

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

(3) Dr. Wang Xiaogang beneficially owned 223,526,705 Class A Shares and 310,785,171 Class B Shares, representing approximately 2.52% of the voting rights in the Company on resolutions in general meetings of the Company (except for resolutions in relation to the Reserved Matters, in relation to which each Share carries one vote). All the Class A Shares and 8,644,928 Class B Shares beneficially owned by Dr. Wang Xiaogang were held by Infinity Vision, a company wholly owned by Dr. Wang Xiaogang, and the remaining 302,140,243 Class B Shares were held through SenseTalent.

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

Class A Shares may be converted into Class B Shares on a one to one ratio. Upon the conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue 7,520,115,072 Class B Shares, representing approximately 28.98% of the total number of issued and outstanding Class B Shares as at December 31, 2022.

The weighted voting rights attached to the Class A Shares will cease when the WVR Beneficiaries do not have beneficial ownership of any Class A Shares, in accordance with Rule 8A.22 of the Listing Rules. This may occur:

(1) upon the occurrence of any of the circumstances set out in Rule 8A.17 of the Listing Rules, in particular where all of the WVR Beneficiaries are: (1) deceased; (2) no longer members of our Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as directors; or (4) deemed by the Stock Exchange to no longer meet the requirements of directors set out in the Listing Rules;

(2) when the holders of Class A Shares have transferred to other persons the beneficial ownership of, or economic interest in, all of the Class A Shares or the control over the voting rights attached to them, other than in the circumstances permitted by Rules 8A.18 of the Listing Rules;

(3) where the vehicles holding Class A Shares on behalf of both WVR Beneficiaries no longer comply with Rule 8A.18(2) of the Listing Rules; or

(4) when all of the Class A Shares have been converted to Class B Shares.

Shareholders and prospective investors are advised to be aware of the potential risks of investing in companies with weighted voting rights structures, in particular that interests of the WVR Beneficiaries may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiaries will be in a position to exert significant influence over the affairs of our Company and the outcome of shareholders' resolutions, irrespective of how other Shareholders vote. Prospective investors should make the decision to invest in the Company only after due and careful consideration.

SHARE INCENTIVE SCHEMES

The Company has adopted three share incentive schemes, including the Pre-IPO RSU Plan, the Pre-IPO ESOP and the 2022 RSU Scheme.

Pre-IPO RSU Plan

The following is a summary of the principal terms of the Pre-IPO RSU Plan of the Company as approved by the Board on November 1, 2016 and amended from time to time. As the Pre-IPO RSU Plan involves grant of RSU Awards which are funded by existing Class B Shares of the Company, upon the revised Chapter 17 of the Listing Rules coming into effect in January 2023, the Pre-IPO RSU Plan constitutes a share scheme which is funded by existing shares of the Company under Chapter 17 of the Listing Rules.

Purpose

The purpose of the Pre-IPO RSU Plan is to establish a comprehensive long-term incentive scheme of the Group, to motivate, attract and retain talents, and to share the Company's success with the participants.

Effectiveness and Duration

Subject to any early termination as may be determined by the Board pursuant to terms of the Pre-IPO RSU Plan, the Pre-IPO RSU Plan shall be valid and effective for a period of ten years commencing on the adoption date of November 2, 2016.

Administration

The Pre-IPO RSU Plan shall be subject to the administration of the Board and the management of the Company (the "RSU Administrators") in accordance with the terms and conditions of the Pre-IPO RSU Plan, and the decision of the Board will be final and binding on all parties. The RSU Administrators may, from time to time, select the participants to whom a restricted stock unit ("RSU Awards") may be granted.

The RSU Administrators have the right to, among others: (i) interpret and construe the provisions of the Pre-IPO RSU Plan; (ii) determine the persons who will be granted RSU Awards under the Pre-IPO RSU Plan, the terms and conditions on which RSU Awards are granted and when the RSUs granted pursuant to the Pre-IPO RSU Plan may be exercised; and (iii) make such other decisions or determinations as it shall deem necessary for the administration of the Pre-IPO RSU Plan.

Participants

The eligible participants in the Pre-IPO RSU Plan (the "Pre-IPO RSU Participants") include (i) key management team and key technical staff of the Group who have been continuously working in the Group for no less than one year and key core employees who have direct impact on the Group's performance and development; and (ii) any other persons who, in the sole opinion of the RSU Administrators, have contributed or will contribute to the Group significantly.

Maximum number of Shares

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

Terms and Conditions of RSU Award

Grant of RSU Awards

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

Acceptance of RSU Awards

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

Conditions of RSU Awards

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

Rights attached to RSU Awards

A Pre-IPO RSU Participant does not have any contingent interest in any Shares underlying an RSU Award unless and until such Shares are actually transferred to the Pre-IPO RSU Participant. Unless otherwise determined by the Board in its entire discretion, the Pre-IPO RSU Participants may not exercise voting rights in respect of the Shares underlying their RSU Awards. The Pre-IPO RSU Participants have the rights to any dividends or distributions from any Shares underlying an RSU Award.

Exercise of RSU Awards

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

Alteration and Termination of the Pre-IPO RSU Plan

The terms of the Pre-IPO RSU Plan may be altered or amended in any respect by the Board provided that such alteration or amendment shall not affect any subsisting rights of any grantee thereunder. Also, the Pre-IPO RSU Plan may be terminated at any time prior to the expiry of its term by the Board.

RSUs granted under the Pre-IPO RSU Plan

Prior to the Reporting Period, the Pre-IPO RSU Plan has been fully granted up to its RSU Limit (i.e. 492,327,394 Shares) to a total of 59 grantees (including Directors, members of senior management and other connected persons of the Company). As disclosed above, all the RSUs granted were fully exercised by the Pre-IPO RSU Participants on December 30, 2016 and the underlying Shares were held by SenseTalent on behalf of such Pre-IPO RSU Participants since the date of such exercise. Accordingly, during the Reporting Period, no granting, vesting, lapsing or cancellation of RSU has taken place. As at January 1, 2022, the aggregate number of the Class B Shares underlying the Pre-IPO RSU Plan and which remain held by SenseTalent on behalf of the Pre-IPO RSU Participants was 492,327,394 Class B Shares. As at December 31, 2022, the aggregate number of the Class B Shares underlying the Pre-IPO RSU Plan and which remain held by SenseTalent on behalf of the Pre-IPO RSU Participants were 472,088,044, representing approximately 1.41% of the issued share capital of the Company as at December 31, 2022 and the date of this annual report.

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

As of January 1, 2022, the Pre-IPO RSU Plan have been fully granted, vested and exercised up to the RSU Limit. Therefore, no RSU Awards were granted, vested, exercised, lapsed or cancelled during the Reporting Period.

Pre-IPO ESOP

The following is a summary of the principal terms of the Pre-IPO ESOP of the Company as approved by the Board on November 1, 2016 and amended from time to time. Upon the revised Chapter 17 of the Listing Rules coming into effect in January 2023, the Pre-IPO ESOP constitutes a share scheme which is funded by existing shares of the Company under Chapter 17 of the Listing Rules. For details regarding the Pre-IPO ESOP, please refer to the section headed "Statutory and General Information – D. Share Incentive Schemes – 2. Pre-IPO ESOP" of the Prospectus.

Purpose

The purpose of the Pre-IPO ESOP is to establish a comprehensive long-term incentive scheme of the Group, to motivate, attract and retain talents, and to share the Company's success with the participants.

Effectiveness and Duration
Subject to any early termination as may be determined by the Board pursuant to terms of the Pre-IPO ESOP, the Pre-IPO ESOP shall be valid and effective for a period of ten years commencing on the adoption date of November 2, 2016.

Administration
The Pre-IPO ESOP shall be subject to the administration of the Board and the management of the Company (the "ESOP Administrators") in accordance with the terms and conditions of the Pre-IPO ESOP, and the decision of the Board will be final and binding on all parties. The ESOP Administrators may, from time to time, select the participants to whom an award in the form of options ("Options") may be granted.

The ESOP Administrators have the right to, among others: (i) interpret and construe the provisions of the Pre-IPO ESOP; (ii) determine the persons who will be granted Options under the Pre-IPO ESOP, the terms and conditions on which Options are granted and when the Options granted pursuant to the Pre-IPO ESOP may vest; and (iii) make such other decisions or determinations as it shall deem necessary for the administration of the Pre-IPO ESOP.

Participants
The eligible participants in the Pre-IPO ESOP (the "Pre-IPO ESOP Participants"), as determined by the Board, include (i) key management team, key technical staff of the Group and key core employees who have direct impact on the Group's performance and development and who have been formally employed after probation and (ii) any other persons who have contributed significantly to the Group and have significant value to the Group. The scope of grantees, specific targets and the number of options to be granted will be determined by the ESOP Administrators with reference to the posts, performance and duration of service of each Pre-IPO ESOP Participant.

Maximum number of Shares
Subject to any adjustments for other dilutive issuances, the maximum number of Shares underlying the Options under the Pre-IPO ESOP ("Pre-IPO ESOP Limit") is 3,376,931,209 Class B Shares, all of which have been issued and held by SenseTalent. The Pre-IPO ESOP Limit represents approximately 10.09% of the issued share capital as at the date of this annual report. There is no maximum limit of Class B Shares which may be awarded to any one Participant under the Pre-IPO ESOP.

Terms and Conditions of Options
Grant of Options
The ESOP Administrators may determine in each year whether Options shall be granted and select the Pre-IPO ESOP Participants to whom a grant of an Option may be made. The number of Options granted may be determined at the sole and absolute discretion of the ESOP Administrators and may differ among selected Pre-IPO ESOP Participants. No consideration is payable by the Pre-IPO ESOP Participants upon the acceptance of an Option.

Rights attached to the Options and the underlying Shares
A Pre-IPO ESOP Participant only has a contingent interest in the Shares underlying an Option unless and until such Shares are actually transferred to the Pre-IPO ESOP Participant. He/she is not entitled to any right of dividend or other shareholder's interest or right in respect of any Options or the underlying Shares before exercise of the Options and the completion of the registration of the Pre-IPO ESOP Participant as a Shareholder of the Company. No voting right shall be exercisable by the Pre-IPO ESOP Participants in relation to any Options or the Shares that are the subject of the Options.

Limits on Transfer of Options
Unless otherwise provided in the Pre-IPO ESOP or by applicable law, all Options under the Pre-IPO ESOP are non-transferable and shall not be subject, in any manner, to sale, transfer, exchange, pledge, encumbrance, debt repayment or other disposal prior to the time of exercise.

Vesting Schedule

Except for employees who joined the Company on or before December 31, 2015 or otherwise determined by the Administrator, the Pre-IPO ESOP Participants shall not exercise any Option granted to him/her for a period of one year (the "Waiting Period") after the date of grant of the Options ("Grant Date").

Subject to the satisfaction of the specific conditions before any Option may be vested, the Options granted will vest in four years, subject to a maximum of 25% each year. The first vesting date will be on the date when the Waiting Period ends.

Exercise of Options

Exercise Price

The exercise price per Option shall be determined by the ESOP Administrators or any persons authorized by the ESOP Administrators on the Grant Date with reference to the fair market value of the Shares and the market condition, the determination of which shall be final, binding and conclusive.

Validity Period

Unless otherwise provided in the Pre-IPO ESOP, the validity period for the Options granted to the Pre-IPO ESOP Participants shall be seven years commencing from the Grant Date (the "Validity Period"). Any Options vested but not exercised within the Validity Period shall become non-exercisable and the underlying Shares shall be returned to the Pre-IPO ESOP.

Exercise Method

The Pre-IPO ESOP Participants may exercise his/her Options by serving the exercise notice during the exercise period as determined by the ESOP Administrators and paying the relevant exercise price and the Options shall only be exercised by the Participants.

Alteration and Termination of the Pre-IPO ESOP

The terms of the Pre-IPO ESOP may be altered or amended in any respect by the Board provided that such alteration or amendment shall not affect any subsisting rights of any grantee thereunder.

The Pre-IPO ESOP may also be terminated at any time prior to the expiry of its term by our Board provided that such termination shall not affect any subsisting rights of any grantee thereunder. In such event, no further Options shall be granted.

Options granted under the Pre-IPO ESOP

As at December 31, 2022, 3,047,884,257 Options under the Pre-IPO ESOP including those which (i) remain unvested; (ii) are vested and exercisable but unexercised; and (iii) have been fully vested and exercised but remained held by SenseTalent on behalf of the relevant grantees have been granted to 2,062 grantees (including Directors, members of senior management and other connected persons of the Company).

As at January 1, 2022, the aggregate number of the Class B Shares underlying the Pre-IPO ESOP and which remain held by SenseTalent was 3,376,931,209 Class B Shares As at December 31, 2022, the aggregate number of Class B Shares underlying the Pre-IPO ESOP and which remain held by SenseTalent is 3,253,888,486, representing approximately 9.72% of the issued share capital of the Company as at December 31, 2022.

Details of share options granted under the Pre-IPO ESOP

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

Grantees	Outstanding at January 1, 2022	Number of share options granted	Number of share options exercised	Number of share options lapsed	Number of share options cancelled	Outstanding at December 31, 2022
Category 1: Five highest paid individuals during the financial year ended December 31, 2022						
Five highest paid individuals during the financial year ended December 31, 2022[1]	41,286,936	36,069,316	(13,980,197)	0	0	63,376,055
Category 2: Other Grantees						
Total of all other grantees under the Pre-IPO ESOP Plan[2]	938,420,280	315,543,537	(228,805,542)	0	(84,482,534)	940,675,741
	119,366,729[3]	0	(46,065,310)	0	0	73,301,419
	278,431,138[4]	0	(94,907,578)	0	(2,571,739)	180,951,821
	540,622,413[5]	315,543,537	(87,832,654)	0	(81,910,795)	686,422,501
Total all categories	979,707,216	351,612,853	(242,785,739)	0	(84,482,534)	1,004,051,796

Notes:

(1) As at January 1, 2022, the number of outstanding Options is 41,286,936. Such Options were granted from January 1, 2020 to January 1, 2021 with a vesting period of 4 years, exercise period of 7 years and exercise price of approximately HK$0.78.

During the Reporting Period, a total of 36,069,316 Options were granted on January 1, 2022 and September 13, 2022 with a vesting period of 3.5 to 4 years, exercise period of 7 years and exercise price of approximately HK$0.78. The vesting of these Options are subject to fulfilment of specific conditions (including performance targets). The closing price of the Class B Shares on the Stock Exchange immediately before the date on which the grant was made (the grant dates being January 1, 2022 and September 13, 2022) was HK$5.50 and HK$2.28 respectively. For the fair value of the Options granted during the Reporting Period and the accounting standard and policy adopted, please refer to Note 30 to the consolidated financial statements.

The Options which were exercised during the Reporting Period have an exercise price of approximately HK$0.78. The weighted average closing price of the Class B Shares on the Stock Exchange immediately before the dates on which the Options were exercised was HK$2.01.

(2) As at January 1, 2022, the number of outstanding Options is 938,420,280. Such Options were granted from November 2, 2016 to July 1, 2021 with a vesting period of 0 to 4 years, exercise period of 7 years and exercise price of approximately HK$0.78 or HK$0.22 or HK$0.0001.

During the Reporting Period, a total of 315,543,537 Options were granted on January 1, 2022, July 1, 2022 and September 13, 2022 with a vesting period of 2 to 4 years, exercise period of 7 years and exercise price of approximately HK$0.78. The vesting of these Options are subject to fulfilment of specific conditions (including performance targets). The closing price of the Class B Shares on the Stock Exchange immediately before the date on which the grant was made (the grant dates being January 1, 2022, July 1, 2022 and September 13, 2022) was HK$5.50, HK$3.13 and HK$2.28 respectively. For the fair value of the Options granted during the Reporting Period and the accounting standard and policy adopted, please refer to Note 30 to the consolidated financial statements.

The Options which were exercised during the Reporting Period have an exercise price of approximately HK$0.78, HK$0.22 or HK$0.0001. The weighted average closing price of the Class B Shares on the Stock Exchange immediately before the date of exercise was HK$2.12.

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

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

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

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

(6) During the Reporting Period, the Directors hold no outstanding Options under the Pre-IPO ESOP. In addition, during the Reporting Period, no Options were granted to, vested on or exercised by any Director and there were no lapsing or cancellation of Options with respect to any Director. As at December 31, 2022, SenseTalent holds 565,386,529 Class B Shares on behalf of Dr. Xu Li, 302,140,243 Class B Shares on behalf of Dr. Wang Xiaogang, and 252,236,581 Class B Shares on behalf of Mr. Xu Bing. Such Class B Shares held by SenseTalent on behalf of Dr Xu Li, Dr. Wang Xiaogang and Mr. Xu Bing represents Class B Shares which were issued to them upon the full exercise of Options granted to them under the Pre-IPO ESOP prior to the Reporting Period.

2022 RSU Scheme

The following is a summary of the key terms of the 2022 RSU Scheme as approved by the Board on June 20, 2022. Upon the revised Chapter 17 coming into effective in January 2023, the 2022 RSU Scheme constitute a share scheme under Chapter 17 of the Listing Rules. For details regarding the 2022 RSU Scheme, please refer to the announcement of the Company dated June 20, 2022.

Purpose

The purpose of the 2022 RSU Scheme is to recognise the contributions of the participants, encourage and retain the participants for the continual operation and development of the Group, and to motivate the participants to maximize the value of the Company for the benefits of both such participants and the Company.

Effectiveness and Duration

Subject to any early termination as may be determined by the Board pursuant to terms of the 2022 RSU Scheme, the 2022 RSU Scheme shall be valid and effective for a period of ten years commencing on the adoption date of June 20, 2022.

Administration

The 2022 RSU Scheme shall be subject to the administration of the Board in accordance with the terms and conditions therein, and a trustee may be appointed to assist with the administration and vesting of RSUs granted pursuant to the 2022 RSU Scheme. The trustee will not exercise any voting rights in respect of any Class B Shares held under the trust or as nominee.

An administrative committee comprising the chairman of the Board (the "Chairman"), one senior officer of the human resources department and one senior officer of finance department, as appointed by the Chairman, from time to time, may (i) exercise the mandate granted by the Shareholders at general meetings of the Company and direct the Company to allot and issue Class B Shares to the trustee to be held by the trustee to satisfy the RSUs upon vesting; and/or (ii) direct and procure the trustee to receive existing Class B Shares from any Shareholder or purchase existing Class B Shares (either on-market or off-market) to satisfy the RSUs upon vesting.

Participants
The eligible participants in the 2022 RSU Scheme (the "2022 RSU Scheme Participants") include (i) any employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive directors) of any member of the Group; and (ii) any consultant, adviser or agent of any member of the Group who, in the sole opinion of the Board and/or the Chairman has contributed or will contribute to the growth and development of the Group.

Maximum Number of Shares
The total number of Class B Shares underlying the 2022 RSU Scheme shall not in aggregate exceed 1,675,370,000 Class B Shares, representing approximately 5% of the total number of the issued share capital of the Company as at the adoption date of June 20, 2022. Without prejudice to the foregoing, the total number of Class B Shares underlying the RSUs to be granted under the 2022 RSU Scheme in any financial year will not exceed 3% of the issued Shares as at the beginning of that financial year.

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

The Class B Shares underlying the 2022 RSU Scheme may be issued by the Company pursuant to authorization granted by the Shareholders by way of general or specific mandate(s), and the general or specific mandate(s) may be refreshed from time to time in accordance with the Listing Rules. As at the Latest Practicable Date, no Class B Shares have been issued for the purposes of the 2022 RSU Scheme.

The maximum number of Class B Shares which may be awarded to any one Participant under the 2022 RSU Scheme may not exceed 1% of the issued Shares as at the adoption date of June 20, 2022.

Terms and Conditions of the 2022 RSU Scheme Awards

Grant of 2022 RSU Scheme Awards
Subject to the terms of the 2022 RSU Scheme, the Board (in the case of grantees who are Directors (the "Senior Grantees")) or the Chairman (in the case of grantees other than Senior Grantees, the "Junior Grantees", and together with the Senior Grantees, the "Grantees") shall be entitled at any time during the term of the 2022 RSU Scheme to make a grant of awards (the "2022 RSU Scheme Awards") to any 2022 RSU Scheme Participant, as the Board or the Chairman (as the case may be) may in its absolute discretion determine. The amount of a 2022 RSU Scheme Award may be determined at the sole and absolute discretion of the Board (in the case of Senior Grantees) or the Chairman (in the case of Junior Grantees) and may differ among selected 2022 RSU Scheme Participants. No consideration is payable by the selected person upon the grant of a 2022 RSU Scheme Award.

Conditions of the 2022 RSU Scheme Awards
2022 RSU Scheme Awards may be granted on such terms and conditions (such as by linking the vesting of the RSU to the attainment or performance of milestones or targets by any member of the Group, the Grantee or any group of Grantees) as the Board (in the case of Senior Grantees) or the Chairman (in the case of Junior Grantees) may determine, provided such terms and conditions shall be consistent with any other terms and conditions of the 2022 RSU Scheme and shall be set out in the notice of grant.

For as long as the Class B Shares are listed on the Stock Exchange, if required by the Stock Exchange or the Listing Rules, the grant of a 2022 RSU Scheme Award shall be subject to the compliance with the requisite requirements under the Listing Rules or otherwise required by the Stock Exchange.

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

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

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

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

Rights attached to the 2022 RSU Scheme Awards
The RSUs do not carry any right to vote at general meetings of the Company. No Grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of a 2022 RSU Scheme Award pursuant to the 2022 RSU Scheme, unless and until such Class B Shares underlying the RSUs are actually transferred to the Grantee upon the vesting of the RSUs. Unless otherwise specified by the Board in its sole and absolute discretion in the notice of grant, the Grantees do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Class B Shares underlying a 2022 RSU Scheme Award or RSU.

Alteration and Termination of the 2022 RSU Scheme
The terms of the 2022 RSU Scheme may be altered, amended or waived in any respect by the Board provided that such alteration, amendment or waiver shall not affect any subsisting rights of any Grantee thereunder. The 2022 RSU Scheme may be terminated at any time prior to the expiry of its term by the Board provided that such termination shall not affect any subsisting rights of any Grantee.

RSUs granted under the 2022 RSU Scheme
As at December 31, 2022, no grant has been made to the 2022 RSU Scheme Participants under the 2022 RSU Scheme, and no Class B Shares had been issued for the purposes of the 2022 RSU Scheme.

Percentage of weighted average number of shares

The total number of Class B Shares that may be issued in respect of options or awards granted under the Pre-IPO RSU Plan, the Pre-IPO ESOP and the 2022 RSU Scheme of the Company (being the 1,675,370,000 Class B Shares which may be issued under the 2022 RSU Scheme, as each of the Pre-IPO RSU Plan and the Pre-IPO ESOP does not involve issue of new Shares) during the financial year divided by the weighted average number of total Shares in issue for the financial year is 5.00%.

Equity-Linked Agreements

Save as disclosed in the section headed "Share Incentives Scheme" above, no equity-linked agreements that will or may result in the Company issuing shares, or that require the Company to enter into any agreements that will or may result in the Company issuing shares, were entered into by the Company during the Reporting Period or subsisted as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

The Directors throughout the Reporting Period and as at the Latest Practicable Date are:

Executive Directors

Dr. XU Li (徐立) *(Executive Chairman of the Board)*
Prof. TANG Xiao'ou (湯曉鷗)
Dr. WANG Xiaogang (王曉剛)
Mr. XU Bing (徐冰)

Non-executive Director

Ms. FAN Yuanyuan (范瑗瑗)

Independent non-executive Directors

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

Confirmation of Independence of Independent Non-Executive Director

The Company has received annual written confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Biographical Details of Directors

Executive Directors

Dr. Xu Li (徐立), aged 41, is our co-founder, executive Chairman of our Board, executive Director and chief executive officer. He was appointed as a Director on December 15, 2015 and re-designated as an executive Director on August 23, 2021. He is primarily responsible for our Group's vision strategy, business development and daily operations. He has been an adjunct professor at Shanghai Jiao Tong University since December 2018.

Prior to joining our Group, Dr. Xu Li was a research scientist at Lenovo Group Ltd. from August 2013 to March 2015, and a postdoctoral fellow at the Chinese University of Hong Kong from October 2010 to July 2013.

Dr. Xu Li obtained his bachelor's degree in computer science and engineering in July 2004 and his master's degree in computer engineering in March 2007 from Shanghai Jiao Tong University (上海交通大學), and his Ph.D. degree in computer science and engineering in December 2010 from the Chinese University of Hong Kong, where he focused on research on computer vision and computational imaging.

Dr. Xu Li was ranked top ten in Fortune's Global List of 40 Under 40 in 2018, an annual ranking published by Fortune featuring the most influential young people in business sector. He was also listed on Fortune China's 40 Under 40, a list featuring 40 young business elites in China, for five consecutive years from 2017 to 2021. He was named as the Technology Category Winner of Ernst & Young Entrepreneur of The Year China 2018 and the Hong Kong InnoStars Award (香港創新領軍人物大獎) by Our Hong Kong Foundation (團結香港基金) in 2019.

Prof. Tang Xiao'ou (湯曉鷗), aged 55, is our founder and was appointed as our executive Director on August 23, 2021. He is primarily responsible for designing the Group's research and innovation strategies and driving research partnerships with leading universities and academic institutions.

Prof. Tang Xiao'ou has been a professor at the Department of Information Engineering at the Chinese University of Hong Kong since January 1998, and an associate director of the Shenzhen Institute of Advanced Technology of the Chinese Academy of Science (中國科學院深圳先進技術研究院) since January 2009. He has also been a director of HKAI Lab since May 2018, and the head of the Shanghai Artificial Intelligence Innovation Center (上海人工智能創新中心) since August 2020. He was a board member of Khazanah Nasional Berhad from June 2019 to April 2020 and Hong Kong Science and Technology Parks Corporation from July 2018 to March 2021.

Prof. Tang Xiao'ou has been a fellow at the IEEE since 2009. He was the Editor-in-Chief of IJCV (a leading journal on computer vision) and a general chair of the ICCV (a leading conference on computer vision). Prof. Tang Xiao'ou was ranked as Asia's top five computer scientists by Guide2Research in 2020. He established the Multimedia Lab (MMLab) of the Chinese University of Hong Kong in 2001. He received the Best Paper Award at CVPR in 2009, which was the first one ever from Asia.

Prof. Tang Xiao'ou obtained a Bachelor of Science degree from the University of Science and Technology of China in July 1990, and a Master of Science degree from the University of Rochester in October 1991. He further received a Ph.D. degree from the Massachusetts Institute of Technology in June 1996.

Dr. Wang Xiaogang (王曉剛), aged 45, is our co-founder, executive Director and chief scientist. He was appointed as a Director on October 10, 2016 and re-designated as an executive Director on August 23, 2021. He is primarily responsible for overseeing and supervising our Group's research team. He joined the Department of Electronic Engineering at the Chinese University of Hong Kong as an assistant professor in August 2009 and has been a professor since August 2020. He has been the Chairman of China Augmented Reality Core Technology Industry Alliance (中國增強現實核心技術產業聯盟) since June 2019.

Dr. Wang Xiaogang has published numerous papers at major conferences and journals and his publications have received over 96,000 citations according to Google Scholar, with H-Index of 140. He was awarded the honorable mention of PAMI Young Researcher Award by the IEEE Computer Society in 2016, and the Hong Kong RGC Early Career Award in 2012. He was the area chair of various international conferences between 2011 and 2017, including the CVPR, ICCV and ECCV.

Dr. Wang Xiaogang obtained his bachelor's degree in electronic engineering and information science from the Special Class of Gifted Young at the University of Science and Technology of China in July 2001. He further obtained an MPhil degree from the Chinese University of Hong Kong in December 2003, and a Ph.D. degree in computer science from the Massachusetts Institute of Technology in June 2009.

Mr. Xu Bing (徐冰), aged 33, is our co-founder, executive Director and Board secretary. He was appointed as a Director on December 15, 2015 and re-designated as an executive Director on August 23, 2021. He is primarily responsible for our Group's corporate development strategies and overseeing fundraising and strategic investments.

Prior to founding our Group, Mr. Xu Bing was a Ph.D. candidate at the Multimedia Lab of the Chinese University of Hong Kong since August 2012, focusing on research on deep learning and computer vision. He obtained his mathematics from the Chinese University of Hong Kong in November 2012. Mr. Xu Bing was named Innovators Under 35 by MIT Technology Review in 2017 and listed on Forbes Asia's 30 Under 30 in 2019.

Non-executive Director

Ms. Fan Yuanyuan (范瑗瑗), aged 48, was appointed as a Director on January 25, 2017 and re-designated as a non-executive Director on August 23, 2021. She is primarily responsible for providing advice to the overall development of our Group.

Ms. Fan has years of experience in private equity investments, management consulting and financial services. She joined Sailing Capital in January 2013 and has been a partner and managing director since January 2016 responsible for cross-border private equity investments. She was a director of Jianpu Technology Inc., a company listed on the New York Stock Exchange (stock code: JT) from October 2017 to May 2019. She served as an adjunct professor at the college of business of the Shanghai University of Finance and Economics (上海財經大學) from December 2017 to December 2019. She had previously worked at Pacific Asset Management from July 2010 to December 2012 and McKinsey & Company from October 2008 to June 2010.

Ms. Fan obtained a bachelor's degree and a master's degree in economics from the Shanghai University of Finance and Economics in July 1996 and January 1999, respectively. She further received an MBA degree from Cornell University in May 2003 and an EMBA degree from Tsinghua University in July 2015.

Independent non-executive Directors

Prof. Xue Lan (薛瀾), aged 63, was appointed as our independent non-executive Director on December 7, 2021. He is primarily responsible for offering independent advice to our Board on the operations and management of our Group.

Prof. Xue has been a professor at Tsinghua University since September 1998 and the Dean of Schwarzman College since September 2018. He was the Dean of the School of Public Policy and Management at the same university from October 2008 to November 2018. He has also been an independent non-executive director of Neusoft Corporation (東軟集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600718) since May 2020 and an independent non-executive director of Lenovo Group Limited (聯想集團有限公司), a company listed on the Stock Exchange (stock code: 992) since June 2022, where he acquired corporate governance experience. His corporate governance experience includes, among others, (i) regularly attending board meetings and providing independent opinions to Neusoft Corporation and Lenovo Group Corporation on certain corporate governance matters to ensure that it is operated and managed for the benefit of all of its shareholders and in compliance with the relevant laws and regulations; (ii) reviewing and opining on related party transactions and connected transactions (as the case may be); (iii) monitoring the appointment and remuneration of directors and senior management; and (iv) reviewing and understanding the implementation of internal control measures of Neusoft Corporation and Lenovo Group Corporation.

Prof. Xue has been serving as the vice chairman of the board of Chinese Association of Science of Science and S&T Policy (CASSSP) (中國科學學與科技政策研究會) since October 2015, a member and chair of the National Expert Committee on New Generation of Artificial Intelligence Governance (國家新一代人工智能治理專業委員會) since March 2019, a member of the Standing Committee of the China Association for Science and Technology since May 2021 and a member of the United Nations Internet Governance Forum (IGF) Leadership Panel since August 2022. Prof. Xue was awarded the Fudan Distinguished Contribution Award for Management Science in November 2011, the Outstanding Contribution Award by the CASSSP in October 2018 and the National Award for Excellence in Innovation (全國創新爭先獎章) in May 2020. He was also recognized as a Changjiang Scholar by the Ministry of Education of the PRC in 2008.

Prof. Xue obtained his bachelor's degree in optics and fine mechanics from the Changchun Institute of Optics and Fine Mechanics (長春光學精密機械學院) (currently known as Changchun University of Science and Technology (長春理工大學)) in January 1982. He obtained a Master of Science degree from the State University of New York at Stony Brook in December 1987. He further received a Master of Science degree and a Ph.D. degree in engineering and public policy from Carnegie-Mellon University in May 1989 and December 1991, respectively.

Mr. Lyn Frank Yee Chon (林怡仲), aged 64, was appointed as our independent non-executive Director on December 7, 2021. He is primarily responsible for offering independent advice to our Board on the operations and management of our Group.

Mr. Lyn has been an independent non-executive director and the chairman of the audit committee of Standard Chartered Bank (China) Ltd. since October 2020 and November 2020, respectively. He served the same positions at Mox Bank Limited since July 2020. He was previously a partner at PricewaterhouseCoopers (PwC) from 1993 to 2019 and has held multiple senior positions at PwC China & Hong Kong, including markets leader, member of management board, corporate finance leader and Hong Kong senior partner. Mr. Lyn acquired corporate governance experience through his positions as an independent non-executive director of Standard Chartered Bank (China) Ltd. and Mox Bank Limited. His corporate governance experience includes, among others, (i) attending all board meetings covering various key matters including corporate governance, internal controls, risk management, regulatory compliance, financial reporting and strategy; (ii) facilitating effective communication between the board of directors and management; and (iii) understanding the relevant regulatory requirements and directors' duty to act in the best interests of the company and the shareholders as a whole. These were also some of the key corporate experience accumulated by Mr. Lyn during his service at PwC for over 30 years.

Mr. Lyn served at The Community Chest (香港公益金) as a director from June 2015 to June 2021 and as a treasurer during the financial years between 2015/2016 to 2019/2020. He was a member of the Chinese People's Political Consultative Committee of the Guangxi Zhuang Autonomous Region (中國人民政治協商會議廣西壯族自治區委員會) from 2000 to 2018. Mr. Lyn obtained a Bachelor of Arts degree in accounting and finance from Nottingham Trent University (Trent Polytechnic) in July 1983. He has been a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) since October 1989 and the Institute of Chartered Accountants in England and Wales (ICAEW) since July 1988.

Mr. Li Wei (厲偉), aged 59, was appointed as our independent non-executive Director on December 7, 2021. He is primarily responsible for offering independent advice to our Board on the operations and management of our Group.

Mr. Li is the chairman of the board of Songhe Venture Capital Co., Ltd. (松禾創業投資有限公司) and the founding partner of Green Pine Capital Partners, a venture capital firm specializing on strategic emerging industries including artificial intelligence. He gained corporate governance experience through serving as directors of various investee companies of Green Pine Capital Partners. His corporate governance experience includes, among others, (i) communication with the board of directors and shareholders; and (ii) understanding the duty of directors to act in the best interests of the investee companies and the shareholders as a whole.

Mr. Li was listed by Forbes China as one of China's top 100 venture capitalists for three consecutive years from 2018 to 2020. He was also listed on Fortune China's list of 30 most influential Chinese investors in 2020. Mr. Li obtained a bachelor's degree in chemistry from Peking University in July 1985. He further obtained a master's degree in economics and an EMBA degree from the same university in January 1991 and January 2005, respectively.

Changes in Information of the Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company as notified to the Company subsequent to the date of the annual report of the Company for the year ended December 31, 2021, are set out below:

Directors	Details of Changes
Prof. Xue Lan	Appointed as the independent non-executive director of Lenovo Group Limited (聯想集團有限公司, a company listed on the Stock Exchange under the stock code 992) on June 20, 2022 Appointed as a member of the United Nations Internet Governance Forum (IGF) Leadership Panel on August 16, 2022

Biographical Details of Senior Management

Dr. Xu Li (徐立) is our co-founder, executive Chairman of our Board, executive Director and chief executive officer. Please refer to the section headed "Biographical Details of Directors" for further details.

Prof. Tang Xiao'ou (湯曉鷗), is our founder and executive Director. Please refer to the section headed "Biographical Details of Directors" for further details.

Dr. Wang Xiaogang (王曉剛) is our co-founder, executive Director and chief scientist. Please refer to the section headed "Biographical Details of Directors" for further details.

Mr. Xu Bing (徐冰) is our co-founder, executive Director and Board secretary. Please refer to the section headed "Biographical Details of Directors" for further details.

Mr. Wang Zheng (王征), aged 46, has been our chief financial officer since May 2019. He is primarily responsible for overall financial planning and management of our Group.

Prior to joining our Group, Mr. Wang worked at Silver Lake from May 2008 to December 2018, with his last position as managing director and head of Greater China, primarily responsible for sourcing and executing private equity investments in the technology and technology-enabled industries. He worked at General Atlantic from May 2005 to April 2008, with his last position as vice president focusing on technology, media and telecom (TMT) and healthcare related private equity investments in North Asia. During his tenure with Silver Lake and General Atlantic, Mr. Wang had served as board director or board observer at several investee companies. Earlier in his career, Mr. Wang was a senior business analyst at corporate finance practice at McKinsey & Company from October 2003 to May 2005. He served as financial analyst at Morgan Stanley from November 2002 to August 2003 and at Credit Suisse First Boston from July 2001 to October 2002.

Mr. Wang obtained a bachelor's degree, summa cum laude, in computer science and economics from Yale College in May 2001.

Mr. Yang Fan (楊帆), aged 40, is our co-founder and has been our vice president since November 2014. He is primarily responsible for strategic planning and corporate development of our Group, and is the president of our SenseCore business.

Mr. Yang has been serving as an industry expert at the Shenzhen Stock Exchange from June 2020 and the vice president of the Strategic Cooperation and Development Committee of the Institute for AI International Governance of Tsinghua University from April 2021. Prior to joining our Group, Mr. Yang was the research software development engineer at Microsoft (China) Co., Ltd. from July 2006 to November 2014.

Mr. Yang obtained his bachelor's and master's degree in electronic engineering from Tsinghua University in July 2003 and July 2006, respectively.

Directors' Service Contracts and Appointment Letters

Executive Directors

Each of the executive Directors has entered into a service contract with the Company. Pursuant to the agreement, they agreed to act as executive Directors for an initial term of three years with effect from the date the appointment is approved by the Board or until the third annual general meeting of the Company after the Listing Date (whichever is earlier). Either party has the right to give not less than three months' written notice to terminate the agreement. Details of the Company's remuneration policy is described in section headed "Remuneration Policy" in the Corporate Governance Report.

Non-executive Director

The non-executive Director has entered into an appointment letter with the Company. Her appointment as a Director shall continue for three years after or until the third annual general meeting of the Company after the Listing Date, whichever is earlier, (subject to retirement as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. Under the appointment letter, the non-executive Director is not entitled to receive annual salaries in her capacity as non-executive Director.

Independent Non-executive Directors

Each of the independent non-executive Directors has entered into an appointment letter with the Company. The initial term of their appointment shall be three years from the date of their appointment or until the third annual general meeting of the Company after the Listing Date, whichever is earlier, (subject to retirement as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Save as disclosed above, none of the Directors (including such Directors who are proposed for re-election at the annual general meeting of the Company for the year ended December 31, 2022) has or will have a service contract with any member of the Group, other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Details of the emoluments of the Directors during the year ended December 31, 2022 are set out in Note 39 to the consolidated financial statements in this annual report.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in this annual report, none of the Directors or an entity connected with a Director were materially interested, either directly or indirectly, in any transaction, arrangement or contract subsisting during or at the end of the Reporting Period which was significant in relation to the business of the Group taken as a whole.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this annual report, neither the Company nor its subsidiaries were a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right at any time during the Reporting Period.

Directors' Interests in Competing Business

As at December 31, 2022, (i) Dr. Wang Xiaogang held 14.45% of equity interests in Chengdu Xinzhouruishi Technology Co., Ltd (成都新舟銳視科技有限公司) ("Chengdu Xinzhouruishi"), a company established in the PRC with intelligent visual processing technology specializing in research and development, production and sales of intelligent security products. Beijing SenseTime Technology Development Co., Ltd. (北京市商湯科技開發有限公司), an indirect wholly-owned subsidiary of the Company, has also invested in Chengdu Xinzhouruishi and holds 13.50% of its equity interests; and (ii) Mr. Xu Bing is a director of two companies that the Company has invested in. Mr. Xu Bing's role as a director in these two investees was appointed by the Company.

Save as disclosed in this annual report, during the year ended December 31, 2022, none of the Directors had any interest in any business which competes, or is likely to compete, directly or indirectly, with the Company's business, and requires disclosure under Rule 8.10(2) of the Listing Rules.

Permitted Indemnity Provision

Pursuant to Article 208 of the Articles of Association and subject to the applicable laws and regulations, every Director shall, in the absence of actual fraud or wilful default or as otherwise required by law, be indemnified by the Company against all costs, losses, damages and expenses which he may incur or become liable in respect of by reason of any contract entered into, or act or thing done by him as Director or in any way in or about the execution of his duties.

Such permitted indemnity provision has been in force since the Listing Date. The Company has taken out and maintained appropriate insurance coverage for the Directors.

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

As at December 31, 2022, the interests or short positions of the Directors and the chief executive in any Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which have been taken or deemed to have been taken under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Interests in Shares of the Company

Name	Nature of interest[1]	Number and class of shares held	Approximate percentage of shareholding of each class of shares in our Company[2]	Approximate percentage of shareholding in the issued and outstanding share capital of our Company[2]
Class A Shares – Prof. Tang Xiao'ou				
Amind[3]	Beneficial interest	6,906,080,602 Class A Shares	91.83%	20.63%
Prof. Tang Xiao'ou	Interest in a controlled corporation	6,906,080,602 Class A Shares	91.83%	20.63%
Class A Shares – Dr. Xu Li				
XWorld[4]	Beneficial interest	286,317,668 Class A Shares	3.81%	0.86%
Dr. Xu Li	Interest in a controlled corporation	286,317,668 Class A Shares	3.81%	0.86%
Class A Shares – Dr. Wang Xiaogang				
Infinity Vision[5]	Beneficial interest	223,526,705 Class A Shares	2.97%	0.67%
Dr. Wang Xiaogang	Interest in a controlled corporation	223,526,705 Class A Shares	2.97%	0.67%
Class A Shares – Mr. Xu Bing				
Vision Worldwide[6]	Beneficial interest	104,190,097 Class A Shares	1.39%	0.31%
Mr. Xu Bing	Interest in a controlled corporation	104,190,097 Class A Shares	1.39%	0.31%
Class B Shares – Dr. Xu Li				
Dr. Xu Li through SenseTalent[7]	Beneficial interest	565,386,529 Class B Shares	2.18%	1.69%

Name	Nature of interest[1]	Number and class of shares held	Approximate percentage of shareholding of each class of shares in our Company[2]	Approximate percentage of shareholding in the issued and outstanding share capital of our Company[2]
Class B Shares – Dr. Wang Xiaogang				
Dr. Wang Xiaogang through SenseTalent[7]	Beneficial interest	302,140,243 Class B Shares	1.16%	0.90%
Infinity Vision[5]	Beneficial interest	8,644,928 Class B Shares	0.03%	0.03%
Dr. Wang Xiaogang	Interest in a controlled corporation	8,644,928 Class B Shares	0.03%	0.03%
Class B Shares – Mr. Xu Bing				
Mr. Xu Bing through SenseTalent[7]	Beneficial interest	252,236,581 Class B Shares	0.97%	0.75%
Class B Shares – Mr. Li Wei				
Mr. Li Wei through Ms. Cui Jingtao[8]	Interest of spouse	1,800,000 Class B Shares	0.01%	0.01%

Notes:

(1) All interests stated are long position.

(2) The calculations are based on the number of Shares in issue as at December 31, 2022. As at December 31, 2022, 7,520,115,072 Class A Shares and 25,948,809,928 Class B Shares were in issue.

(3) The entire interest in Amind is held by Prof. Tang Xiao'ou.

(4) The entire interest in XWorld is held by Dr. Xu Li.

(5) The entire interest in Infinity Vision is held by Dr. Wang Xiaogang.

(6) The entire interest in Vision Worldwide is held by Mr. Xu Bing.

(7) The interests comprise underlying Class B Shares in respect of the options granted pursuant to the Pre-IPO ESOP. Such options have been fully vested and exercised on the relevant Directors.

(8) Ms. Cui Jingtao is the spouse of Mr. Li Wei. Under the SFO, Mr. Li Wei is deemed to be interested in the same number of Shares in which Ms. Cui Jingtao is interested.

Save as disclosed above, as at December 31, 2022, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or are required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders' Interests and Short Positions in Shares and Underlying shares of the Company

So far as the Directors are aware, as at December 31, 2022, other than the Directors and the chief executive, the following persons had interests and/or short positions (as applicable) in the Shares or underlying shares of the Company which wold fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Interests in Shares of the Company

Name	Nature of interest[1]	Number and class of shares held	Approximate percentage of shareholding of each class of shares in our Company[2]	Approximate percentage of shareholding in the issued and outstanding share capital of our Company[2]
Class B Shares – SenseTalent				
SenseTalent[3]	Beneficial interest	3,725,976,530 Class B Shares	14.36%	11.13%
Ms. Lin Jiemin	Interest in a controlled corporation	3,725,976,530 Class B Shares	14.36%	11.13%
Class B Shares – Softbank[6]				
SVF Sense (Singapore) Pte. Ltd.[4]	Beneficial interest	4,667,573,397 Class B Shares	17.99%	13.95%
SVF II Holdings	Interest in a controlled corporation	4,667,573,397 Class B Shares	17.99%	13.95%
SVF Holdings (UK) LLP	Interest in a controlled corporation	4,667,573,397 Class B Shares	17.99%	13.95%
SoftBank Vision Fund L.P.	Interest in a controlled corporation	4,667,573,397 Class B Shares	17.99%	13.95%
SB Investment Advisers (UK) Limited	Interest in a controlled corporation	4,667,573,397 Class B Shares	17.99%	13.95%
SVF GP (Jersey) Limited	Interest in a controlled corporation	4,667,573,397 Class B Shares	17.99%	13.95%
SoftBank Group Corp.	Interest in a controlled corporation	4,667,573,397 Class B Shares	17.99%	13.95%

Name	Nature of interest[1]	Number and class of shares held	Approximate percentage of shareholding of each class of shares in our Company[2]	Approximate percentage of shareholding in the issued and outstanding share capital of our Company[2]
Class B Shares – Alibaba[6]				
Taobao China Holding Limited[5]	Beneficial interest	2,271,030,000 Class B Shares	8.75%	6.79%
Taobao Holding Limited	Interest in a controlled corporation	2,271,030,000 Class B Shares	8.75%	6.79%
Alibaba Group Holding Limited	Interest in a controlled corporation	2,271,030,000 Class B Shares	8.75%	6.79%

Notes:

(1) All interests stated are long position.

(2) The calculations are based on the number of Shares in issue as at December 31, 2022. As at December 31, 2022, 7,520,115,072 Class A Shares and 25,948,809,928 Class B Shares were in issue.

(3) As at December 31, 2022, Ms. Lin Jiemin held 70.48% of the issued shares in SenseTalent, and is therefore deemed to be interested in the Class B Shares held by SenseTalent.

(4) SVF Sense (Singapore) Pte. Ltd. is indirectly wholly owned by SVF Holdings (UK) LLP. SoftBank Vision Fund L.P. is the managing member of SVF Holdings (UK) LLP. The general partner of SoftBank Vision Fund L.P. is SVF GP (Jersey) Limited, which is ultimately wholly owned by SoftBank Group Corp. (TYO: 9984). SVF GP (Jersey) Limited appointed SB Investment Advisers (UK) Limited, ultimately wholly owned by SoftBank Group Corp. (TYO: 9984), as the manager of SoftBank Vision Fund L.P.. SB Investment Advisers (UK) Limited is exclusively responsible for making all decisions related to the acquisition, structuring, financing, voting, and disposal of investments held by SoftBank Vision Fund L.P.

(5) Taobao China Holding Limited is a wholly-owned subsidiary of Taobao Holding Limited, which is in turn a wholly-owned subsidiary of Alibaba Group Holding Limited, whose American depositary shares are listed on the New York Stock Exchange (stock symbol: BABA) and ordinary shares are listed on the Main Board of the Stock Exchange (stock code: 9988).

(6) The number and the percentage shares as disclosed are based on the substantial shareholder notices filed with the Stock Exchange.

Save as disclosed above, as at December 31, 2022, the Directors were not aware of any other person had any interest and/or short positions in the Shares or underlying shares of our Company which fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

CONNECTED TRANSACTIONS

Distributorship Agreement with JCV

Principal Terms

SenseTime HK entered into a distributorship agreement with Japan Computer Vision Corp. ("JCV") dated August 30, 2019, which were subsequently amended on October 13, 2020, December 18, 2020 and December 3, 2021 (the "Distributorship Agreement") for a term expiring on December 31, 2024, subject to renewal upon the mutual consent of both parties. Pursuant to the Distributorship Agreement, (i) SenseTime HK grants to JCV the distributorship rights to import, distribute and sell in various markets (including Japan) hardware products and software products; and (ii) SenseTime HK provides professional services to JCV which will be required for JCV's customers to use or consume the hardware products and software products sold to them by JCV.

JCV is a wholly-owned subsidiary of SoftBank Corp., a 30%-controlled company of SoftBank Group Corp. which is in turn the holding company of SVF Sense (Singapore) Pte. Ltd. As disclosed in the section headed "Substantial Shareholders", SVF Sense (Singapore) Pte. Ltd. is a substantial Shareholder and hence a connected person of the Company. As such, JCV is also a connected person of the Company.

Basis of Consideration

For the hardware products, prior to January 1, 2021, JCV shall pay to the Company (i) the relevant per unit price, which is determined on arm's length basis, taking into account the costs of the hardware products (including production costs, material costs and research and development costs) and with reference to prices generally offered by our Group to Independent Third Parties; and (ii) part of the revenue generated from the sales by JCV as recognized under Japan GAAP (the "JCV Sales Revenue"). Under such pricing arrangement, JCV shall pay to the Company, on monthly basis, 60% of the JCV Sales Revenue generated from the Company's hardware after deducting the sum of the hardware product price JCV pays on per-order basis. The parties agreed to the change of pricing policies in December 2020 after accumulating experience in distributing the hardware products. It was agreed that in order to provide more incentive for JCV to expand into the local markets and increase the competitiveness of the sale of the Company's products in the relevant markets, which would translate into an increase of JCV's procurement from the Company, with effect from January 1, 2021, JCV shall only pay to the Company per unit price of the relevant hardware products, which is determined on arm's length basis and as adjusted from time to time.

For the software products, JCV shall pay to the Company part of the JCV Sales Revenue, being 60% (for before July 31, 2021) or 50% (for after August 1, 2021) of the JCV Sales Revenue generated from the Company's software on monthly basis. To cover the Company's costs incurred in localizing the products when entering into the relevant markets (such as adding new features which cater to the customers of the local markets, improving the quality and level of security of the software products and translating the user interface and documentation into various local languages), the parties agreed to a higher revenue sharing ratio of 60% for the Company during the initial two years of the Distributorship Agreement. It was contemplated that after two years, the relevant localization of the products would become more cost efficient with the leverage on previous work done, so that the parties agreed to a 50/50 revenue sharing ratio after two years.

For the professional services, JCV shall pay to the Company the services fees based on the nature and scope of the services, and the man-hour used for the relevant services.

Annual Caps

In relation to the Distributorship Agreement, the transaction amounts to be paid by JCV to SenseTime HK for the four years ending December 31, 2024 shall not exceed the annual caps as set out in the table below:

	Annual caps for the year ended/ending December 31,			
	2021	2022	2023	2024
	(RMB in millions)			
Transaction amounts to be paid by JCV to SenseTime HK	169.8	238.0	333.5	466.5

For the year ended December 31, 2022, the actual transaction amount paid/payable by JCV to SenseTime HK pursuant to the Distributorship Agreement was RMB30.4 million.

Software License Agreement with JCV

Principal Terms

SenseTime HK entered into a software license agreement with JCV dated June 8, 2022 (the "Software License Agreement"). SenseTime HK shall be entitled to conduct a review on the license granted under the Software License Agreement every ten (10) years, and shall be entitled to terminate the license granted under the Software License Agreement upon such review by providing at least six (6) months written notice to JCV prior to the date of termination.

Pursuant to the Software License Agreement, (i) SenseTime HK granted a license (the "License") in respect of the SenseXchange software platform developed by SenseTime HK and its associated documentation files (the "Software") to JCV, pursuant to which JCV shall be entitled to (a) use, copy, modify or merge the Software and (b) publish, distribute, sublicense the modified Software in various markets (being such markets as set out in the Distributorship Agreement); (ii) SenseTime HK agreed to provide certain supporting services in connection with the grant of the License to JCV, including (a) maintenance and technical support services (the "Maintenance Services") in relation to the Software to JCV for a period of five (5) years commencing from the date on which JCV issues its final written acceptance of the delivery of the Software to SenseTime HK in accordance with the terms of the Software License Agreement (the "Acceptance Date"); (b) consulting services (the "Consulting Services") in respect of the provision of certain trainings and project-specific advice in relation to the Software to JCV upon JCV's request for a period of one (1) year (provided that such request shall be made within thirty (30) days from the Acceptance Date); and (c) algorithm upgrading services and customization services (together, the "Other Services") in relation to the Software to JCV upon request from JCV for a period of five (5) years commencing from the Acceptance Date (provided that the algorithm upgrading services shall be provided up to only once every two calendar years and specific service agreements in relation to provision of such services shall be entered into).

Please refer to the paragraph headed "Distributorship Agreement" for the relationship of JCV with the Company.

Fees and Payment Terms

Pursuant to the Software License Agreement, the following fees shall be payable by JCV to SenseTime HK:

In relation to the License

USD5,000,000 (equivalent to approximately HK$39,250,000), being the license fee, payable in four (4) equal instalments on the Acceptance Date, December 31, 2022, March 31, 2023 and June 30, 2023 respectively.

In relation to the Maintenance Services

USD1,000,000 (equivalent to approximately HK$7,850,000), being the annual fee for the Maintenance Services to be paid annually within sixty (60) days before the dates which are one (1) year, two (2) years, three (3) years and four (4) years after the Acceptance Date respectively. The total fees payable by JCV to SenseTime HK for the Maintenance Services shall be USD4,000,000 (equivalent to approximately HK$31,400,000).

In relation to Consulting Services

Upon JCV's request for SenseTime HK to provide the consulting services, the fees for such consulting services will be payable within sixty (60) days upon JCV's receipt of SenseTime HK's invoice for such services. It is currently estimated that the aggregate fees payable by JCV to SenseTime HK for the consulting services will not exceed US$1,320,000 (equivalent to approximately HK$10,362,000). If the aggregate fees for the consulting services exceeded such fee estimate, the additional fees and payment terms shall be further agreed between SenseTime HK and JCV by way of specific service agreements or purchase orders.

In relation to Other Services

Upon each request from JCV for SenseTime HK to provide algorithm upgrading services, a service fee of US$2,500,000 (equivalent to approximately HK$19,625,000) is payable by JCV to SenseTime HK. Upon JCV's request for SenseTime HK to provide the customization services, SenseTime HK and JCV shall separately agree on the fees for such customization services through arm's length negotiations, taking into account the scope of such customization services as requested by JCV and the prevailing market price for SenseTime HK to provide similar services.

Basis of Consideration

In relation to the license of the Software and the other supporting services under the Software License Agreement, the fees described above were determined after arm's length negotiations between SenseTime HK and JCV, taking into account the prices quoted by third parties for the licensing of similar software and provision of similar services, the prices charged by SenseTime HK for the licensing of similar software and provision of similar services to its other customers, the subject volume, scale, resources required, relevant costs to the Group, and the prevailing market conditions.

Annual Caps

In relation to the Software License Agreement, the transaction amounts to be paid by JCV to SenseTime HK for the five financial years ending December 31, 2026 shall not exceed the annual caps as set out in the table below:

	Annual caps for the financial year ended/ending December 31, (USD in millions)				
	2022	2023	2024	2025	2026
Transaction amounts to be paid by JCV to SenseTime HK	6.16	2.66	4.50	4.00	4.00

For the year ended December 31, 2022, the actual transaction amount paid/payable by JCV to SenseTime HK pursuant to the Software License Agreement was RMB33.7 million.

Confirmation from Independent Non-executive Directors

The independent non-executive Directors of the Company have reviewed the above continuing connected transactions contemplated under the Distributorship Agreement and the Software License Agreement, and confirmed that such continuing connected transaction had been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreement governing it on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the Auditor

The Auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor's letter has been provided by the Company to the Stock Exchange.

The Auditor has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transaction contemplated under the Distributorship Agreement and the Software License Agreement during the Reporting Period:

(i) nothing has come to its attention that causes it to believe that the transaction has not been approved by the Board;

(ii) nothing has come to its attention that causes it to believe that the transaction was not, in all material respects, in accordance with the pricing policies of the Group;

(iii) nothing has come to its attention that causes it to believe that the transaction was not entered into, in all material respects, in accordance with the relevant agreement governing the transaction; and

(iv) nothing has come to its attention that causes it to believe that the transaction has exceeded the cap.

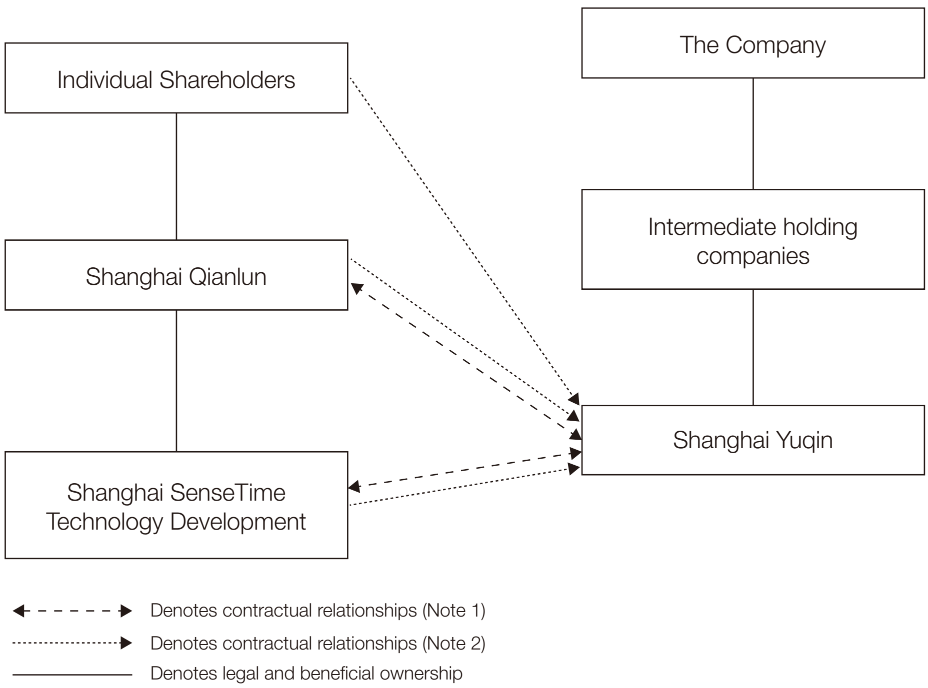
1st Contractual Arrangement

The Company controls two consolidated affiliated entities, namely Shanghai Qianlun and Shanghai SenseTime Technology Development through the 1st Contractual Arrangement, pursuant to which the Company has effective control over, and receive all the economic benefits generated by the businesses currently operated by each of Shanghai Qianlun and Shanghai SenseTime Technology Development.

Each of Shanghai Qianlun and Shanghai SenseTime Technology Development, were set up in 2020. As at December 31, 2022, Shanghai SenseTime Technology Development was wholly-owned by Shanghai Qianlun, which was held by Mr. Yang Fan and Mr. Ma Kun as to 50% each.

For details of Mr. Yang Fan, please refer to the paragraph headed "Biographical Details of Senior Management" in the Directors' Report. Mr. Ma Kun is a co-founder of the Group and has been appointed the technical executive director of the Company since June 2015. He is primarily responsible for the product development of AI system and smart devices; in particular, he works with Dr. Wang Xiaogang in the research and development of the Group's computer vision & deep learning technology and use case. Before joining the Group, Mr. Ma Kun worked at Wochacha Information Technology (Shanghai) Ltd. (我查查信息技術(上海)有限公司) and was a PhD candidate in the Electronic Engineering Program at the Chinese University of Hong Kong with a master degree in engineering from Xidian University (西安電子科技大學).

The following simplified diagram illustrates the 1st Contractual Arrangement that was in place as at December 31, 2022:



Notes:

(1) Shanghai Yuqin (being our indirect wholly-owned subsidiary) provides business support, technical and consulting services in exchange for service fees from Shanghai Qianlun and Shanghai SenseTime Technology Development respectively. See "Summary of Agreements under the 1st Contractual Arrangement – Exclusive Business Cooperation Agreement" below.

(2) The Individual Shareholders executed exclusive options agreement in favor of Shanghai Yuqin, to acquire all or part of the equity interests in and all or part of the assets in Shanghai Qianlun and Shanghai SenseTime Technology Development correspondingly. See "Summary of Agreements under the 1st Contractual Arrangement – Exclusive Options Agreement" below.

The Individual Shareholders executed powers of attorney in favor of Shanghai Yuqin, to exercise all shareholders' rights in Shanghai Qianlun and Shanghai SenseTime Technology Development correspondingly. See "Summary of Agreements under the 1st Contractual Arrangement – Powers of Attorney" below.

The Individual Shareholders granted first priority security interests in favor of Shanghai Yuqin, over the entire equity interests in Shanghai Qianlun and Shanghai SenseTime Technology Development correspondingly. See "Summary of Agreements under the 1st Contractual Arrangement – Equity Pledge Agreement" below.

The principal business of Shanghai SenseTime Technology Development is operating the Group's Shanghai Lingang AIDC, which was launched in early 2022.

For the year ended December 31, 2022, the total revenue of Shanghai Qianlun and Shanghai SenseTime Technology Development amounted to RMB368.2 million, representing 9.7% of the total revenue of the Group. As at December 31, 2022, the total assets of Shanghai Qianlun and Shanghai SenseTime Technology Development amounted to RMB3,020.1 million, representing 8.1% of the total assets of the Group.

During the Reporting Period, (i) there was no material change in the 1st Contractual Arrangement and/or the circumstances under which it was adopted, (ii) the 1st Contractual Arrangement had not been terminated because none of the restrictions that led to the adoption of the 1st Contractual Arrangement had been removed, and (iii) the Company has not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through Shanghai Qianlun and Shanghai SenseTime Technology Development under the 1st Contractual Arrangement.

Summary of Agreements under the 1st Contractual Arrangement

A brief description of each of the specific agreements that comprise the 1st Contractual Arrangement is set out below.

Exclusive Business Cooperation Agreement

As part of the 1st Contractual Arrangement, Shanghai Qianlun, Shanghai SenseTime Technology Development and Shanghai Yuqin have entered into exclusive business cooperation agreement. Pursuant to the exclusive business cooperation agreement, Shanghai Qianlun and Shanghai SenseTime Technology Development agreed to engage Shanghai Yuqin as its exclusive provider of business support, technical and consultancy services, including but not limited to, technical services, network support, business consultation, licensing of intellectual properties, system integration, product research and development, system maintenance and management consultancy services. In exchange for these services, Shanghai Qianlun and Shanghai SenseTime Technology Development shall pay a service fee, which equal to its profit before tax, deducting any of its accumulated losses from the preceding fiscal year, costs, expenses, tax and other statutory contribution in relation to the respective fiscal year, which will be wired to the designated account of Shanghai Yuqin upon issuance of payment notification by Shanghai Yuqin. Shanghai Yuqin enjoys all the economic benefits derived from the businesses of Shanghai Qianlun and Shanghai SenseTime Technology Development and bears the relevant portion of the business risks of Shanghai Qianlun and Shanghai SenseTime Technology Development. If Shanghai Qianlun and Shanghai SenseTime Technology Development run into financial deficit or suffer severe operation difficulties, Shanghai Yuqin will provide financial support to Shanghai Qianlun and Shanghai SenseTime Technology Development.

Exclusive Options Agreement

As part of the 1st Contractual Arrangement, Shanghai Qianlun, Shanghai SenseTime Technology Development and Shanghai Yuqin have entered into an exclusive options agreement. Pursuant to the exclusive options agreement, Shanghai Yuqin has the irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from the Individual Shareholders (i) all or any part of their respective equity interests in Shanghai Qianlun and Shanghai SenseTime Technology Development and/or (ii) all or any part of the respective assets of Shanghai Qianlun and Shanghai SenseTime Technology Development at any time and from time to time in Shanghai Yuqin's absolute discretion to the extent permitted by PRC laws. The consideration shall be a nominal price or other price approved by Shanghai Yuqin, while if the relevant governmental authority or PRC Law requires that the consideration shall be other price, the consideration shall be the lowest price as permitted under applicable PRC laws or other price approved by Shanghai Yuqin. The Individual Shareholders and the respective Consolidated Affiliated Entity have also undertaken that, they will return to Shanghai Yuqin or an entity designated by it any consideration they receive in the event that any of the options under the exclusive options agreements is exercised.

Powers of Attorney

The Individual Shareholders have executed the power of attorney, each of which contains similar terms and conditions, whereby the Individual Shareholders appointed Shanghai Yuqin, any directors authorized by Shanghai Yuqin or his/her successors or a liquidator replacing such person as their exclusive agent and attorney to act on their behalf on all matters concerning Shanghai Qianlun and Shanghai SenseTime Technology Development respectively and to exercise all of its rights as a registered shareholder of Shanghai Qianlun and Shanghai SenseTime Technology Development respectively in accordance with PRC laws and the articles of Shanghai Qianlun and Shanghai SenseTime Technology Development respectively.

Equity Pledge Agreement

As part of the 1st Contractual Arrangement, the respective Individual Shareholders have entered into the equity pledge agreements with Shanghai Yuqin and each of Shanghai Qianlun and Shanghai SenseTime Technology Development, each of which contains similar terms and conditions. Pursuant to the equity pledge agreements, the Individual Shareholders agreed to pledge as all of their respective equity interests in Shanghai Qianlun and Shanghai SenseTime Technology Development that they own, including any interest or dividend paid for the shares, to Shanghai Yuqin as collateral security for any or all of their payments due to Shanghai Yuqin and to secure performance of their obligations under the 1st Contractual Arrangement.

Reasons for Adopting the 1st Contractual Arrangement

The operation of the Group's Shanghai Lingang AIDC is considered as "restricted" under the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Version). The provision of such services is regarded as the business of internet data center, which falls within the scope of "value-added telecommunication service" under the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) and Telecommunication Business Catalog (《電信業務分類目錄》), as last amended by the MIIT on June 6, 2019. The operation of such business would require the Value-added Telecommunication Business Operation Permit with Internet Data Center Services (including internet resources cooperation services) ("IDC License") which is subject to foreign ownership restrictions. Shanghai SenseTime Technology Development has obtained an IDC License.

According to the Administrative Regulations on Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) promulgated by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016, foreign investors are not allowed to hold the equity interests in a company holding IDC License unless otherwise required by other PRC laws and regulations. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in and a proven track record of operating value-added telecommunications businesses (the "Qualification Requirements"). Foreign investors that meet these requirements must obtain approvals from the MIIT and MOFCOM or their authorized local counterparts which retain considerable discretion in granting such approvals. Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements.

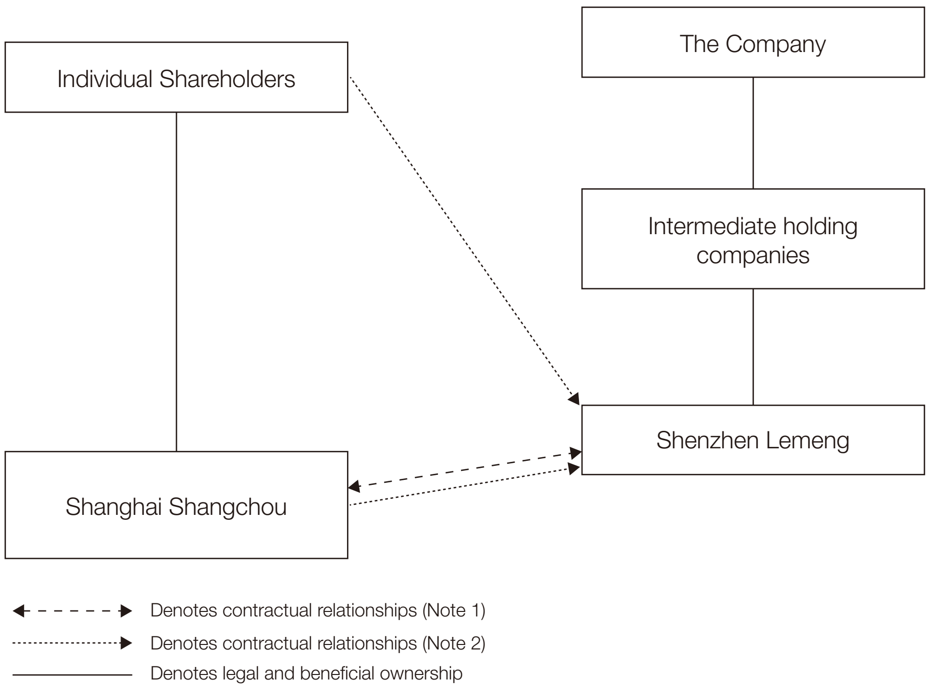
Given that a foreign investor is restricted from holding any equity interest of an entity that holds a IDC License under the current PRC laws and regulations, and also that there exists substantial uncertainties surrounding (a) how the Qualification Requirements can be fulfilled by a foreign investor, (b) the objective criteria under which the Qualification Requirements can be fulfilled, and (c) how long the Group has to wait before it is able to build a proven track record and prior experience Qualification Requirements, the Company considered that it is not viable to hold Shanghai Qianlun and Shanghai SenseTime Technology Development directly or indirectly through equity ownership. In line with common practice in industries in the PRC subject to foreign investment restrictions, the Company decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, it would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by Shanghai Qianlun and Shanghai SenseTime Technology Development through the 1st Contractual Arrangement.

2nd Contractual Arrangement

In addition to the 1st Contractual Arrangements, the Company also controls another consolidated affiliated entity, namely Shanghai Shangchou, through the 2nd Contractual Arrangements pursuant to which the Company has effective control over, and receive all the economic benefits generated by the businesses currently operated by Shanghai Shangchou.

Shanghai Shangchou was set up in 2022 and was held by Mr. Yang Fan and Mr. Ma Kun as to 50% each. For details of Mr. Yang Fan and Mr. Ma Kun, please refer to the paragraph headed "1st Contractual Arrangement" above.

The following simplified diagram illustrates the 2nd Contractual Arrangement that was in place as at December 31, 2022:



Notes:

(1) Shenzhen Lemeng (being our indirect wholly-owned subsidiary) will provide business support, technical and consultancy services in consideration for service fees from Shanghai Shangchou pursuant to the Exclusive Business Cooperation Agreement as described below. See "Summary of Agreements under the 2nd Contractual Arrangement – Exclusive Business Cooperation Agreement" below.

(2) Each of the Individual Shareholders has executed the Exclusive Option Agreement in favour of Shenzhen Lemeng as described below, pursuant to which Shenzhen Lemeng has been granted an option to purchase the whole or part of equity interest in Shanghai Shangchou from each of the Individual Shareholders. See "Summary of Agreements under the 2nd Contractual Arrangement – Exclusive Options Agreement" below.

Each of the Individual Shareholders has executed the Equity Pledge Agreement as described below, pursuant to which each of the Individual Shareholders has pledged all of the respective equity interest held by them in Shanghai Shangchou to Shenzhen Lemeng. See "Summary of Agreements under the 2nd Contractual Arrangement – Powers of Attorney" below. "Summary of Agreements under the 2nd Contractual Arrangement – Equity Pledge Agreement" below.

Each of the Individual Shareholders has executed the Power of Attorney as described below, pursuant to which the Individual Shareholders has agreed to appoint Shenzhen Lemeng or its nominee to exercise all shareholders' rights in Shanghai Shangchou on their behalf.

The principal business of Shanghai Shangchou is operation of AIDC in the PRC.

For the year ended December 31, 2022, the total revenue of Shanghai Shangchou amounted to nil, representing nil of the total revenue of the Group. As at December 31, 2022, the total assets of Shanghai Shangchou amounted to RMB0.2 million, approximately representing 0.0% of the total assets of the Group.

During the Reporting Period, (i) there was no material change in the 2nd Contractual Arrangement and/or the circumstances under which it was adopted, (ii) the 2nd Contractual Arrangement had not been terminated because none of the restrictions that led to the adoption of the 2nd Contractual Arrangement had been removed, and (iii) the Company has not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through Shanghai Shangchou under the 2nd Contractual Arrangement.

Summary of Agreements under the 2nd Contractual Arrangement

A brief description of each of the specific agreements that comprise the 2nd Contractual Arrangement is set out below.

Exclusive Business Cooperation Agreement

As part of the 2nd Contractual Arrangement, Shanghai Shangchou and Shenzhen Lemeng have entered into exclusive business cooperation agreement. Pursuant to the exclusive business cooperation agreement, Shanghai Shangchou agreed to engage Shenzhen Lemeng as its exclusive provider of business support, technical and consultancy services, including but not limited to, technical services, network support, business consultation, licensing of intellectual properties, system integration, product research and development, system maintenance and management consultancy services. In exchange for these services, Shanghai Shangchou shall pay a service fee, which equals to its profit before tax, deducting its operating costs, expenses, tax and profits required to be retained pursuant to the arm's length principle under the PRC laws. Shenzhen Lemeng enjoys all the economic benefits derived from the businesses of Shanghai Shangchou and bears the relevant portion of the business risks of Shanghai Shangchou. If Shanghai Shangchou runs into financial deficit or suffer severe operation difficulties, Shenzhen Lemeng will provide financial support to Shanghai Shangchou.

Exclusive Options Agreement

As part of the 2nd Contractual Arrangement, Shanghai Shangchou and Shenzhen Lemeng have entered into an exclusive options agreement. Pursuant to the exclusive options agreement, Shenzhen Lemeng has the irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from the Individual Shareholders (i) all or any part of their respective equity interests in Shanghai Shangchou and/or (ii) all or any part of the assets of Shanghai Shangchou at any time and from time to time in Shenzhen Lemeng's absolute discretion to the extent permitted by PRC laws. The consideration shall be a nominal price or other price approved by Shanghai Yuqin, while if the relevant governmental authority or PRC Law requires that the consideration shall be other price, the consideration shall be the lowest price as permitted under applicable PRC laws or other price approved by Shenzhen Lemeng. The Individual Shareholders and the respective Consolidated Affiliated Entity have also undertaken that, they will return to Shenzhen Lemeng or an entity designated by it any consideration they receive in the event that any of the options under the exclusive options agreements is exercised.

Powers of Attorney

The Individual Shareholders have executed the power of attorney, each of which contains similar terms and conditions, whereby the Individual Shareholders appointed Shenzhen Lemeng, any directors authorized by Shenzhen Lemeng or his/her successors or a liquidator replacing such person as their exclusive agent and attorney to act on their behalf on all matters concerning Shanghai Shangchou and to exercise all of its rights as a registered shareholder of Shanghai Shangchou in accordance with PRC laws and the articles of Shanghai Shangchou.

Equity Pledge Agreement

As part of the 2nd Contractual Arrangement, the respective Individual Shareholders have entered into the equity pledge agreements with Shenzhen Lemeng and Shanghai Shangchou, each of which contains similar terms and conditions. Pursuant to the equity pledge agreements, the Individual Shareholders agreed to pledge as all of their respective equity interests in Shanghai Shangchou that they own, including any interest or dividend paid for the shares, to Shenzhen Lemeng as collateral security for any or all of their payments due to Shenzhen Lemeng and to secure performance of their obligations under the 2nd Contractual Arrangement.

Reasons for Adopting the 2nd Contractual Arrangement

As disclosed in the paragraph headed "Reasons for adopting the 1st Contractual Arrangement" above, the operation of AIDC would require the IDC License which is subject to foreign ownership restrictions. Shanghai Shangchou has obtained an IDC License.

As such, given that a foreign investor is restricted from holding any equity interest of an entity that holds an IDC License under the current PRC laws and regulations, and also that there exists substantial uncertainties surrounding (a) how the Qualification Requirements can be fulfilled by a foreign investor, (b) the objective criteria under which the Qualification Requirements can be fulfilled, and (c) how long the Group has to wait before it is able to build a proven track record and prior experience Qualification Requirements, the Company considered that it is not viable to hold Shanghai Shangchou directly or indirectly through equity ownership. In line with common practice in industries in the PRC subject to foreign investment restrictions, the Company decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, it would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by Shanghai Shangchou through the 2nd Contractual Arrangement.

In addition, notwithstanding that the Company is also carrying on its AIDC operations in the PRC through Shanghai Qianlun, the Company believes that through establishing the 2nd Contractual Arrangements (instead of setting up new subsidiary under the 1st Contractual Arrangements) to carry out the new AIDC operations of the Group in the PRC, the Group will be better able to ring-fence any potential liabilities which may arise in the ordinary course of business through operation of each AIDC, which will in turn facilitate the Group to better protect its assets held through Shanghai Shangchou.

Risks associated with the Contractual Arrangements

The Company believes that the following risks are associated with the Contractual Arrangements:

(1) If the PRC government deems the Contractual Arrangements do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, the Group could be subject to severe penalties or be forced to relinquish its interests in those operations.

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

(3) Any failure by the Consolidated Affiliated Entities or its shareholders to perform their obligations under the Contractual Arrangements with them would have a material and adverse effect on the Group's business.

(4) The Company rely on the Contractual Arrangements with the Consolidated Affiliated Entities and its shareholders to exercise control over its business, which may not be as effective as direct ownership in providing operational control.

(5) The Group's control over the Consolidated Affiliated Entities is based on the arrangements under the Contractual Arrangements. Although the Group has adopted measures to minimise any conflict of interests between the Company and the Individual Shareholders (including but not limited to requiring the Individual Shareholders to irrevocably appoint any person as designated by Shanghai Yuqin or Shenzhen Lemeng (as the case may be, and including their respective liquidator, if any) as their representative to exercise the voting rights as the shareholders of the Consolidated Affiliated Entities, in the unlikely event that any conflict of interests of the Individual Shareholders arises, it may adversely affect the interests of the Company.

(6) If the Company exercises the option to acquire equity ownership and assets of any of the Consolidated Affiliated Entities, the ownership transfer may subject the Group to certain limitations and substantial costs.

(7) The contractual arrangement with the Consolidated Affiliated Entities may be subject to scrutiny by the PRC tax authorities and they may determine that the Group or the Consolidated Affiliated Entities owe additional taxes, which could negatively affect the Company's financial condition and the value of the Shareholders' investment.

(8) The Group may lose the ability to use and benefit from assets held by the Consolidated Affiliated Entities and their subsidiaries that are material to the operation of the Group's business if the entities go bankrupt or become subject to a dissolution or liquidation proceeding.

(9) As the primary beneficiary under the Contractual Arrangements, the Group bears economic risks as a result of exposure to the Consolidated Affiliated Entities' losses and the potential need to provide financial support to the Consolidated Affiliated Entities.

(10) Certain terms of the Contractual Arrangements in relation to power of the arbitral tribunal of the PRC to order the winding up of the Consolidated Affiliated Entities or to order temporary injunctive relief or other temporary relief from the courts of Hong Kong, the Cayman Islands, the PRC and the location where the Consolidated Affiliated Entities' principal assets are located may not be enforceable under the PRC laws.

(11) The Group does not maintain any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder. Therefore, if any risks arise from the Contractual Arrangements in the future (such as those affecting the enforceability of the Contractual Arrangements), the results of the Group may be adversely affected.

Actions by the Company to Mitigate the Associated Risks

To mitigate the aforementioned risks and to ensure the effective operation of the Group with the implementation of and compliance with the Contractual Arrangements, the Company has adopted the following measures:

(1) major issues arising from the implementation and compliance with each of the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(2) the Board will review the overall performance of and compliance with each of the Contractual Arrangements at least once a year;

(3) the Company will disclose the overall performance and compliance with each of the Contractual Arrangements in its annual reports; and

(4) the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of each of the Contractual Arrangements, review the legal compliance of the Consolidated Affiliated Entities to deal with specific issues or matters arising from any of the Contractual Arrangements.

In respect of the Qualification Requirements which necessitate the use of Contractual Arrangements, despite the lack of clear guidance or interpretation, the Company has been gradually building up its track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in the Consolidated Affiliated Entities when the relevant PRC laws allow foreign investors to invest and to hold a majority interest in value-added telecommunications enterprises in China. The Company is in the process of expanding its offshore value-added telecommunications business through its overseas subsidiaries. The Company has committed and will commit financial and other resources and implement all necessary measures to meet the Qualification Requirements, for instance:

(1) the Group has established an overseas website and registered patents, trademarks and domain names outside of the PRC for the promotion of its businesses overseas; and

(2) the Company has incorporated a number of overseas entities for the purpose of expanding its business overseas.

Listing Rules Implications and Waivers from the Stock Exchange

1st Contractual Arrangement

The transactions contemplated under the 1st Contractual Arrangement constitute continuing connected transactions of the Company under the Listing Rules as certain parties to the 1st Contractual Arrangement, namely Yang Fan and Ma Kun, are connected persons of the Group.

In respect of the 1st Contractual Arrangement, the Stock Exchange has granted a waiver (the "IPO Waiver") from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the 1st Contractual Arrangement pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the 1st Contractual Arrangement under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the 1st Contractual Arrangement to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Class B Shares are listed on the Stock Exchange, subject, however, to the following conditions:

(1) No change to the 1st Contractual Arrangement (including with respect to any fees payable to Shanghai Yuqin) will be made without the approval of our independent non-executive Directors.

(2) Save as described in paragraph (4) below, no change to the agreements governing the 1st Contractual Arrangement will be made without our independent Shareholders' approval.

(3) The 1st Contractual Arrangement shall continue to enable the Group to receive the economic benefits derived by Shanghai Qianlun and Shanghai SenseTime Technology Development through (i) the Group's option (if and when so allowed under the applicable PRC laws) to acquire all or part of the entire equity interests and assets for nil consideration or the minimum amount of consideration as permitted by applicable PRC laws, (ii) the business structure under which the profit generated by Shanghai Qianlun and Shanghai SenseTime Technology Development is substantially retained by the Group, such that no annual cap shall be set on the amount of service fees payable to Shanghai Yuqin by Shanghai Qianlun and Shanghai SenseTime Technology Development under the exclusive business cooperation agreements, and (iii) the Group's right to control the management and operation of, as well as, in substance, the controlling voting rights of Shanghai Qianlun and Shanghai SenseTime Technology Development.

(4) On the basis that the Contractual Arrangement provides an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding, on the one hand, and Shanghai Qianlun and Shanghai SenseTime Technology Development, on the other hand, that framework may be renewed and/or reproduced (i) upon the expiry of the existing arrangements or (ii) in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch companies), engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing 1st Contractual Arrangement.

(5) The Company will disclose details relating to the 1st Contractual Arrangement on an on-going basis in specified manners.

2nd Contractual Arrangement

The transactions contemplated under the 1st Contractual Arrangement constitute continuing connected transactions of the Company under the Listing Rules as certain parties to the 1st Contractual Arrangement, namely Yang Fan and Ma Kun, are connected persons of the Group.

Since the 2nd Contractual Arrangement is reproduced from the 1st Contractual Arrangements as provided under the conditions of the IPO Waiver, the Company has sought confirmation from the Stock Exchange, and the Stock Exchange has confirmed, that the transactions contemplated under the 2nd Contractual Arrangements would fall within the scope of the waiver from the requirements of Chapter 14A of the Listing Rules as set out in the IPO Waiver and are exempt from (i) the announcement, circular and the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the 2nd Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of fixing the term of the 2nd Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Class B Shares are listed on the Stock Exchange, subject to compliance with the same conditions of the IPO Waiver.

Confirmation from Independent Non-executive Directors

The independent non-executive Directors of the Company have reviewed each of the Contractual Arrangements and confirmed that, during the Reporting Period:

(i) the transactions carried out have been entered into in accordance with the relevant provisions of the respective Contractual Arrangements;

(ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and

(iii) any new contracts entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities are fair and reasonable, or advantageous to the Shareholders, as far as the Group is concerned and in the interests of the Shareholders as a whole.

Confirmation from the Auditor

The Auditor has reviewed the transactions carried out pursuant to the Contractual Arrangements, and has confirmed in a letter to the Board (with a copy to the Stock Exchange) that, with respect to the Contractual Arrangements during the Reporting Period:

(i) nothing has come to its attention that causes it to believe that the relevant transactions have not been approved by the Board;

(ii) nothing has come to its attention that causes it to believe that the relevant transactions have not been entered into in accordance with the respective Contractual Arrangements; and

(iii) nothing has come to its attention that causes it to believe that dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which were not otherwise subsequently assigned or transferred to the Group.

The Group entered into certain transactions with "related parties" as defined under applicable accounting standards during the financial year ended December 31, 2022 which were disclosed in Note 38 to the consolidated financial statements. Save for the transactions with SoftBank Corp. and the transactions involving payment of remuneration to certain directors of the Group which constitute connected transactions fully exempt from the connected transaction requirements under Rule 14A.76(1) or Rule 14A.95 of the Listing Rules, and the continuing connected transactions as disclosed above, no related party transactions disclosed in the consolidated financial statements constitutes a connected transaction as defined under Chapter 14A of the Listing Rules. The Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, during the year ended December 31, 2022, the Company had no connected transactions or continuing connected transactions which are required to be disclosed under the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules with respect to the continuing connected transactions entered into by the Group during the year ended December 31, 2022.

Net Proceeds from the Global Offering

The Class B Shares of the Company were listed on the Main Board of the Stock Exchange on December 30, 2021. The net proceeds received by the Company from the Global Offering (as defined in the Prospectus), including the full exercise of the over-allotment option, were approximately HK$6,351.0 million. There has been no change in the intended use of proceeds and the expected timeframe for utilisation as previously disclosed in the Prospectus. Please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus for details. As of December 31, 2021, the Group had not utilised any portion of the net proceeds.

As of December 31, 2022, approximately HK$5,447.2 million of the net proceeds had been utilised by the Group in accordance with the intended purposes and the expected timeframe stated in the Prospectus, and the unused net proceeds was held by way of bank deposits. The unused net proceeds will continue to be utilised in accordance with the intended purposes and expected timeframe as stated in the Prospectus.

Intended purposes as set out in the Prospectus		Planned proportion of the net proceeds (%)	Planned use of the net proceeds (Approximately HK$ million)	Actual use of net proceeds during the Reporting Period (Approximately HK$ million)	Net proceeds unused as of December 31, 2022 (Approximately HK$ million)	Expected timeline for fully utilising the net proceeds from the Global Offering
(i)	Enhancing our research and development capabilities	60.0	3,810.6	3,601.3	209.3	By end of 2023
(ii)	Expansion of our business	15.0	952.7	258.2	694.5	By end of 2023
(iii)	Pursuing strategic investment and acquisition opportunities	15.0	952.7	952.7	–	N.A.
(iv)	Working capital and general corporate purposes	10.0	635.0	635.0	–	N.A.
Total		**100.0**	**6,351.0**	**5,447.2**	**903.8**	

The utilization of the net proceeds has been converted from RMB into HKD at an exchange rate of RMB0.81912 to HKD1.00 (being the reference exchange rate used in the Prospectus). No representation is made that any amount in HKD or RMB could have been or could be converted at the above rates or of any other rates.

AUDITOR AND AUDIT COMMITTEE

Auditor

PricewaterhouseCoopers was the Auditor during the Reporting Period and there had been no change of the Company's auditor in the past three years. The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers. PricewaterhouseCoopers will retire at the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as Auditor will be proposed at the annual general meeting.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to (i) review and supervise the financial reporting process and the internal control system of the Group, (ii) oversee the audit process, (iii) provide advice and comments to the Board and (iv) perform other duties and responsibilities as assigned by the Board.

The Audit Committee currently comprises three members, namely Mr. Lyn Frank Yee Chon, Ms. Fan Yuanyuan and Mr. Li Wei. Mr. Lyn Frank Yee Chon, being the chairperson of the audit committee and an independent non-executive Director, has appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee, after the discussion with the Auditor, has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2022. The Audit Committee has discussed matters in relation to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company and the Auditor. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

Events after the Reporting Period

Save for the subsequent events as described in Note 41 to the consolidated financial statements, there have been no other significant events that might affect the Group since the end of the Reporting Period and up to the Latest Practicable Date.

On behalf of the Board

Xu Li
Executive Chairman
Chief Executive Officer

Hong Kong, April 27, 2023

Environmental, Social and Governance Report

About This Report

This Report is the 2022 Environmental, Social and Governance (ESG) Report issued by SenseTime Group Inc. and its subsidiaries and Consolidated Affiliated Entities (hereinafter referred to as the "Group", "SenseTime", or "We") for all stakeholders, which discloses our ESG-related initiatives and achievements in 2022. This Report shows our ESG efforts in various aspects, such as actively responding to the opportunities and challenges regarding sustainability, incorporating social responsibilities in corporate management and operations, and creating economic, social and environmental value for stakeholders.

Reporting Scope

This ESG Report covers the main business of the Group. This Report covers the period from January 1, 2022, to December 31, 2022 (the "Reporting Period"), with some content dating back to previous years or extending to future years.

References

This ESG Report is prepared in accordance with the *Environmental, Social and Governance Reporting Guide* set out in Appendix 27 to the Listing Rules issued by the Stock Exchange of Hong Kong Limited and the Global Reporting Initiative (GRI)'s Sustainability Reporting Standards (GRI Standards).

Reporting Principles

"Materiality": This ESG Report has incorporated the stakeholder communication and materiality assessment as the basis for determining material ESG issues.

"Quantitative": This ESG Report uses quantitative information to present key performance indicators ("KPIs") in environmental and social aspects, with explanations to illustrate their purposes and impacts.

"Balance": This ESG Report adheres to the principle of balance and provides an unbiased picture of our ESG performance.

"Consistency": If not otherwise specified, this ESG Report adopts methodologies for information disclosure and data statistics consistent with those used in the 2021 ESG Report to ensure comparability.

Board Statement

The Board and all Directors of the Group undertake that there are no false records, misleading statements or material omissions in this Report and make the following statements on the ESG supervision and management of the Board:

The Board oversees the Group's ESG issues and is the ultimate responsible body for the Group's ESG management. We have established the Group's ESG governance structure, reviewed the implementation of ESG-related goals, and established an ESG risk management and internal control system. Please refer to the "ESG Governance Structure" section in this Report for details of the governance structure. At the same time, the Board has reviewed the Group's assessment, priority and management of ESG issues. Please refer to the sections "Communication with Stakeholders" and "Materiality Assessment" for details.

A SMART FUTURE BUILT ON MISSION

The continuous progress and development of AI technology have brought a new wave of scientific and technological revolution. The application of AI is changing the traditional landscape of life, business, manufacturing, social governance and other fields, with enormous potential for efficiency improvement. The application scenarios of AI are continuously expanding and gradually integrating into all aspects of life and production, making people's life more comfortable, enhancing user experience, facilitating business development, enabling precise and efficient urban management, and promoting safe and convenient travel.

With the mission of "to create a better AI-empowered future through innovation", SenseTime is committed to the long-term investment in original research and the development of AI technology. We have built a robust AI computing infrastructure and possess full-stack AI capabilities covering perception intelligence, decision intelligence, smart content generation and smart content enhancement, which continuously promotes the improvement of AI innovation and deployment to reduce costs and increase efficiency, leveraging AI technology to drive the high-quality development of the economy and industry.

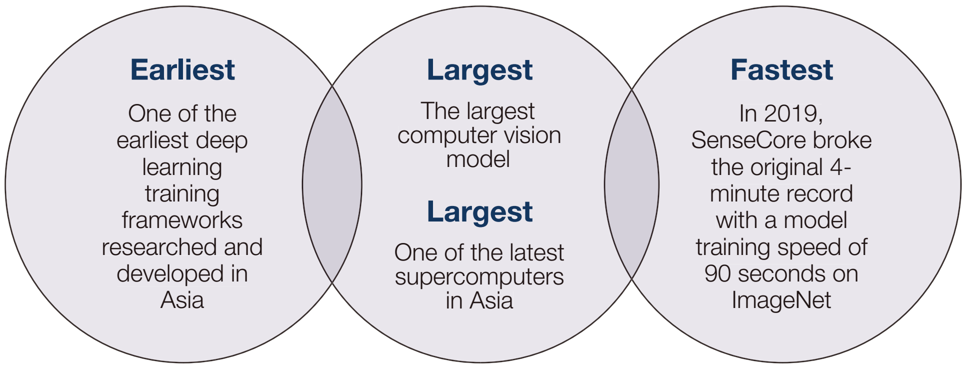
In addition, we recognize that the development of science and technology must align with human values and serve social welfare. With our AI technology, we are committed to developing eco-friendly and socially sustainable technologies. In line with our vision of empowering various industries with AI, we continue to support and promote the advancement of Smart Life, Smart City, Smart Business and Smart Auto, and strive to build a more intelligent, beautiful, harmonious, prosperous and sustainable future.

SenseCore: Building an AI Intelligence Engine

Large-scale, low-cost and efficient mass production of AI models are critical to driving the implementation of AI and achieving a closed-loop AI value. We are forward-looking to build a new AI infrastructure SenseCore to perforate computing power, algorithm and platform, greatly reduce the price of AI production factors, achieve high-efficiency, low-cost and large-scale AI innovation and implementation, providing a comprehensive portfolio of AI applications for various industries. We released "SenseCore SenseTime AI Large Device Cloud" in August 2022, which combines super large-scale computing power, data management and annotation services, AI development platform and toolchain, and three open-source algorithm systems, providing the industry with a plug-and-play AI toolchain. SenseCore greatly reduces the initial investment of AI users, and can effectively respond to the future needs of industrial AI pipelines and the training, validation, and inference of large AI models.

During the Reporting Period, we persistently optimize our distributed computing platforms, energy-efficient data centers, high-speed network architectures, high-performance storage systems, fault tolerance and reliability in training, data security platforms, hybrid cloud computing, as well as performance monitoring and analysis systems. Furthermore, we continue to make breakthroughs in our AI computing infrastructure – SenseCore. SenseCore achieves a computing power output of 5.0 exaFLOPS based on the parallel computing capabilities of more than 27,000 GPUs, which can effectively support up to 20 large foundation models to train simultaneously, each using thousands of GPUs in parallel, providing a reliable, cutting-edge research and development environment, as well as a plentiful supply of computational power to address the growing needs of training large AI models. In addition, during the Reporting Period, SenseTime AIDC in Shanghai Lingang opened for operation, which further enhanced SenseCore's high-performance computing power supply capability.

Based on SenseCore, SenseTime has incubated dozens of types of AI-enabled solutions, effectively lowering the technical threshold and cost threshold for industrial use of AI, and accelerating the digital transformation of industries, scientific research and government affairs. By the end of the Reporting Period, we had launched more than 67,000 business models, covering four major areas, including Smart Business, Smart City, Smart Life and Smart Auto. Based on the technical capability of SenseCore, users can develop products that meet their business needs without requiring deep expertise or significant investment, thus effectively lowering the application threshold of AI and promoting technology universal benefit.



SenseCore – the world's leading AI infrastructure

SenseCore - Universal AI Infrastructure

- 2,500 pre-trained models
- 32 billion large model parameters
- 5.0 exaFLOPS peak computing power
- 77,000+ Github stars

Empowering Smart City with AI

Urban governance is a massive, complex and diverse task. With the continuous improvement of urbanization worldwide and the emergence of “megacities”, the traditional governance model can no longer meet the needs of current city managers. Digital transformation has become an irreversible trend in urban development.

As a leading AI software company, SenseTime is fully aware of the role that AI can play in urban governance and is committed to promoting smart city construction. Based on SenseCore, we have partnered with city managers to launch a future-oriented urban management platform – SenseFoundry. Connected to the Internet of Things (IoT), SenseFoundry can analyze raw visual data from the city and translate them into real-time insights, event alerts and actions for city operations. It is applicable to various scenarios, including urban sanitation, traffic management and emergency response, and can effectively improve efficiency while reducing operation costs.

By the end of the Reporting Period, SenseFoundry had been deployed in many cities domestically and internationally, including Beijing, Shanghai, Shenzhen, Singapore, Dubai and other cities. SenseTime is looking forward to building a “smart brain” for more cities and comprehensively improving the safety, convenience and reliability of the living environment for residents in all aspects.

Case: SenseFoundry Supports Shenzhen’s Urban Management

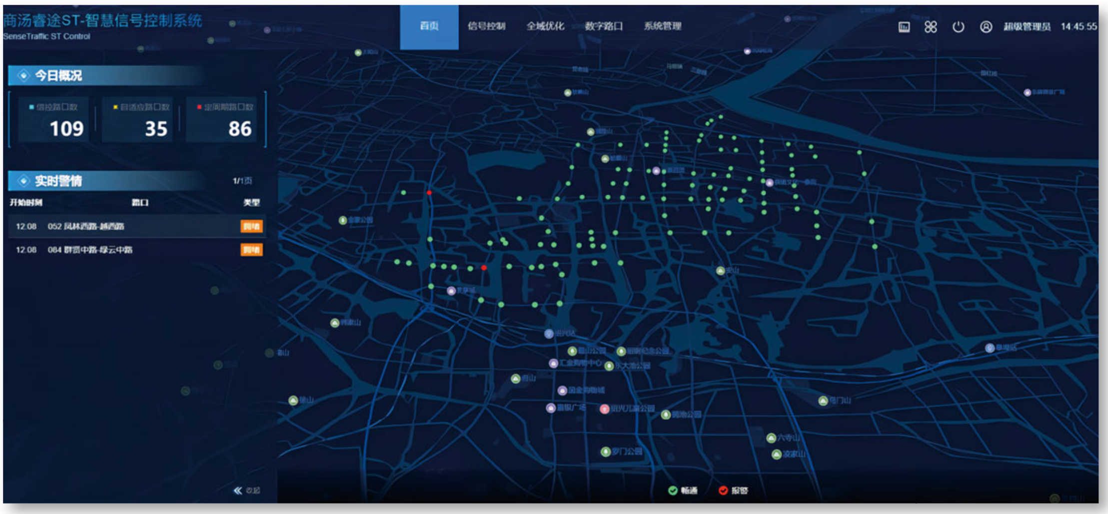
As one of the earliest established areas in Shenzhen City, Luohu District witnesses the development and changes of Shenzhen. However, due to the large population, relatively outdated planning and other issues, Luohu District faces a big challenge in urban management. By launching the pilot project of the “AI Visual Analysis Platform”, SenseTime has helped Luohu District bid farewell to the traditional inefficient manual inspection mode and successfully improved the efficiency of urban management incident processing.

Intelligent Incident Identification by Video Analysis

In the Nanshan District of Shenzhen, the phenomenons of electric vehicle drivers driving in the wrong direction, running red lights and not wearing helmets persist despite strict bans, leaving the traffic safety of non-motor vehicles a notable challenge in urban management. To mitigate this problem, the SenseFoundry platform has launched a non-motor vehicle situation analysis function to analyze the time, location, street, section and type of non-motor vehicle violation and deal with the incidents effectively, thus reducing the incidence of traffic accidents. From January to February 2022, non-motor vehicle violations in Nanshan District dropped by about 56% compared to December 2021. In addition, the percentage of riders wearing helmets was on rise, and the awareness of safe travel was also significantly improved, which helped create a more civilized and orderly transportation environment.

Case: SenseFoundry Optimizes Road Traffic in Shaoxing

Shaoxing City has a permanent population of more than 5 million and a road network of 10,381 kilometers. However, the timing of traffic signals and the formulation of traffic management plans in its signal control system only rely on manpower and expert experience, resulting in problems such as a low degree of refinement and inconvenience in real-time adjustment. SenseTime uses AI technology to support the optimization of Shaoxing intersection signal control scheme, thereby greatly improving the efficiency of traffic operation. With the support of AI, the signal timing scheme can realize adjustment at 15-minute intervals, which reduces the average idle rate of the intersection by about 20% and improves the arterial traffic indicators by about 10%.



Interface of SenseTime Intelligent Signal Control System

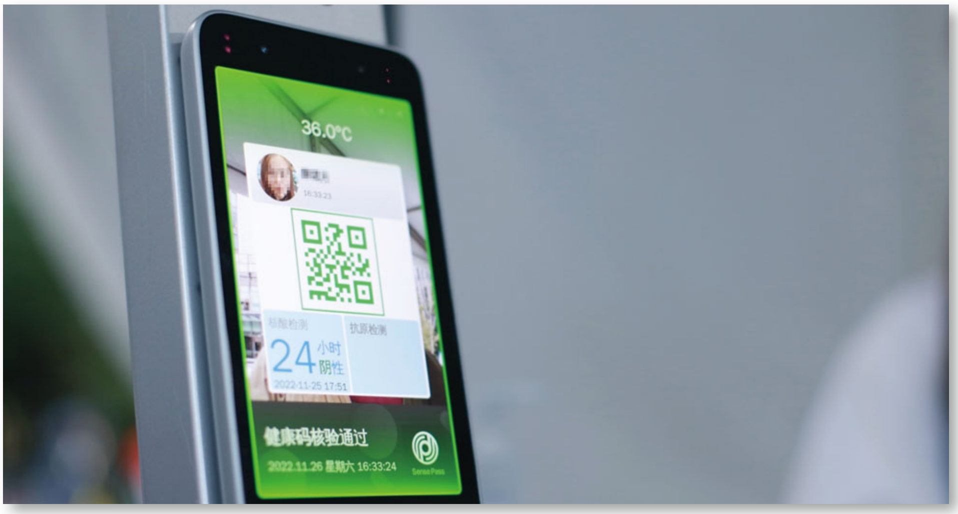
Besides, in terms of traffic safety management, SenseTime proactively warns traffic accidents and hidden dangers in Shaoxing City through real-time detection and big data analysis, which has enhanced the ability of active detection and quick processing of alarm situations. SenseTime has deployed SenseFoundry's open traffic platform in Shaoxing to obtain high-quality traffic parameters with large-scale video analysis capabilities as the core, turning the E-police/checkpoint into an AI "super camera". The platform can identify 15+ kinds of traffic incidents and 20+ kinds of traffic violations, and also analyze 15+ traffic parameters in real-time, with an accuracy ≥90%. With the deployment of the platform, Shaoxing goes from "0 to 1" and achieves a breakthrough in analyzing large-scale traffic parameters.

In addition to SenseFoundry, SenseNebula can also be used in the field of urban governance. The product family includes different hardware and software, such as SenseNebula AIS, SenseNebula AIC, and SenseNebula AIX, which integrates IoT perception, intelligent vision, data fusion and data analysis capabilities, and is suitable for smart parks, smart elevators and other urban life scenes.

Case: Shanghai Marathon "Kicked Off" with SenseNebula Pass

On November 27, 2022, the 26th Shanghai International Marathon ("Shanghai Marathon") started with 18,000 runners setting off from the Bund for a long journey of about 42 kilometers. This marathon was different from the previous ones for it was the first large-scale sporting event held in Shanghai since the resumption of work and production after the lockdown for Covid-19, and it still had to satisfy the "regular pandemic prevention and control" requirements. All about 18,000 runners had to complete the procedures of identity verification, body temperature measurement, and examination of nucleic acid test results before the start of the race at 7:00 am, which presented a considerable challenge to the organizer.

To support the smooth take-off of the "Shanghai Marathon", SenseTime together with Shanghai Dengshi Security Equipment Co., Ltd. committed 60 sets of SenseNebula Pass, a "6-in-1" Digital Sentry portable access system. This system is part of the SenseNebula product family. With the support of SenseTime's leading AI algorithm, the product integrates 6 main functions of contactless temperature measurement, rapid passage with masks, health code verification, vaccination information verification, nucleic acid test result verification, and person-ID consistency verification. That's how the system managed to complete the pandemic prevention verifications with high efficiency and precision for Shanghai Marathon. On the day of the event, the verifications started at 5:30 AM before sunrise. Even in a dimly lit environment, SenseNebula Pass still achieved an average verification speed of 2.5 runners per second, for it made full use of its supplementary infrared lighting function. SenseTime's cloud-based system also proved its steadiness and reliability.



SenseNebula Pass Interface

As we move on with the pandemic prevention measures, verification for vaccination and nucleic acid test result may no longer be necessary, but the functions of the Digital Sentry, such as person-ID consistency verification and contactless temperature measurement, can still be widely and easily applied, especially in public premises such as airports, hospitals, community activity centers, libraries and cultural art centers.

Empowering a Better Life with AI

With the development and progress of technology, AI is being applied to various aspects of people's lives, fundamentally changing people's way of living. SenseTime is actively leveraging its strengths to create more and better human-machine interactions and virtual-reality integration experiences with technology-enabled scenarios in healthcare, culture, tourism, education, etc., to truly achieve the idea of "AI makes life better".

Based on SenseCore, we have created various smart life platforms, such as facial recognition smart door locks, augmented reality (AR) navigation maps, and mixed reality (MR) virtual experience centers. As the concept of smart life becomes increasingly popular, we will continue to develop new applications with a larger number and broader types of industry partners. In this way, we will contribute to a healthier, safer, and more efficient living environment and help society with green and intelligent development.

Case: Boosting Smart Medical Care, SenseTime Aims at the "Hospital For The Future"

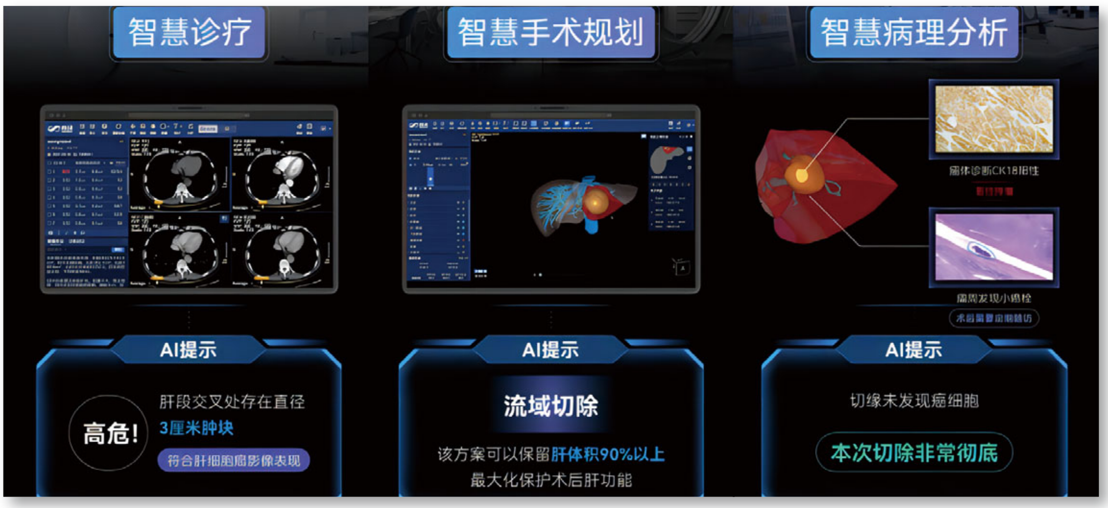
In the context of the insufficient and imbalanced distribution of medical resources, smart medical care has become one of the critical means of promoting the overall high-quality development of the health industry. Patients will be able to seek medical treatment without leaving home, while doctors will be able to substantially accelerate the treatment process by employing AI for primary screening, which will benefit both doctors and patients and maximize the utilization of medical resources.

SenseTime has defined the strategic objective of its healthcare business as an AI-powered enabler for the design of the "hospital for the future". For this, we have proposed a comprehensive solution for the "Hospital for the Future", including:

- For patients, the Smart Outpatient Assistant simplifies outpatient procedures.
- For medical professionals, the SenseCare Smart Health Platform provides clinical assistance.
- For hospital management and government, the Smart Hospital Management Platform and Smart Medical Cloud Platform enable more efficient use of medical resources.
- For researchers, the Intelligent Clinical Research Platform provides a platform to facilitate smart R&D projects across different research institutions.

SenseTime's "Hospital for the Future" Integrated Solution Framework

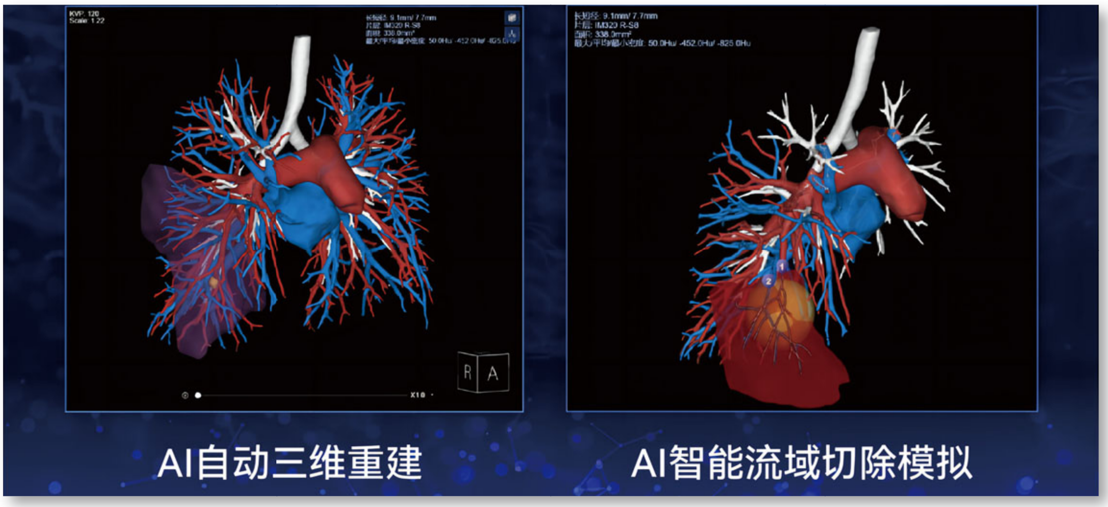
The framework is composed of essential components like the SenseCare Smart Health Platform. The platform may be applied to more than ten major organs, including lung, heart, liver and nerve, and serves many clinical departments such as imaging, pathology, radiotherapy, surgery and orthopedics. The platform also provides medical professionals with a variety of assisted diagnostic and treatment services such as smart diagnosis and treatment, smart surgery planning, and smart pathology analysis, enabling an integrated process of "diagnosis – treatment – healing". By the end of the Reporting Period, the platform was already put into operation in dozens of medical institutions across China, including top public hospitals such as Ruijin Hospital affiliated to Shanghai Jiaotong University School of Medicine ("Ruijin Hospital"), Renji Hospital affiliated to Shanghai Jiaotong University School of Medicine ("Renji Hospital") and Shanghai Ninth People's Hospital ("Ninth Hospital"), and private hospitals such as Jiahui International Hospital (Shanghai).



Function Diagram of SenseTime's SenseCare Smart Health Platform

At Ruijin Hospital, the SenseCare Smart Health Platform is applied by its pathology department, which is responsible for almost all of the hospital's medical tests and analyses. Previously, about 20 technologists had to produce more than 3,000 pathology slides per day, and some 10 pathologists had to issue more than 2,000 pathology diagnostic reports per day on average. With the introduction of SenseTime's AI algorithm, the system automatically outlines lesion areas and cells on pathological slides and performs classification work in parallel, reducing the pathologist's time to read a single pathology slide by at least 60% and cutting the time to issue a diagnostic report from 5 days previously to 2 to 3 days.

Meanwhile, at Renji Hospital, the SenseCare Lung Surgical Planning system is applied for intelligent planning of lung surgery. In recent years, the morbidity of lung cancer in China has been on the rise, and surgical resection, especially minimally invasive surgical resection, is now a vital method to cure lung cancer. Before performing minimally invasive surgery, doctors need to rely on 3D reconstruction to determine the infiltration and boundary of tumors and delineate a reasonable resection area. However, traditional 3D reconstruction requires a lot of interactive manual operations, which is tedious and time-consuming. SenseCare Lung Surgical Planning system can fully automate the precise dissection and 3D reconstruction of various tissues in the chest, significantly reducing the time required from 2-4 hours for traditional manual operation to 2-5 minutes. It also provides interactive simulation analysis for multiple surgical scenarios, assisting surgeons in rapid and effective preoperative simulation and postoperative evaluation for patients.



The Application of SenseCare Lung Surgical Planning System for Intelligent Planning of Lung Surgery – 3D Simulation Rendering

In addition to chest and lung, SenseTime's smart assisted diagnosis and treatment technology can also support surgery in other parts of the body, such as the liver and bone. For example, SenseCare Liver Surgical Planning provides a comprehensive analysis of the liver, tumor and vascular system, enables 3D modeling of liver tumors, and presents different lesion features of different patients in 3D images. At the Jiahui International Hospital (Shanghai), SenseCare Liver Surgical Planning helped doctors develop a plan to resect a giant 20 cm liver metastasis, ensuring a smooth surgery and recovery for the patient.

SenseTime's partnership with Ninth Hospital also focuses on surgical planning and design. As a national key discipline for research, the orthopedic department of the Ninth Hospital represents the best orthopedic disease diagnosis and treatment in China, and it has introduced 3D printed models as one of its orthopedic surgical implants. The SenseCare Smart Health Platform of SenseTime is fully available to the imaging department, orthopedics department and 3D printing center etc., to help improve the communication efficiency among doctors in different departments and reduce the preparation time for surgical implants.

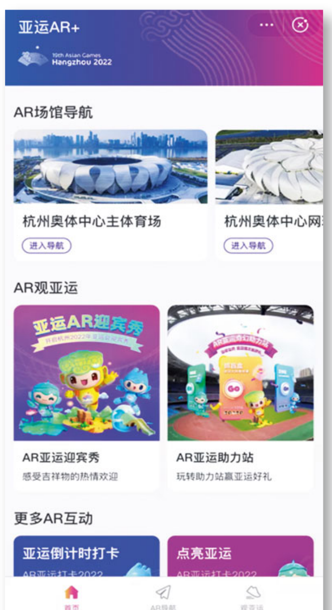
Case: SenseTime Applies AR Navigation to Create Large Maps For Asian Games Venues

The total area of the Asian Games Hangzhou 2022 venues exceeds 300,000 m^2. For such a large complex, traditional navigation software tends to have shortcomings such as unclear display of internal space and delayed update of entrance and exit information. Relying on the "Smart Asian Games Service" of the Alipay APP, SenseTime utilized web-based augmented reality (WebAR) technology to build up the AR navigation function for the Asian Games venues.

In the process, SenseTime applied a mix of technologies like VR, AI, big data and cloud computing. In line with the principle of classified and prioritized works for map development, SenseTime utilized computer vision AI algorithms and AR technology for various capabilities such as professional high-precision 3D digital map creation, field-wide centimeter-level cloud-based collaborative positioning, and cross-platform multi-terminal spatial awareness computing.

In addition, we have added AR signs and related information in the physical space of the Asian Games venue complex to provide navigation functions for spectators at its entrances and exits, spectator seating and dining areas. For the convenience of spectators and athletes with disabilities during the Asian Games and Asian Para Games, we have specifically integrated barrier-free pathways and friendly voice prompts to provide services such as navigation to barrier-free facilities and green passages.

This is the first application in the world to enable massive AR spatial positioning for over 300,000 m^2 venues, as well as the first application to support high concurrency for millions of users. Through intelligent upgrading of the venues, we are committed to providing a meta-universe-immersive style experience and service for the spectators of the games, and to better achieve the presentation of the Asian Games culture.



The Interface of the Asian Games AR+ and the Application of its Navigation Function

Case: "SenseRobot" Helps Chess Culture Promotion and Education

Chess is the treasure of Chinese traditional culture. The border of two opposing powers contains Chinese people's game wisdom and life philosophy. By integrating artificial intelligence technology with traditional Chinese culture, SenseRobot, an AI chess robot product capable of independent "thinking" and friendly "interaction", has been created by SenseTime to bring new vitality to traditional culture.

The SenseRobot has not only a human chess master level chess capability, but also a mechanical arm, being able to achieve both chess action and human interaction. It includes various modes, such as AI learning chess and matchups, and has been certified by the authority of the Chinese Chess Association. SenseTime has reached cooperation with 40 primary schools across the country, and has cooperated with more than 10 primary schools to set up "SenseRobot Artificial Intelligent Chess Pilot School" and Chinese chess AI classroom. Based on the interactive education and playing experience created by the SenseRobot AI chess robot, we jointly practice "AI+ chess education" to educate people about chess, stimulate more young people's attention and love for chess, and improve students' comprehensive literacy.

We believe that, with the SenseRobot walking into schools, children will be provided with a whole new learning platform. By competing against AI robots, children can improve their observation, thinking, and judgment skills and achieve a better understanding of Chinese traditional culture, which is also the meaning of SenseTime's corporate social responsibility. During the Reporting Period, the SenseRobot won the "Ingenuity and Technology Award" issued by People's Daily Online.

The awarding ceremony of
"SenseRobot AI Chess Pilot School"

Students play chess with SenseRobot

Case: MR and AI Empowered Traditional Cultural and Tourism Scenarios

During the "14th Five-Year Plan" period, China plans to continuously step up technological innovation for the conservation of cultural relics and practice the strategy of building a powerful country in culture. Enhanced digitization of heritage protection and inheritance will not only enable a better sharing of cultural heritage with people, but also help Chinese culture to "go global". SenseTime gives full play to its advantages, using various digital technologies to provide numerous museums in China with innovative experiences, such as immersive exhibitions and virtual interactions with ancient creatures. In this way, we have contributed to the enhancement of the spread of Chinese culture, while staying on the latest trend of social development.

During the Reporting Period, we worked with eco-partners of Linkon Technology and Nreal Technology AR glasses to create the "Ancient Shu Magic Land" immersive experience project at the Sanxingdui Museum. The project combines ancient Chinese civilization with MR technology. With the help of MR glasses, audience can be presented with dynamic exhibits, rather than static ones. SenseTime's AI+AR technologies are able to render plenty of visual effects on the cultural relics, showcasing the splendor of ancient Shu civilization more impressively through cinematic images. Empowered by digital interactive products, the traditional cultural treasures are no longer objects that are still and motionless, but become truly "vigorous" and "alive" in front of the audiences.

The "Mixed Reality" Scene in the Sanxingdui Museum

Empowering Smart Business with AI

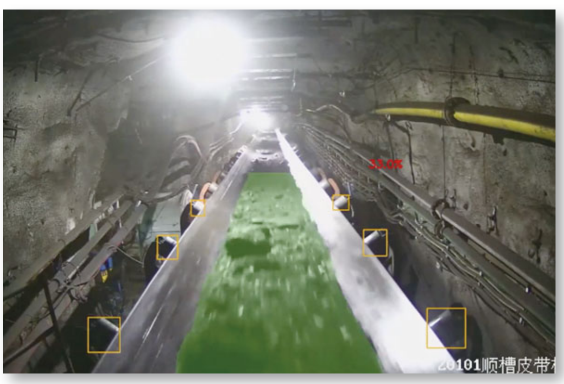
With the accelerated integration of AI technology and the real economy, digital transformation has become the future of business development. AI technology can help enterprises mine valuable information from massive data to assist their decision-making. It can also enable resource allocation, process optimization and improvement of production safety through intelligent supply chain management and intelligent hardware upgrade. In this way, the competitiveness of enterprises can be enhanced in all aspects. In addition, AI technology can enable intelligent energy consumption and emission management to support the green transformation of enterprises and promote sustainable development.

Based on the capability of SenseCore, we continue to produce premium AI technology solutions to extend the application scenarios in commercial space management, residential property management, manufacturing, infrastructure, transportation, financial services and other sectors, helping enterprises to achieve business model upgrade and transformation, releasing new momentum for industry development.

Case: AI Technology Helps Improve Subsurface Safe Production for Coal Mining Companies

During the Reporting Period, SenseTime had provided intelligent renovation solutions for several coal mining enterprises. SenseTime's original deep learning technology helps enterprises to address difficulties such as monitoring negative behaviors of subsurface coal mine operators and detecting abnormal equipment operations in time. SenseTime is committed to the in-depth integration of AI with the coal mining industry, and construction of a whole mine intelligent video management system, so as to produce a complete digital and intelligent application to the whole lifecycle of mining industry, and to help achieve the digital transformation of coal mining enterprises.

Through AI vision, we help companies to identify unsafe behaviors such as improper dressing, absence from work, sleeping while on duty, and hazardous crossing of boundaries, thus achieve timely detection of any noncompliance, and enhance the standardized operation of on-site personnel with voice prompts. AI is also able to analyze the belt operation condition via video, promptly identifying abnormal equipment operations such as belt misalignment, foreign objects, large coal lumps, coal scattering, and lack of traffic, and alert operators accordingly, effectively raising the safety level of subsurface operations. Due to its labor-intensive nature, coal mining industry has always seen safety issue as its top priority. Services provided by SenseTime to coal mining enterprises can significantly reduce their reliance on subsurface manpower and protect on-site personnel safety, while achieving energy conservation, environmental protection, lower operation costs and higher efficiency. Such services have a significant meaning on the intelligent transformation of coal mining industry.

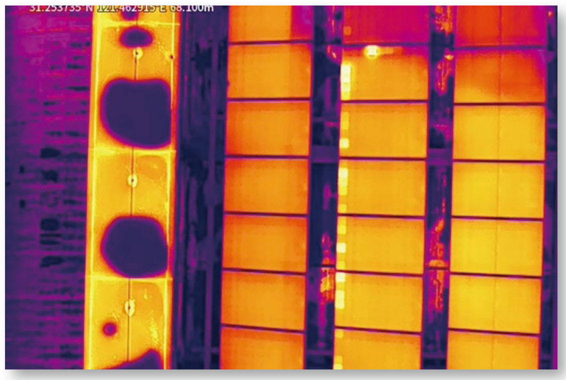


AI Technology Helps Improve Subsurface Operation Safety

Case: AI Technology Helps Photovoltaic Industry Achieve Intelligent Site Selection and Intelligent Operation and Maintenance

As one of the major new energy sources of the future, the application of photovoltaic (PV) power generation is set to make a major contribution to the “dual-carbon” objectives of carbon peaking by 2030 and carbon neutrality by 2060. However, the current manual-based operation and maintenance model of PV power plants has various limitations in terms of site survey and selection, abnormality monitoring and scheduling management. Such limitations can easily cause issues like hard-to-discover faults, low inspection efficiency, and high operation and maintenance costs, making it hard to support the rapid expansion of PV plants.

During the Reporting Period, we partnered with leading PV companies to apply intelligent remote sensing analysis and digital twin technology to simulate the power generation conditions of proposed site locations, enabling sophisticated site selection while promoting intelligent site development. In addition, we further developed AI detection algorithms for abnormalities in various scenarios such as foreign objects on PV panels and abnormal hot spots, enabling 24/7 monitoring of PV equipment, and making contribution to the intelligent transformation of PV operation and maintenance.



AI Technology Empowers Site Selection and Operation and Maintenance for PV Power Plants

Empowering Future Driving with AI

Smart vehicles are the future of the global automotive industry. By incorporating AI technologies such as autonomous driving and smart cabin, future vehicles are to provide a more secure, comfortable and convenient driving experience. They will also effectively improve road traffic safety, ease traffic congestion, and reduce energy consumption and emissions.

By working closely with vehicle companies, SenseTime continues to innovate and iterate on smart vehicle technologies, creating a new and independent smart vehicle brand, namely SenseAuto, that empowers the intelligent transformation of the automotive industry. During the Reporting Period, we launched various new products such as “SenseAuto Automatic Parking Assistance System”, “Autonomous Driving Street Sweeping Vehicle” and “Autonomous Shuttle Minibus Vehicle-2-city Network System”, while continuing to upgrade the cloud-based data base and capability mid-office, and empower application scenarios such as vehicle-road coordination. We also actively promote the development and production of smart cabin, having achieved mass production and delivery for many vehicle models and vehicle companies that we work with, and continue to empower the intelligent development of vehicles and transportation. During the Reporting Period, SenseAuto served as the deputy leader of the Research Team of the National Biometric Identification Standard for Vehicle Application, further promoting the application of biometric identification technology in smart cabin, and thus the long-term healthy development of the industry.

Case: Defending Intelligent and Safe Driving with SenseAuto

SenseAuto continuously expands the application scenario of smart cabin and strives for its scale application. Leveraging SenseCore’s powerful base capabilities, SenseAuto focuses on serving core cabin scenarios and provides a series of interesting and user-friendly human-machine interactive features, including child care, drowsiness relief, distraction alert, phone-call background noise reduction, intelligent ventilation and gesture recognition, etc.

SenseAuto continues to satisfy consumer needs and has developed a variety of reassuring functions such as “front seat warning for children”, the “automatic control of child lock” and the “alert when living creatures are left unattended in the vehicle”. By providing whole journey child care service, we enable parents to enjoy peace of mind. In addition, with its original AI sensing technology, SenseAuto automatically tracks the driver’s fatigue status, and sends out active voice warnings according to fatigue levels. It can also turn on music or air conditioning to help refresh the driver. In case of distraction, the system reminds the driver to stay focused by making voice prompt, ensuring passengers’ safety throughout every ride.

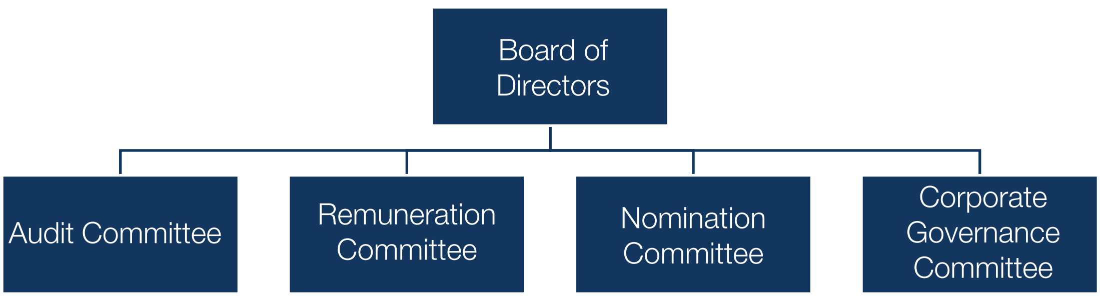
SenseAuto’s Safe Driving Related Features

VALUE CREATION DRIVEN BY INTEGRITY

Trust is essential for business operations and the wide recognition of emerging technologies. The trust of all stakeholders is the cornerstone of our development. Therefore, SenseTime makes unceasing efforts to improve ESG governance and the anti-fraud system, so as to safeguard the rights and interests of various parties through practices based on integrity and compliance. In addition, we strive to develop "responsible and verifiable" AI through responsible development and deployment, as well as enhanced information security and privacy protection. In this case, we devote ourselves to facilitating the healthy and sustainable development of the AI industry and the digital and intelligent social transformation.

Corporate Governance

The Group is committed to achieving high standards of corporate governance to safeguard the rights and interests of our Shareholders and investors. In accordance with the *Company Law of the People's Republic of China,* the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* and other laws, regulations and institutional requirements, we strive to build the highest level of corporate governance structure, so as to make scientific and effective decisions on the operation. The Board has established four Board committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee, to oversee matters of the Group. All Board committees are set up with specific terms of reference and a clear division of powers and responsibilities, to ensure proper resource allocation and scientific and effective decisions.



Corporate Governance Structure of SenseTime

Diversified Governance

A diverse Board plays a vital role in maintaining an enterprise's competitiveness. According to the *Board Diversity Policy* we formulated, all Board appointments should take into account the Directors' meritocracy and the Board's diversity to build a diverse and effective corporate governance structure. In reviewing and assessing suitable director candidates, the Nomination Committee would consider a range of diversity of perspectives with reference to the Company's business model and specific needs, including but not limited to skills, knowledge, professional experience and qualifications, industry and regional experience, cultural and educational background, age, gender, and the potential contributions that the candidate is expected to bring to the Board.

Transparent Communication

We are fully aware that information transparency and effective communication play an important role to safeguard the rights and interests of Shareholders. SenseTime has established diversified communication channels to provide true, accurate and complete information for Shareholders and investors in time. The Group communicates with the Shareholders and investors mainly through the Group's financial reports, general meetings, the website of the Hong Kong Stock Exchange, and the corporate communications and other corporate publications on the Group's website, so as to protect the rights and interests of Shareholders.

Practicing Business Ethics

Integrity, compliance and business ethics are the cornerstone for realizing business sustainability and building trust between enterprises and their stakeholders. The Group abides by the laws and regulations of countries and regions where we operate, such as the *Criminal Law of the People's Republic of China,* the *Anti-Unfair Competition Law of the People's Republic of China and the Anti-Money Laundering Law of the People's Republic of China.* As such, we conduct business in compliance with local laws and regulations relating to anti-fraud, anti-bribery and anti-money laundering to ensure adherence to business ethics. During the Reporting Period, the Group had no major violations of laws and regulations.

Anti-Fraud Management System

SenseTime attaches great importance to building and implementing the anti-fraud management system. The Group established the Anti-Fraud Committee as the highest decision-making body. Through anti-fraud management, we prevent employees from damaging or improperly seeking the Group and Shareholders' interests through any illegal means, such as fraud and bribery. We have rolled out a series of internal policies such as the *Anti-Fraud Management Policy of SenseTime Group,* and the *Regulations on Employee Supervision of SenseTime Group (Trial)*, to establish a sound anti-fraud management system of the Group. Based on the system, we require employees to perform their duties with compliance and integrity and strengthen the anti-fraud supervision to prevent damage to the interests of the Group, Shareholders and employees due to fraud.

Compliance Inspection

SenseTime continues to conduct compliance inspections to ensure business compliance and the healthy development of the Group. We have established a regular inspection mechanism among different functional departments, focusing on high-risk departments such as sales, procurement, and investment. The compliance inspections are carried out in ways of the seminar, materials check, questionnaire survey, interview, follow-up on suppliers, field visit, etc. In this way, we collect and identify violations such as non-compliant business operation and corruption of employees. Additionally, SenseTime conducts flexible special inspections for major R&D projects and engineering projects to ensure comprehensive prevention and control of fraud risks. For any problems identified in the compliance inspection, we will urge the inspected department or project to rectify in time and follow up on their rectifications to guarantee closed-loop management.

Avoiding Conflicts of Interest

To help employees address conflicts of interest and temptations of improper interest in work, SenseTime formulated the *Management Policy for Avoiding Conflicts of Interest of SenseTime Group* during the Reporting Period, to standardize and strengthen the process management for conflicts of interest. We minimize conflicts between employees' personal interests and the Group's interests through processes such as reporting, approval and avoidance. As a result, we protect the Group's and employees' interests in parallel. In response to requirements on avoiding conflicts of interest, during the Report Period, we required all employees to report cases relating to conflicts of interest and reviewed the suspected conflicts of interest. Moreover, we followed up on candidates' commitment to addressing conflicts of interest after being employed, to prevent fraud arising from conflicts of interest.

Anti-Commercial Bribery

We adopt a "zero tolerance" attitude towards all forms of commercial bribery. During the Reporting Period, the Group formulated the *SenseTime Group Anti-Commercial Bribery Compliance Policies and Guidelines*, which specified compliance code of conduct relating to gift and entertainment, partner management, employment, etc. Moreover, employees are required to maintain integrity and self-discipline in internal and external business operations. Besides, we endeavor to work with our partners to create a fair, open and honest business environment. All our suppliers are required to sign the *Letter of Commitment to Anti-bribery* and contracts containing anti-commercial bribery provisions so that our partnership can be built based on integrity and compliance. During the Reporting Period, we revised the anti-commercial bribery provisions in the contract and increased the damages for breach of contract to impose stricter accountability polices on suppliers and promote integrity in cooperation. Besides, before holidays such as the Mid-autumn Festival and the New Year, we often send the "Compliance and Integrity Proposal" to suppliers. The proposal aims to promote compliance and integrity in partnership by forbidding suppliers to bribe our employees for any reason and in any form.

During the Reporting Period, there was no lawsuit related to corruption that had been filed against the Group and our employees.

Whistleblowing Channels

We encourage our employees and all parties to have direct and indirect business relationships with us to oversee the business practice of the Group and our staff. Therefore, we have launched public whistleblowing channels on our official website. Upon receiving a report, the Anti-Fraud Committee of the Group will carry out an investigation and verification within the specified period. Meanwhile, the supervision department and inspectors of the Group strictly keep confidential the reported information and prohibit the disclosure of whistleblowers' information such as their name, workplace, department and content of the report.

Email for whistleblowing: jiancha@sensetime.com
Hotline for whistleblowing: +86 010-83471000 #81315

Anti-Fraud and Integrity Training

Comprehensive and effective training and publicity is critical to implementing SenseTime's anti-fraud policies. We have established an anti-fraud training system to provide targeted training for all employees. Besides, we conduct offline training based on compliance inspections to ensure that every employee is well-informed of compliance and integrity requirements.

Company-Wide Anti-Fraud Publicity Activities

Provide all employees with training and examinations regarding new anti-fraud policies to help them understand and implement such policies. During the Reporting Period, we organized training and examinations regarding the new *SenseTime Group Anti-Commercial Bribery Compliance Policies and Guidelines* for all employees.

Special Training for Targeted Employees

Conduct special training for targeted employees such as sales staff and the management, and ensure that each staff is keenly aware of the fraud risks and integrity in business practice related to their positions through compulsory courses. During the Reporting Period, a total of 3,595 employees received special training.

Offline Training Based on Compliance Inspections

Based on in-depth compliance inspections on departments and employees, arrange offline training for inspected departments and key high-risk positions, and help inspected departments and their employees gain insight into compliance and integrity requirements by answering their questions. During the Reporting Period, we provided offline training for all employees of the North China Administrative Service Center, Procurement Department, Investment Department and Supply Chain Department.

Employee Anti-Fraud Training

Meanwhile, we actively promote integrity among Directors and employees through diversified publicity activities. We continue to issue the *Compliance Dynamic Express Newsletter* twice every month to employees, which covers the latest domestic and overseas compliance and integrity information such as legislative developments, regulatory developments, and compliance incidents. In addition, in case of a major or typical fraud case, SenseTime will notify all employees or the management by email, so as to warn employees about the harm of fraud by enhancing their awareness.

ESG Governance

SenseTime is a leading AI software company with the mission of "To create a better AI-empowered future through innovation". We are committed to driving the sustainable development of the economy, society, and human with AI technology, and creating more values for stakeholders and society to shape a better future. We have integrated the concept of sustainable development into operations and attach importance to communication with various stakeholders to achieve coordinated development in environment and society.

ESG Concept

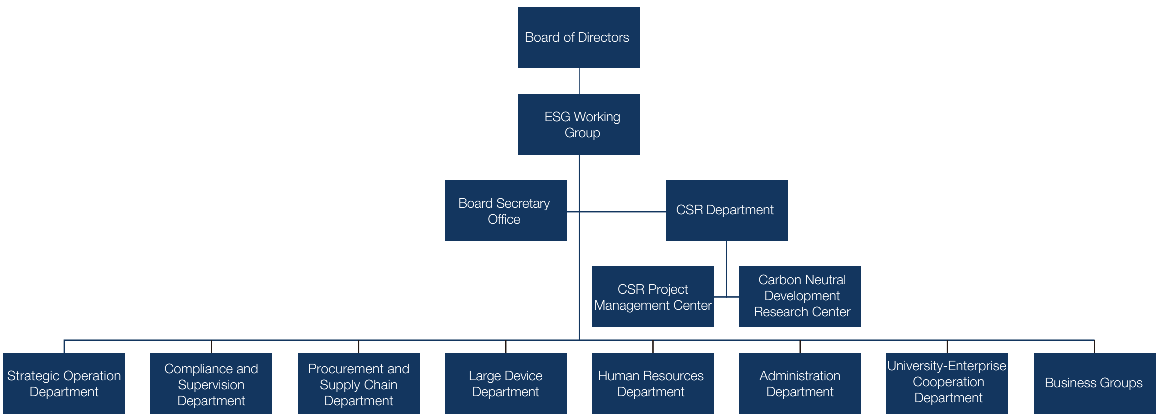
The popularization of the AI technology is bringing profound changes to how we work, live, and govern. As a pioneer in the AI industry, SenseTime has always practiced the ESG concept, and advanced the sustainable development of economy and society with in-house AI technologies. We utilize these technologies to promote economic growth, boost the morale of people, improve the benefit of citizens, protect the ecological environment, etc. By doing so, we are committed to leading the sustainable, healthy, and stable development of the AI industry, and enhancing the sense of fulfillment, happiness, and security of the society.

ESG Concept of SenseTime
Our Environmental Concept We have always practiced the concept of green development and low-carbon strategy. With technical advantages, we constantly explore approaches for energy conservation and emission reduction, to improve resource utilization, and minimize negative impacts on the environment, while working with all sectors of society to protect our green homeland.
Our Social Concept Adhering to the development concept of "human-centric" and "AI for good", we stimulate talents' creativity and vitality and promote the in-depth integration of AI with people-benefiting science and technology and digital inclusion. It is our way to lead economic and social development with scientific and technological innovation, thereby creating a better future.
Our Governance Concept We strive to set up a high-standard integrity and compliance system. Adhering to the concept of "balanced development" of AI, we are committed to developing "responsible and verifiable AI" by governing AI ethics. Moreover, we endeavor to develop AI technology in the direction of contributing to the sustainable development of human society.

ESG Governance Structure

We have established an ESG governance structure with the Board as the highest responsible body for ESG management, overseeing environmental, social and governance issues. Meanwhile, the Board shoulders the responsibilities to review ESG-related assessment, priority, management and annual ESG reporting, and regularly review the progress of ESG goals, so as to achieve top-down oversight of ESG work.

We have established a Corporate Social Responsibility ("CSR") Department consisting of CSR Project Management Center and Carbon Neutral Development Research Center. The CSR Project Management Center is responsible for the major works related to corporate social responsibility, timely response and feedback to social urgent needs and conducting overall planning and implementation of corporate social responsibility work. The Carbon Neutral Development Research Center is responsible for the carbon neutrality and carbon peak ("dual-carbon") work, including the top-level design of the Group's carbon neutrality strategy, roadmap formulation, indicator quantification and resource planning, as well as the systematic planning of dual-carbon solutions based on the SenseTime's existing technology and market innovation needs to promote product research and development. Besides, through the pilot/implementation of dual-carbon-related projects, SenseTime gradually realizes the comprehensive management of the Group's carbon neutrality task and production line planning. These efforts aim at improving our ESG management performance.



ESG Governance Structure of SenseTime

During the Reporting Period, we set up an ESG Working Group to promote our ESG work. The ESG Working Group is responsible for managing and implementing daily ESG affairs and disclosing ESG-related information to the public. The ESG Working Group, jointly led by the Board Secretary Office and the CSR Department, consists of the Strategic Operation Department, Compliance and Supervision Department, Procurement and Supply Chain Department, SenseCore Department, Human Resources Department, Administration Department, University Relationship Department, and Digital World Group, as well as other business groups such as Smart Business Group, Smart Auto Group, Smart Health Business Group, Education Group, responsible for all aspects ESG work.

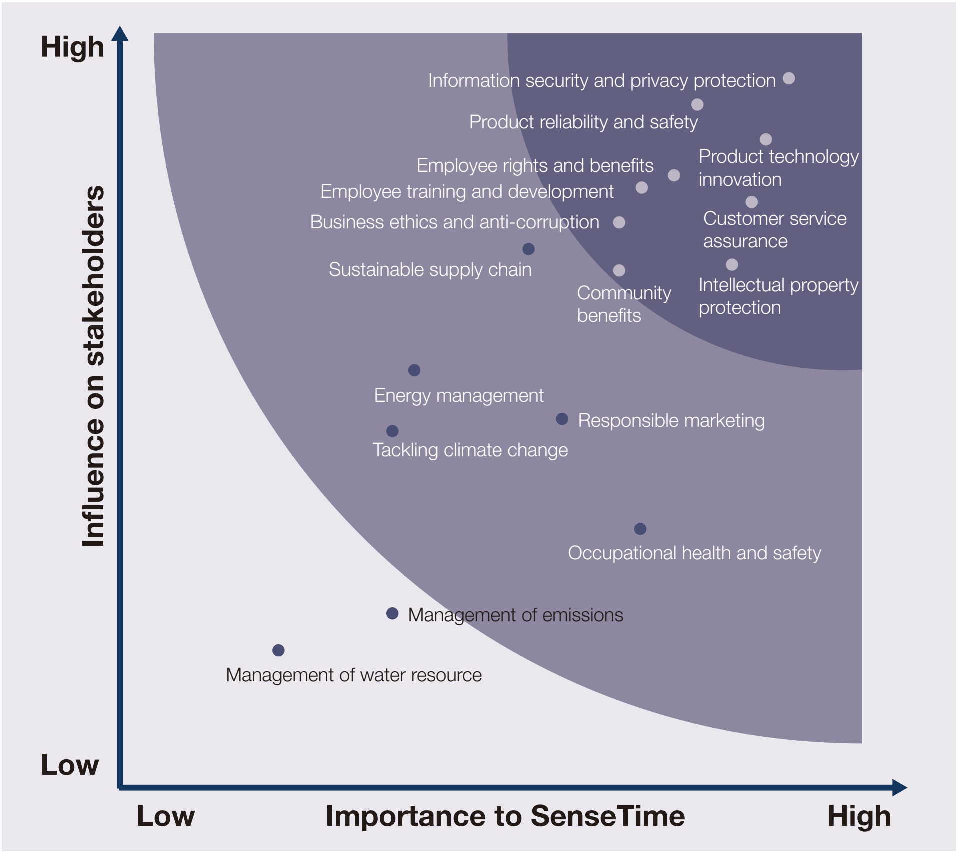
Communication with Stakeholders

The Group's key stakeholders include Shareholders and investors, government and regulatory authorities, media and non-governmental organizations (NGOs), suppliers, partners, users, employees, and the community and the public. We attach great importance to communication with stakeholders and understand their expectations and requirements on ESG issues through various effective channels, which is took as an important reference for the Group to formulate the ESG strategies.

Stakeholders	Issues of concern	Communication methods
Shareholders and investors	Return on investment Compliant operation Risk control Product and service quality	General meeting Regular reports and announcements Investor mails and meetings
Government and regulatory authorities	Compliant operation Information security Data and privacy protection AI ethics and governance	Information disclosure Daily communication and reporting Regulatory inspection Visits reception
Media and NGOs	Product and service quality Promotion for industry development Social responsibility	Social media Official website Press conference Communication at meetings
Suppliers	Operation with integrity Corporate social responsibility Mutual benefit and win-win cooperation Supplier empowerment	Project procurement Contracts and agreements Invitation for tender Supplier management conference
Partners	Technology innovation Cooperation for development Product and service quality Social responsibility	Corporate forum Partners summit Project cooperation Technical exchanges
Users	Improvement of user experience Product and service quality Information security Data and privacy protection	Official website User feedback channels Product research feedback Social media
Employees	Employee rights protection Occupational health and safety Employee benefits Equal opportunities and diversity	Internal meetings Management committee Staff training Social media
Community and the public	Public welfare and charity Community engagement Environmental protection	Community activities Official website Social media

Materiality Assessment

We carry out materiality assessment in accordance with the *Environmental, Social and Governance Reporting Guide* issued by the Stock Exchange of Hong Kong Limited. Based on our business features, through internal interviews and discussions, and consulting with external experts, we evaluate 16 identified issues from two aspects, namely "importance to SenseTime" and "influence on stakeholders" and generate a materiality assessment matrix based on the results of the survey. The materiality assessment matrix is reviewed and confirmed by the Board. During the Reporting Period, we re-evaluated the importance of these issues to the Group, and the results of the survey remained the same as those of the last year.



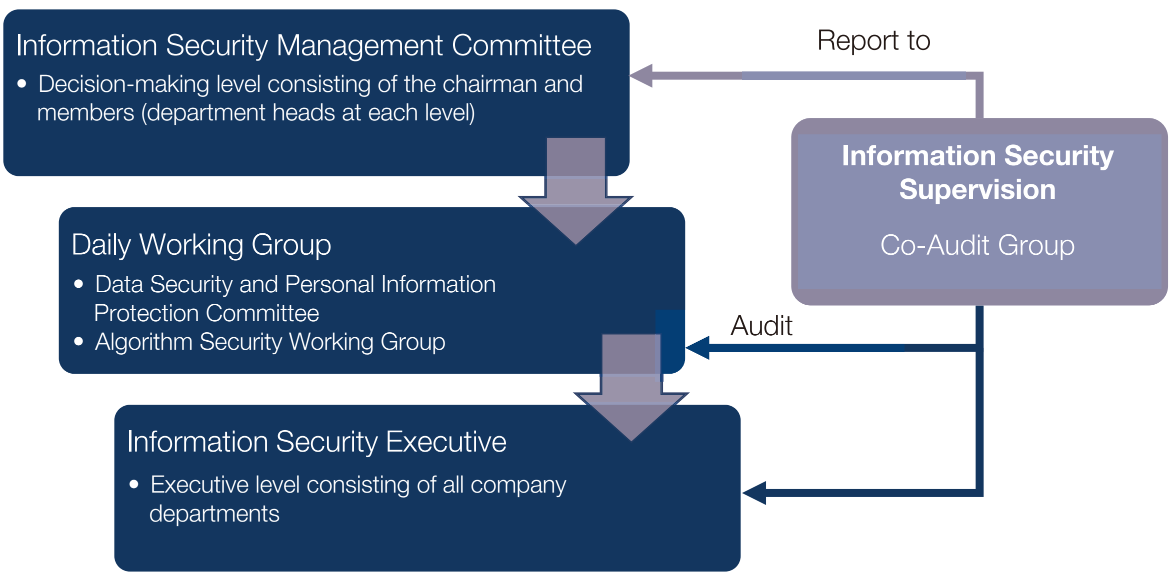
Matrix of Material Issues of SenseTime

Strengthening Information Security

We abide by laws and regulations related to information security of countries and regions where we operate, such as the *Cyber Security Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China*, and the *Provisions on Protecting the Personal Information of Telecommunications and Internet Users*. We maintain compliant information security management by tracking changes in domestic and overseas laws and regulations in a real time, so as to formulate and improve relevant policies and measures based on such changes. During the Reporting Period, based on the *Measures for the Security Assessment of Cross-Border Data Transmission* issued by the Cyberspace Administration of China, we formulated the *Cross-Border Data Security Management Measures of SenseTime Group* and restricted technologies for cross-border data transmission, so as to protect the Group's data security and the legitimate rights and interests of the personal information subject.

Information Security Management Structure and System

SenseTime adheres to the highest standards of information security and data privacy regulations and has established an information security policy of "business-driven security, comprehensive risk control, compliance in the use of personal information and privacy information, and effective data protection". The Information Security Management Committee, led by the senior management, is the Group's highest decision-making body for information security management. We have set up a department for information security supervision to audit and inspect the information security work of the Group and to urge and guide the improvement of the information security management system. Meanwhile, we have designated the coordinator for information security and compliance in each department to ensure the effective implementation of our information security requirements.



Organizational Structure of Information Security Management Committee in 2022

We have formulated 48 internal policies such as the *Information Security Policy of SenseTime Group*, the *Cyber Security Incident Management Measures of SenseTime Group*, and the *Information Security Risk Management Regulations of SenseTime Group*, to continuously advance the development of the information security system and prevent information security risks. SenseTime is the first AI enterprise to obtain all three certifications of ISO 27001 Information Security Management System Certification, ISO 29151 Personal Identity Information Protection Management System Certification, and ISO 27701 Privacy Information Management System Certification. Meanwhile, we have obtained the BS 10012 Certification for Personal Information Management Systems, which is in line with the *General Data Protection Regulation (GDPR)* of the EU to suit the needs of overseas business.

ISO 27001 Information Security Management System Certification

ISO 29151 Personal Identity Information Protection Management System Certification

ISO 27701 Privacy Information Management System Certification

BS 10012 Personal Information Management System Certification

During the Reporting Period, as a professional intelligent automotive solution provider, SenseAuto obtained the ISO/SAE 21434 Road vehicles – Cybersecurity Engineering Certification, which solidified the foundation of our product information protection.

Information Security Management Measures

Based on the sound organizational structure and management system of information security management, we have implemented comprehensive measures to ensure cyber security and data security and to protect personal information. We have formulated a network security emergency plan and a sound cyber security incident response mechanism to identify and handle cyber security incidents in a timely manner. During the Reporting Period, the Group carried out 3 "Red" vs "Blue" internal security competitions and 4 security testing for external products, to identify information security risks in advance for timely rectification, thus improving the Group's overall security level.

As for data security, all departments of the Group need to clearly mark the degree of confidentiality for the data generated and implement the hierarchical management for data with different degree of confidentiality. Meanwhile, we have clearly defined the use of accounts and permissions for various information tools, platforms, and systems of the Group. In addition, we regularly review and monitor accounts to ensure reasonable accessibility and prevent unauthorized access, modification, and potential data leakage. We have set up a server system with enhanced security performance protection to ensure that the data transmitted is encrypted throughout the link. We have also established an independent database and share no personal information of our customers or end users with any other third parties; Audit records are traceable for sensitive operations of personal information, such as downloading, removing, and viewing to ensure the security of sensitive data. During the Reporting Period, the Group received no complaints about privacy violation or data leakage.

Training and Publicity

The Group has established a comprehensive information security training system, conducts targeted training for different employees, and regularly trains all employees on relevant policies. During the Reporting Period, the Group organized various training sessions such as group-wide training on interpreting the *Personal Information Protection Law of the People's Republic of China*, group-wide training on information security awareness, and skill training for security coordinators. Besides, we added our official WeChat account as one of the publicity channels to publish monthly reports, periodicals, and safety-education-related publicity materials. We have also conducted simulated phishing email drills to enhance employees' anti-phishing awareness.

Case: Information Security Days

In December 2022, SenseTime launched a six-day event for the "Information Security Days", attracting a total of 525 employees. The event introduced the key points of information security in a simple way by organizing online quiz and offline activities, and popularized the policies, regulations and red lines of information security. Employees actively participated in the online quiz comprising two parts of "All I Know about Security" and "Pick Flaws in Security". By reviewing daily work scenarios, employees understood how to maintain safety at work in a more intuitive manner. Offline activities were held in parallel in Beijing, Shanghai and Shenzhen. The offline interaction was themed on cross-border data transmission, data leakage, product security and office security to enhance employees' awareness of information security.

Employees enthusiastically participate in Information Security Awareness Day

Enhancing Governance of AI Ethics

As a leading AI software company, SenseTime puts governance of AI ethics at the heart of its business operations. Specifically, we have proposed the AI ethics concept of "balanced development" and the principles of "sustainability, human-centric approach and controllable technology", championing that we develop AI in a way better suited for the sustainability of human society. During the Reporting Period, the Group was included on the list of excellent corporate governance under "ESG Innovation of the Year" on wallstreetcn.com in recognition of its efforts on governance of AI ethics for "balanced development".

AI Ethics

- **"Balanced development":** Advocate and holistically promote the governance and development of AI, and avail the governance of AI for healthy and sustainable development of AI industry, and the digital and smart transformation of economy and society.

Principle of AI Ethics

- **"Human-centric"** advocates respecting, accommodating, and balancing differences in historical, cultural, social, and economic development among different countries and regions, and pursuing consensus among different cultures. Meanwhile, we should also ensure the protection of human rights and privacy and deploy technology without prejudice.

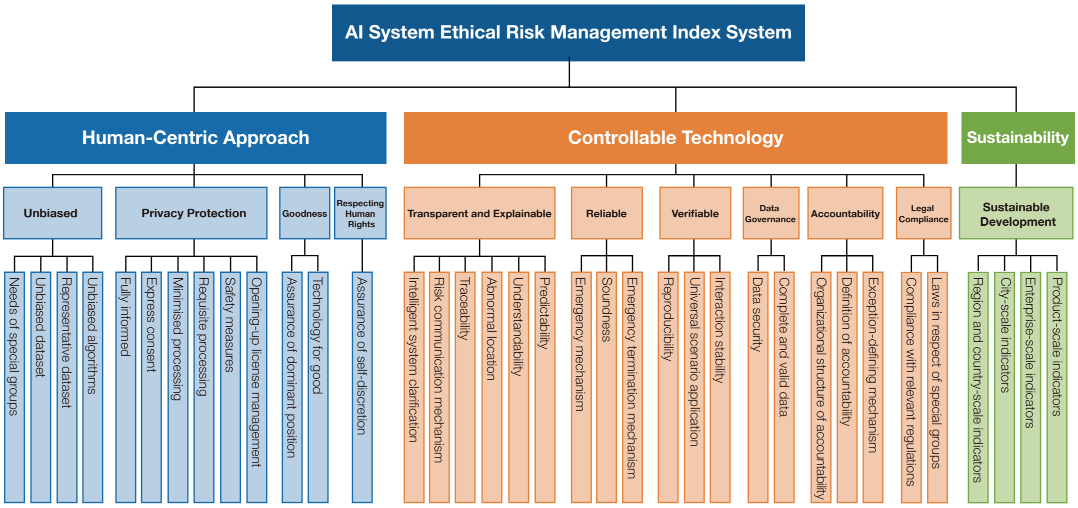
- **"Controllable technology"** advocates that AI is developed by and for humans and therefore, should be controlled by humans. Correspondingly, its controllers, i.e., humans, should be responsible for its actions.

- **"Sustainability"** advocates the sustainable development of society, economy, culture, and the environment, and promotes openness and inclusive innovation.

Ensuring the governance of AI ethics in practice is our priority. During the Reporting Period, the Group officially released the *AI Governance for Balanced Development*, and for the first time in the industry, we proposed the development of "responsible and verifiable" AI as our goal toward next level in governing AI ethics.

"Responsible and Verifiable" AI

SenseTime has established an AI System Ethical Risk Management Index System, focusing on ethical issues like privacy protection, data security and unbiased algorithms to ensure safe, reliable and manageable development of AI. In addition, we implement ethics principles of "human-centric approach, controllable technology and sustainability" throughout the whole life cycle of product design, development and deployment to efficiently prevent product ethical risks. During the Reporting Period, we focused on completing the design of a series of ethical risk self-examination tools and the development of a platform for the review of product ethical risks. We use the platform to review the ethical risks of all SenseTime's AI products throughout the whole life cycle of project launch, release and operation. During the review process, we may reject new product proposals, and require suspending ongoing product development projects, or stopping selling existing products that do not comply with the principles and standards to ensure that the ethical risks of SenseTime's AI products are effectively mitigated and controlled. In this way, we can steer AI toward responsible and sustainable development.



AI System Ethical Risk Management Index System

Our governance system for AI ethics and related technical tools have received repeated positive ratings from third-party organizations. During the Reporting Period, the SenseTime AI training platform (AutoLink) was awarded the "Trusted AI Platform Application Benchmark Case" by the Artificial Intelligence Industry Alliance (AIIA), and our ethical governance system and algorithm evaluation tool were awarded the "Trusted AI Practice Excellence Case". In addition, SenseTime was also selected as one of the "Top 10 Enterprises with Outstanding Contribution in 2022" by the AIIA and the AI Key Technology and Application Evaluation Laboratory.

"Trusted AI" Case Award

"Enterprises with Outstanding Contribution in 2022" Award

Cooperation on the Governance over Ethics in Science and Technology

We actively explore cooperation on governance over ethics in science and technology, carry out regular exchanges with universities, research institutes and government bodies, and jointly apply for national research topics on ethics in science and technology with several universities. Meanwhile, we actively join standards organizations such as the China National Information Technology Standardization Network (NITS) and the Institute of Electrical and Electronics Engineers (IEEE), serving as group leader or vice leader in several taskforces and contributing to research on standards for ethics in science and technology. By the end of the Reporting Period, we had contributed to the formulation of 27 AI ethics-related standards, including 13 international standards and 14 Chinese standards.

In addition, during the Reporting Period, we joined hands with the International Finance Forum, Artificial Intelligence International Institute and other institutions at home and abroad to launch the "Technology for Sustainable Development Goals Alliance for Asia" (Tech4SDG). The aim is to put the research and practices of technology ethic governance high on the agenda, and to bring together experts and scholars worldwide to promote AI for accelerated transition to digital economy and sustainable development.

The Foundation of Tech4SDG

Internal Communication and Training on Ethics

We are acutely aware that the key to developing responsible and assessable AI is to develop an organizational culture of ethical governance at the Group level. Therefore, we have established a regular communication and training mechanism, sending out important AI governance-related news to all employees on a weekly basis, and organizing regular seminars and inviting experts from domestic and international departments to train employees on ethical governance. At the same time, we emphasize "categorization" and provide targeted content and programs for core product personnel, risk contacts, management, front-line business workers and all staff to bring ethics closer to everyone's work horizon to implement AI ethical governance.

INNOVATION ACTED UPON OUR ORIGINAL ASPIRATION

AI is bringing profound changes to human society in terms of production, lifestyle, and governance. As a company dedicated to "to create a better AI-empowered future through innovation", SenseTime continually enhances its AI infrastructure, promotes innovation and R&D, as well as advances its capabilities as a service platform, and create a more scalable and inclusive AI platform. In this way, we cultivate more industry talents and empower industrial upgrades and development.

Driving Technology Innovation

Reinforcing the Foundation for Innovation

Technological innovation is a vital driving force for social progress and productivity growth. As a leading AI software company in China, SenseTime continues to increase its investment in cutting-edge technologies. Our team of scientists and engineers has created SenseCore, an original, efficient, and highly productive AI Cloud. As an AI infrastructure integrating intelligent computing power, general algorithm and development platforms, SenseCore is capable of training large-scale general AI models.

During the Reporting Period, we steadily enhanced the algorithm processing capacity of SenseCore, and initiated computing power deployment and operation preparation in various regions across China. Our distributed training architecture supports large-scale distributed training at the thousand-card level, with 91.5% thousand-card parallel efficiency and up to 4,000 GPU cards for single-task training, effectively reducing training time and improving computational efficiency. Thus, we can offer agile, flexible, easily scalable, secure, and reliable AI infrastructure for both internal and external users.

As we continue to improve SenseCore, our per capita R&D efficiency continued to improve, and the average number of models produced by each R&D personnel per year has increased to 9.35, an increase of 90% from 2021. The cumulative number of commercialized models increased by 93% to 67,000. In addition, we have joined hands with industry partners in supporting the development and upgrade of domestically produced AI chips.

Case: Initiating the ICPA to Promote the Development and Application of Domestically-Produced AI Computing Power in China

With the strong support of the Shanghai Municipal Commission of Economy and Informatization, SenseTime has established the Intelligent Computing Power Alliance (ICPA) with leading semiconductor companies, research institutes, universities, and national standardization institutions to jointly promote collaboration along the ecosystem of AI computing power industry. During the Reporting Period, the number of ICPA members increased to 24. They continue to make contributions to the establishment of group standards for AI computing chips, the standardization of the software ecosystem for domestic chips, and the enhancement of chip evaluation capabilities.

2022 ICPA Conference

We have developed more than 67,000 AI models that are continuously being applied in various sectors including Smart City, Smart Life, Smart Business, and Smart Auto. These models have empowered more than one billion IoT devices and execute trillions of calculations daily, empowering the real economy, and creating value for thousands of industries.

Cultivating a Culture for Innovation

SenseTime upholds the principle of "innovation-driven growth". We have formulated sound internal policies such as the *SenseTime Group Product Release Process* and *SenseTime Group Industry Solution Release Process* to regulate and manage product development and release. On this basis, we have further strengthened our innovation culture by setting up an innovation business management mechanism and establishing the "SenseTime Originality Award". We have created a cross-departmental innovation plan working group to innovate our business and established an independent and flexible incentive mechanism for innovation. The Group has implemented a separate innovation budget pool management system, which has detailed rules regarding areas such as goal-setting, assessment management, and exit strategies to ensure the continuous and orderly development of innovation work.

Dedication	Closed-loop Management	Facilitation of Business Model Transformation
• Full empowerment, greater incentives, and controlled overall input	• Diversified objectives, rapid trial and error correction, quick evaluation and adjustment, exit management mechanism, and improved innovation efficiency	• Adjust revenue structure and increase the share of sustainable revenue

SenseTime's Innovation Management Principles

Publishing high-quality journal articles is a reflection of a company's innovation and R&D capabilities as well as its industry influence. From 2015 to the end of the Reporting Period, SenseTime and its joint labs had published 703 research papers on deep learning and computer vision at the top three computer vision international conferences: Conference on Computer Vision and Pattern Recognition (CVPR), International Conference on Computer Vision (ICCV), and European Conference on Computer Vision (ECCV), continuing to lead the world in the field of computer vision.

Protecting Intellectual Property Rights

SenseTime is fully aware of the reciprocal and inseparable relationship between intellectual property protection and technological innovation. Therefore, we have developed a comprehensive policy system for intellectual property management and protection. We clarify the management process of the Group's intellectual property such as patents, trademarks, copyrights, and domain names in internal rules and policies, including the *Intellectual Property Management Policy of SenseTime Group*, the *Guidelines for Patent Application of SenseTime Group*, the *Trademark Management Rules of SenseTime Group*, and the *Copyright Management Rules of SenseTime Group*. We have also formulated the *Guidelines for the Risk Management of Patent Infringement of Products of SenseTime Group*, setting up a mechanism for identifying, monitoring, and early warning intellectual property risks, and integrated intellectual property risk identification and control into the product development process.

Furthermore, we have also set up a dedicated intellectual property team responsible for the operation, maintenance, intellectual property litigation, rights protection, and counterfeiting prevention of patents, trademarks, and other intellectual property for the Group and its subsidiaries. Based on these efforts, we have built an intellectual property data management system to enable full-process management for each patent asset. To encourage employees to innovate, we have formulated the *Management Rules for Patent Incentives and Remuneration of SenseTime Group* to clearly define the incentive mechanisms for patent-related activities and the intellectual property infringement reporting reward system, further deepening all employees' respect for innovative capabilities.

Industry-Academia Collaboration Toward Mutual Prosperity

SenseTime firmly believes that promoting cooperation among enterprises, universities, and research institutes can effectively leverage complementary advantages, and promote technological innovation and application of research achievements. In this regard, we actively join hands with renowned universities and research institutes, both domestic and overseas, to promote a collaboration and innovation ecosystem for original technologies. By the end of the Reporting Period, SenseTime had established close partnerships with nearly 60 universities and research institutes at home and abroad and had set up more than 10 joint research institutes and joint laboratories with top universities worldwide, undertaking more than 330 joint research projects in total. During the Reporting Period, SenseTime continued to strengthen cooperation with universities in China and abroad, initiating nearly 70 new projects and managing nearly 100 projects. The efforts effectively enhanced our technological strength in various research sectors.

Case: Joint Establishment of Qing Yuan Research Institute with Shanghai Jiao Tong University

SenseTime and Shanghai Jiao Tong University have jointly established the Qing Yuan Research Institute, dedicated to building a world-class AI research and teaching team, focusing on fundamental AI theory research and technological innovation. By the end of the Reporting Period, the Qingyuan Program had attracted more than 10 top talents from home and abroad as full-time teachers, and had carried out more than 30 collaborative research projects in total. This program involves multiple schools of the university, such as the School of Electronic Information and Electrical Engineering, the School of Mathematical Sciences, the School of Biomedical Engineering, the School of Mechanical and Power Engineering, the School of Marine and Architectural Engineering, and Koguan School of Law. The Qing Yuan Research Institute has also established a full-time professional master's program in AI, which focuses on developing professionals in AI technology application area.

Case: Joint Lab with Nanyang Technological University

SenseTime has established a joint lab with Nanyang Technological University and the Singapore government. By the end of the Reporting Period, the joint lab has conducted 18 research projects, research results of which have supported multiple SenseTime products, such as OpenMMLab, SenseStudy, SenseAR, and SenseLiDAR.

Case: Center for Perceptual and Interactive Intelligence, the Chinese University of Hong Kong

The Center for Perceptual and Interactive Intelligence of the Chinese University of Hong Kong, co-established with SenseTime, was inaugurated in 2020. The center focuses on 14 sub-projects in 5 major research topics of intelligent vision, smart voice processing, smart city, smart medical care, and intelligent control. Over 30 project leaders from the Chinese University of Hong Kong and SenseTime have collaborated on the research topics, and they have attracted the participation of many Ph.D. students and post-doctoral fellows.

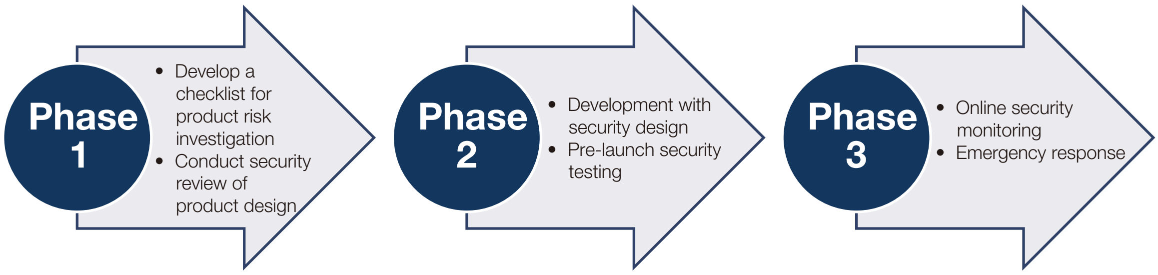
Case: In-depth Industry-Academia Collaboration Program of "Perceptual Computing" between Tsinghua University and SenseTime

SenseTime has partnered with Tsinghua University to launch the "Perceptual Computing" project to advance the in-depth industry-academia collaboration. Through this project, we have conducted 14 joint research projects in the past two years, covering various departments of Tsinghua University, such as the Department of Electronics, the Department of Automation, the Department of Computer Science, the School of Software, and the Department of Industrial Engineering. The project achievements have already been applied in SenseTime's product lines such as digital entertainment, SenseCore, intelligent transportation, and other product lines.

Creating Reliable Products

At SenseTime, quality always comes first. In developing and producing AI software, we rigorously safeguard the information and privacy for the users of our software products. At the same time, we are committed to creating premium AI products with integrated software and hardware. We strictly follow the relevant laws and regulations such as the *Law of the People's Republic of China on Product Quality* and the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, and formulate the product lifecycle management process and related quality management policies such as the *SenseTime Group Product Release Process* and the *SenseTime Group Product Suspension and Sales Process Policy* with reference to industry standards to standardize quality control requirements and continuously optimize product quality.

To improve the efficiency and standardization of the entire process of product design, testing, and verification, the Group has established a Safety Operations Center (SOC) platform. This platform conducts comprehensive evaluation and review in various areas such as ethics, security, compliance, personal information protection, and other aspects throughout the lifecycle of product initiation, development, and release, and meticulously evaluates various risks to ensure the delivery of reliable and responsible products. In addition, during the Reporting Period, each business group department of SenseTime has appointed a safety officer who fully takes responsibility for the safety review work of each product during the design stage, moving the safety process to the early stages of the software development life cycle to prevent defects from occurring and to identify vulnerabilities as early as possible, achieving left-shifted security.



Soc Platform Operation Process

In the process of hardware production, the Group strictly controls the safety of product materials and all hardware products produced undergo strict manufacturing inspections and pre-delivery inspections. There was no recall of products due to health and safety concerns during the Reporting Period. Meanwhile, we have established internal policies such as the *Product Marking and Packaging Standard* to standardize the application of hardware product markings and packaging. During the Reporting Period, there was no violation related to product and service information and identification.

Case: Quality System for the SenseAuto intelligent automotive application platform

In smart vehicle production, a sound quality and safety system is critical for safe driving and smooth interaction. In alignment with advanced international standards, SenseTime always insists on implementing strict quality standards at all levels covering quality and safety, and functional design safety, to ensure the safety of final product delivered.

Our SenseAuto platform has obtained important qualifications such as the ISO9001 Quality Management System certification, ASPICE CL1 and CL2 certification, and ISO 26262 Functional Safety ASIL B product certification. In December 2022, SenseAuto further received ISO/SAE 21434:2021 Automotive Information Security Process Certification. This international certification marks that SenseAuto has more comprehensive information security management, design, development and verification capabilities, and that it has become one of the few companies in the industry to obtain all three certificates.

Case: Medical Product Related Certifications received by SenseTime

Certification of medical-related products is crucial to ensure the safety, effectiveness, and quality control of medical devices. SenseTime upholds a high level of responsibility for the quality and safety of medical-related products, strictly adheres to international and domestic standards, and ensures timely certification of various medical products.


Declaration of Conformity


Declaration of Conformity


中华人民共和国医疗器械注册证

Examples of Medical Product Licenses Obtained by SenseTime

Advancing Responsible Supply Chain

Implementing Supply Chain Management

Building a responsible supply chain is crucial for SenseTime's sustainable development. We have built a whole-process supplier lifecycle management system supported by internal policies such as *Introduction and Assessment Management Regulations for Direct Procurement Suppliers of SenseTime Group* for domestic and international suppliers. This aims to standardize the management of supplier selection applications, reviews, and supplier portfolio maintenance, and other aspects to ensure stable production and operation.

Whole-Process Supplier Lifecycle Management System

By the end of the Reporting Period, the number of suppliers of SenseTime by region is listed below.

Suppliers by region	Quantity (supplier)
China (including Hong Kong, Macao, and Taiwan)	298
Other countries and regions	12
Total	310

Quantity of Suppliers by Region

Meanwhile, we regularly review and optimize the policies related to supplier management, and continuously optimize the processes and specific requirements for supplier classification management during and after the supplier introduction process, so as to continuously improve our supply chain management capabilities. During the introduction stage, we implement relevant scoring standards for different categories of suppliers, taking into account the quality level, R&D technology, and other relevant conditions of the suppliers to ensure the identification and selection of high-quality suppliers. We strictly review the qualification of our suppliers, prioritizing those who have obtained ISO 14001 Environmental Management System certification and QC080000 Hazardous Substance Management System certification. We also require specific categories of suppliers to provide RoHS hazardous substance monitoring reports.

We manage our suppliers in a categorized and graded manner and continuously monitor their performance. We evaluate qualified suppliers on a quarterly and annual basis following our assessment plan. Our quality, R&D and other departments form a cross-departmental review team to regularly inspect and evaluate suppliers in quality, delivery and service aspects, and grade them into A/B/C/D levels. Based on the assessment results, we provide corresponding incentives, sanctions, and elimination measures to optimize the structure and capabilities of our suppliers.

Safeguarding Supply Chain Security

SenseTime actively benchmarks international industry standards and continues to build an open and transparent, safe and reliable supply chain system. We have obtained ISO 28000 Supply Chain Security Management Systems certification and have established a supply chain security management mechanism with the participation of our Chief Operating Officer and the involvement of multiple departments. We conduct regular assessments and planning of supply chain security risks, implement and operate effective measures, inspect and correct actions, and conduct management reviews. We continuously improve the management requirements for supply chain personnel, warehousing and logistics, emergency response mechanisms, and other related aspects to achieve high-quality supply chain development.

Supply Chain Security Management Policy

Prevention-oriented, Technologically Leading, Continuously Improving, Secure and Trustworthy.


Certificate CN22/00001797

The management system of

SHENZHEN SENSETIME TECHNOLOGY CO., LTD.

has been assessed and certified as meeting the requirements of

ISO 28000:2007

For the following activities

Supply chain security management system for artificial intelligence product warehouse management and supply chain management

SGS

ISO 28000 Supply Chain Security Management Systems Certificate

Environmental and Social Responsibility for Suppliers

SenseTime values the ESG performance of our suppliers and continuously integrates ESG requirements into our supply chain management processes. We collaborate with our suppliers to achieve a green, sustainable partnership. During the Reporting Period, we launched and fully implemented the *Supplier Code of Conduct*, which specifies our requirements for suppliers on human rights, environmental issues, labor rights, data privacy and others, to encourage them to gradually improve their environmental and social performance.

Environmental Requirements	Social Requirements	Governance Requirements
• Fully comply with applicable environmental laws; • Improve energy efficiency and minimize energy consumption and greenhouse gas emissions; • Effectively manage and dispose hazardous substances; • Strengthen the management of water, solid waste, and air pollutants; • Comply with requirements regarding package labeling, material content, recycling and disposal of products.	• Ensure that employees and the workplace are free from harassment, unlawful discrimination and retaliation; • Zero tolerance to child labor; • Zero tolerance to forced labor, prison labor and human trafficking; • Provide fair compensation for all employees; • Comply with the requirements related to maximum working hours and holidays; • Provide a safe and healthy working environment for all employees; • Respect and protect intellectual property; comply with all local privacy and data protection laws and establish data security protection mechanisms.	• Improve management policies related to anti-bribery, anti-corruption, anti-money laundering and other business ethics.

To ensure that suppliers effectively comply with our environmental and social requirements and continuously improve the transparency of the procurement process, the Group requires new suppliers sign the *Quality Agreement, Confidentiality Agreement* and *Letter of Commitment to Anti-bribery*. For specific categories of suppliers, we also require them to sign an additional *Conflict-Free Minerals Commitment*.

We have included environmental management and social responsibility management modules in the annual assessment requirements for manufacturing suppliers. We have developed over 100 specific assessment indicators for suppliers in areas such as emissions management, labor rights, occupational health, and conflict minerals. We regularly inspect, review and score suppliers, and require timely corrective action and follow-up reviews for items that do not meet our requirements to ensure compliance.

In addition, SenseTime encourages suppliers to engage in clean production and promotes their green transformation during the cooperation. For example, for suppliers of energy-intensive aluminum structural parts, we recommend that they prioritize purchasing green electricity for manufacturing and production.

Facilitating Supplier Communication

SenseTime has established multiple and effective supplier communication channels to continuously optimize the partnership with suppliers and support their growth. We organize multiple training and coaching sessions for our suppliers, providing them with timely information on our product quality, delivery, and social and environmental requirements. Furthermore, we assist our suppliers in enhancing their management capabilities, achieving mutual progress. During the Reporting Period, we held the first Partner Conference. At the conference, we comprehensively elaborated on our requirements and guidelines regarding laws, human rights, environmental issues, labor rights, ethical responsibilities, data security and privacy protection, IPR and trade secrets, and anti-commercial bribery. In this way, we are committed to working with our suppliers to fulfill our social responsibilities.

Optimizing Customer Service

Identifying Customer Needs

As an essential component of our business, customer service is a top priority for SenseTime. We have established an excellent professional service team tailored to the characteristics of different customer groups in different product lines. We strive to continuously optimize customer service with high standards to ensure that customer needs are fully understood and their feedback is timely and effectively addressed.

SenseTime fully understands that clients from different industries come with diverse demands for products and services. Therefore, based on our AI core technology capabilities, we are committed to delivering products that fully meet customer needs through various channels, such as collaborating with industry experts, implementing customized development, and innovating product design. During the Reporting Period, the quality of our product and service and our market competitiveness were highly recognized by our customers.

In addition, according to the characteristics of our products and businesses, we conduct regular customer satisfaction surveys covering our main products and major domestic customers, establishing and strengthening smooth communication channels with our customers. For example, for Smart AUTO business, we continuously focus on customers' evaluation of our product and service performance, and executes monthly customer satisfaction survey to understand and meet customers' expectations in time, and further improve customer satisfaction.

Assuring First-Class Service

SenseTime has developed internal policies such as the *After-Sales Service Procedures of SenseTime Group* and established a unified after-sales service platform to provide timely and effective after-sales service for software, hardware, and software-hardware integrated products. We continuously improve our customer complaint response mechanism and customer service management system, accurately collecting and processing customer opinions and related needs through various channels such as email, telephone, WeChat public account, and website. Upon receiving customer complaints, we set up a *Customer Complaint Handling Worksheet* in the after-sales service system, judge and label the urgency or importance of the work order, and adopt corresponding processing procedures based on the level of the customer complaint. We also establish a dedicated team to promptly resolve and follow up the customer complaints. In addition, our business operation department conducts monthly inspections of customer complaint feedback, statistics, and follow-ups on the quality of customer complaint handling, identifying deficiencies and organizing relevant departments to resolve and improve them.

For Smart Auto business, we have also established the internal policies such as the *0km Customer Complaint Handling Process* and the *After-sales Quality Problem Solving Process*, to realize close-loop complaint management. When faced with customer complaints, we immediately verify relevant information, and cooperate with relevant departments to identify problems, analyze reasons, and propose and verify improvement measures. We provide clients with detailed 8D reports to trace and improve customer-side usability, ensuring that clients' demands are fully met.

During the Reporting Period, SenseTime has handled 2 customer complaints, with a complaint handling rate of 100%.

Empowering Industrial Advancement

With unlimited potential for the future development of AI technology, SenseTime is committed to original and continuous innovation while widely and deeply participating in industry standard-setting. We are dedicated to providing the entire industry with more valuable platforms and resources, creating more sustainable benefits while improving our competitive edge.

Participating in Industry Standards Development

Setting clear standards is essential for ensuring the safety, reliability, and sustainable development of AI technology. A mature AI standard system can facilitate the interoperability and reuse of models and promote the large-scale deployment of AI industrialization. SenseTime actively cooperates with industrial partners, renowned universities and standardization organizations at home and abroad to promote the development of industry standards.

During the Reporting Period, SenseTime participated in developing various international standards and group standards, covering AI, computer vision, data security, AI ethics, Augmented Reality (AR), etc. SenseTime participated in the formulation of international standards such as the *Standard for Augmented Reality on Mobile Devices: General Requirements for Software Framework, Components, and Integration* (IEEE P2048.101), and group standards such as the *Technical Requirements and Methods for Automobile Transmission Video and Image Desensitization*, exerting a positive influence on the standardization of the industry and ensuring the safety and reliability of technology applications.

Launching Open Source Algorithm System

SenseTime has always been a staunch supporter and practitioner of open-source and open collaboration, actively building an open-source ecosystem to empower the industry. By the end of the Reporting Period, we have open-sourced platforms, including OpenMMLab, OpenGVLab, OpenDILab, which have received 77,000+ stars on Github. Among these platforms, OpenMMLab offers more than 400 state-of-the-art AI algorithms and over 2,500 pre-trained models. Our open-source platforms have received widespread recognition and attention from both the academic and industrial communities and is rapidly attracting global AI developers. Researchers and developers from over 110 countries and regions have used SenseTime’s open-source tools and actively participated in its optimization.

Cultivating Industry Talents

Talent is critical to the AI industry. As an industry-leading AI enterprise, SenseTime attaches great importance to making continuous efforts in all aspects and empowering industry talent training. We assist in formulating national and industrial talent training standards and cultivate high-potential talents in cooperation with universities. We also build the AI teacher training base to promote the development of AI vocational education. We are also an active participant in top-level international academic conferences. We constantly expand the range of our AI academic communication through We Media, contributing to AI development.

Assisting in Formulating Talent Training Standards

SenseTime actively engages in formulating national and industrial talent training standards. With many years of practical experience in the industry, we continue to advance the close connection between information technology, AI talent standards, and industry situations in China.

<table>
<tr><th>Leading unit</th><th>Guiding unit</th><th>Documents or teaching materials</th></tr>
<tr><td rowspan="5">China Electronics Standardisation Institute</td><td rowspan="5">Ministry of Industry and Information Technology</td><td>Capability Requirements for Virtual Reality Workers</td></tr>
<tr><td>White Paper of Electronic Information Talent Training Standards</td></tr>
<tr><td>Construction Standards of Computer Teaching Facilities</td></tr>
<tr><td>Design Guide of Information System Course</td></tr>
<tr><td>Capability Requirements for Information System Professionals</td></tr>
<tr><td>China Industrial Control Systems Cyber Emergency Response Team</td><td>Ministry of Human Resources and Social Security</td><td>Digital Twin Application Technicians</td></tr>
</table>

Continuous Nurturing of Talents in Cooperation with Universities

To discover, encourage and cultivate the most potential undergraduates in the field of AI in China, the Group has set up the SenseTime Scholarship since 2017 and maintained close cooperation with top universities in China, helping young students to grow continuously. By the end of the Reporting Period, the SenseTime Scholarship had sponsored 165 students from more than 20 top universities in China, such as Tsinghua University, Peking University, University of Science and Technology of China, and Shanghai Jiaotong University, in 6 batches.

Since 2016, SenseTime has built talent training practice bases and provided AI courses in respective cooperation with Tsinghua University, Shanghai Jiaotong University, Beihang University, Zhejiang University and other top universities in China. By the end of the Reporting Period, we had incorporated cutting-edge algorithms in academia and the most real cases in the industry into class. We provided top researchers to guide the universities to jointly nurture excellent talents in AI, accumulatively covering more than 300 AI undergraduate, postgraduate and doctoral students.

Cooperative universities and departments	Courses
Department of Electronic Engineering, Tsinghua University	*Advanced Computer Vision*
Student Innovation Center of Shanghai Jiaotong University	*OpenMMLab Algorithm and Practice*
Institute of Artificial Intelligence, Beihang University	*Lectures on Selected Progress of Artificial Intelligence*

Consolidate the Foundation of Vocational Education

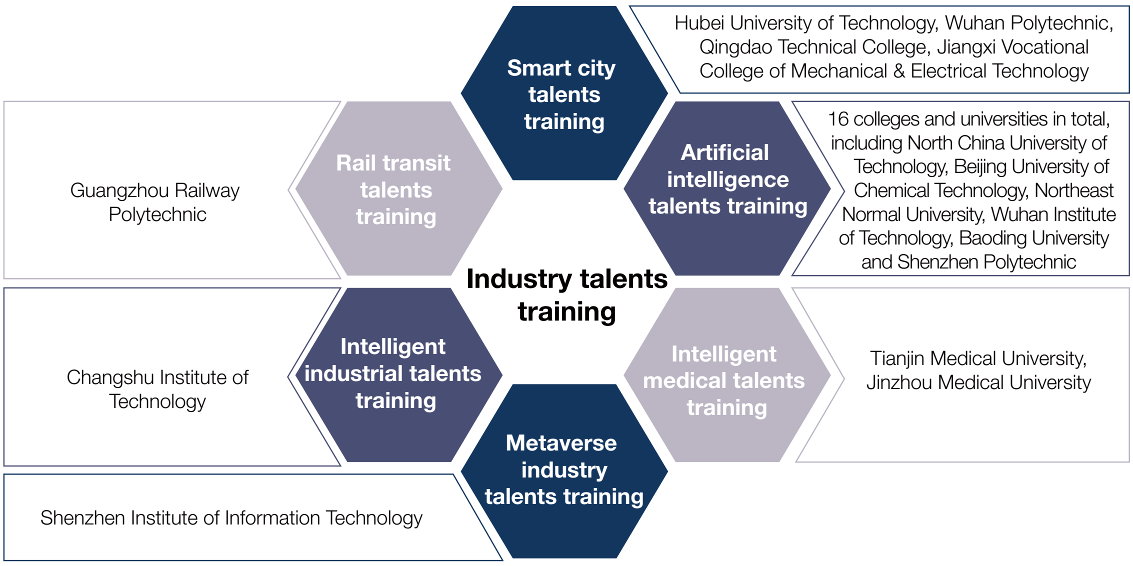
During the Reporting Period, we provided a variety of internships for students in cooperation with vocational colleges in China based on the Group's business and expertise, thus boosting the upgrading and transformation of traditional vocational education. The Group also organized a series of activities such as the "BRICS Future Skills Challenge", the "Vocational Skills Competition for Artificial Intelligence Trainer in Shenyang", and the "Hubei Craftsman Cup" Skills Competition, contributing to the international talents with high technical skills for the future.

Case: "Hubei Craftsman Cup" Skills Competition

During the Reporting Period, the Group assisted the Department of Human Resources and Social Security of Hubei Province in holding the "Hubei Craftsman Cup" skills competition to put into play the leading and demonstration role of vocational skills competition in training the skilled talents and to nurture more high-quality and high-skilled talents. The competition focused on contestants' abilities to solve practical problems with knowledge of deep learning tools and framework and computer vision, providing a stage for talents in image and video data processing, software interface design, basic application of vision algorithm, and vision engineering to showcase themselves, thereby inspiring more youths to take the path of skill and talent.

SenseTime School-enterprise Cooperation Director Presenting Prizes to Winning Team

Moreover, we concentrate on spurring AI teachers' training. During the Reporting Period, SenseTime was approved to serve as a national vocational education teacher enterprise practice base and a national vocational education "double-type" teacher training base with cooperative universities. Besides, we fostered excellent AI teachers. During the Reporting Period, the Group organized more than 30 teacher training activities throughout the year, empowering over 500 teachers in the industry.



SenseTime Cultivates Industry Talents in Cooperation with Universities

Strengthening Academic Communication

SenseTime positively establishes diversified communication channels for academic achievements, continually accumulating experience and promoting high-quality achievements. We initiate the WeChat official account "SenseTime Academy", covering open courses, paper interpretation, academic columns, open source tools, community organization, etc. During the Reporting Period, we organized 43 SenseTime open academic classes with brand effect in hot research fields such as model toolchain, base model, decision intelligence, intelligent driving, reinforcement training, and natural language processing on the knowledge exchange and sharing platform. In the meantime, SenseTime and partner laboratories make unremitting efforts to promote the latest research results released on the top academic references, continually enhancing its academic brand effect.

Case: SenseTime Paper Sharing Meeting "Endlessly Research"

On June 11, 2022, the Group conducted the SenseTime Paper Sharing Meeting "Endlessly Research @ CVPR 2022", inviting important academic and industry guests to orally share 8 high-quality papers. On October 14, 2022, the Group held the SenseTime Paper Sharing Meeting "Endlessly Research @ ECCV 2022" again, involving 4 popular seminars, keynote sharing of industry pioneers, and interpretation of over 10 top papers, with various research fields covered. The two live broadcasts attracted over 13,000 viewers, with nearly 30 companies and university teachers and students invited to participate in online sharing, disseminating high-quality academic achievements and successful industry cases, and contributing to the research of relevant topics.

INCLUSIVE WORKPLACE BUILT WITH CARE

SenseTime always sticks to talent development, continuously attracting and cultivating top talents in the industry. The Group is dedicated to building an equal, diverse and inclusive workplace for employees. We continue to improve the employee training system and guarantee employees' health benefits in an all-around manner to continuously enhance their happiness and belonging. We actively help employees realize their values and develop together with SenseTime.

Gathering Diverse Talents

Talent Attraction

SenseTime is committed to building a diverse and inclusive workforce. We believe diversity strengthens our organization and helps us better serve our customers and stakeholders. To support this goal, we adhere to the core values of "Integrity, Commitment, Perseverance, Innovation and Collaboration" and abide by the recruitment management system and procedures to ensure that our recruitment process is fair and just. We are confident that our efforts to recruit and retain top talent will enable us to achieve our business objectives while creating value for our stakeholders.

During the Reporting Period, our practice in manpower attraction was recognized by the community, and we won 12 awards and honors related to talent employers:


1 LinkedIn – 2022 MostIn-World's Most Attractive Employers


2 China Human Resources Management Research Institute – 2022 China Top 10 Wellness Employer


3 Liepin – 2022 Annual National Extraordinary Employers


4 Lagou – 2022 Annual Top Employers


5 Nowcoder – 2022 NFuture Most Popular Campus Recruitment Employers among Technical Talents


6 Maimai – MAX 2022 Annual Outstanding Employer


7 Shenzhen Nanshan Government – 2022 "Bole Award" in Nanshan District


8 Chinese Global Youth Summit – Core Digital Technology Breakthrough Award


9 Zhaopin – 2022 Top 50 China Best Employers in Shenzhen


10 The Chinese University of Hong Kong, Shenzhen – 2022 Most Attractive Employer Award


11 Career Development Office, School of Management, Fudan University – 2022 Best Partner


12 HR Tech China – 2021 Best HRTech Practice Award

By the end of the Reporting Period, the Group had a total of 5,098 full-time employees, and the specific number of employees and turnover rate were as follows:

Indicators		Employee structure (person)	Turnover rate (%)
Total employees		5,098	9.7%
By gender	Male	3,719	9.4%
	Female	1,379	10.5%
By age	Under 30 years old	1,945	10.3%
	30-50 years old	3,127	9.3%
	Over 50 years old	26	7.1%
By geographical region	Mainland China	4,773	9.3%
	Hong Kong, Macao, and Taiwan	96	13.5%
	Other countries and regions	229	16.1%

Note:

1. Employee turnover rate = Number of employees leaving employment during the reporting year/(Number of employees at the end of the reporting year + Number of employees leaving employment during the reporting year), the number of resigned employees only includes those who quit voluntarily.

Diversified Platform

SenseTime has offices in many cities at home and abroad, such as Beijing, Shanghai, Shenzhen, Hong Kong, Abu Dhabi, Singapore, and Germany. We attract employees from different nationalities and cultures to promote cooperation among them and create a diversified and inclusive work environment. SenseTime's flexible transfer mechanism can provide diversified development channels and work opportunities worldwide. Employees are offered multiple paths through a broad platform according to their development demands and the Group's development opportunities.

Communication Channel

SenseTime values employee communication and listens to their feedbacks, committed to maintaining multiple communication channels and platforms to create an equal, open, diverse and inclusive atmosphere at the workplace. Employee communication channels include, but are not limited to, all-staff meetings, executive luncheons, monthly and quarterly meetings within each department, etc. To increase employees' sense of involvement, executives and employees often exchange views and discuss company development and governance matters through our corporate culture platform "the Way of SenseTime" and Town Hall Meetings. During the Reporting Period, more than ten Town Hall Meetings were hosted at our offices in various locations and the executives interacted directly with thousands of employees.

Building a Happy Workplace

The Group endeavors to build a harmonious, healthy and pleasant work environment, calling for employees to balance their work and life. We focus on providing employees diversified benefits and a safe and healthy work environment while providing competitive material rewards and assurance to protect their health and create a happy workplace.

Protection of Rights and Interests

SenseTime strictly complies with the laws and regulations in the countries and regions where we operate, such as the *Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Provisions on the Prohibition of Using Child Labor, the Universal Declaration of Human Rights, and the International Labor Convention*. The Group has also formulated internal employee management policies, such as the *Employee Handbook of SenseTime Group*, and signed a labor contract with employees to safeguard their legitimate rights and interests.

We reject all forms of child labor and forced labor. During the recruitment process, we strictly review the candidates' identity information to ensure that the recruitment process complies with laws and regulations and to avoid employing child labor. The labor contract signed by the Group and employees also clearly specify the working hours and vacation to respect and safeguard employees' legitimate rights and interests. We call for employees to maintain a proper balance between work and rest, allowing them to enjoy reasonable and sufficient rest and vacation. During the Reporting Period, the Group had no illegal employment, such as child or forced labor.

SenseTime gives equal treatment to all employees. We do not discriminate against anyone based on age, gender, physical health, marital status, race, skin color, nationality, religion, sexual orientation, etc. The Group also prohibits any types of discrimination and harassment against employees and others. During the Reporting Period, we issued the *Employee Code of Conduct of SenseTime Group – Discrimination and Harassment Handling Policy* and the *Guidance for Employee Code of Conduct of SenseTime Group*, which specify the corresponding complaint procedures and the appealing way to protect complainants. We commit to respond to and handle the complaints within 24h upon receipt.

Remuneration and Incentives

With a competitive remuneration system and an incentive honor system, SenseTime encourages employees to tap their potential better and fully use their talents and creativity. We provide employees equal and reasonable remuneration according to their position, personal ability, work performance, contribution, etc. We establish the "performance-oriented" incentive policy, which includes an equity incentive plan, to promote common development with SenseTime.

The Group builds the complete performance target and evaluation system and implements the target management tool, Objectives and Key Results (OKRs), to enhance employees' subjective initiative, helping further realize their values. Employees set quarterly and annual OKRs in light of the Group's target and reach a consensus with the department heads. We conduct regular performance appraisals for employees to comprehensively assess their work outputs, cultural values, etc., thereby promptly motivating and recognizing employees with excellent performance and high potential in a timely manner.

Welfare and Care

SenseTime has continuously built a highly competitive and comprehensive welfare care system for our employees. The "Sheep is Happy" welfare plan ensures employees' happy work and carefree life, including insurance, rent allowance, meal allowance, physical examinations, and wonderful holidays, to protect employees in many ways.

Rent allowance • Exclusive gift package for new employees – providing rent allowance for interns from different places.	**Meal allowance** • Free breakfast and lunch allowance to energise employees.	**Insurance** • Five social insurances, one housing fund or Mandatory Provident Fund Schemes (MPF), supplementary medical insurance and other sound systems to guarantee employees a secure life.
Physical examinations • Free checkups, oral healthcare, free clinic and others to protect employees' health.	**Wonderful holidays** • Statutory holidays, annual leave, paid sick leave and special holidays to help maintain a proper balance between work and rest.	**Important anniversaries** • Birthday parties, fertility gifts, maternity gifts, anniversaries, etc., to witness more employees' essential moments.
Life benefits • Fitness and hair salons discounts, house renting discounts, festival gifts and other benefits.	**Women care** • New parental leave, mother-and-baby room in office areas, and female growth forum to support the career development of women.	**Colorful games** • Wonderful team building activities and various community activities enable participants to make friends with mutual interests.

Employee Benefit and Care Initiatives

SenseTime encourages and appreciates the long-term contribution and development of our employees. Through the induction anniversary, annual commendation and other forms, SenseTime encourages employees with outstanding achievements and long-term assistance to enhance their sense of belonging and honor.

Induction Anniversary

- We provide employees with heartfelt blessings and gifts for the induction anniversary every month, accompanying them to spend more great moments.

Fifth Anniversary

- On the employees' fifth anniversary, we organize celebration activities, presenting well-designed gold medals and crystal souvenir medals with a strong SenseTime style.

Award Ceremony

- SenseTime's highest honor, the "Oscar" in the AI industry; all employees get together at the annual meeting, feeling the power of role models and looking ahead to a new chapter.

Employee Commendation Activities

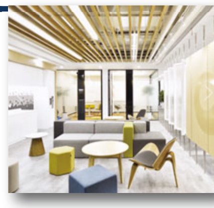
Safeguard of the Health

SenseTime values the safety and health of all employees. The Group strictly abides by the laws and regulations in the countries and regions where we operate, such as the *Labor Law of the People's Republic of China and the Fire Protection Law of The People's Republic of China*. We have formulated the internal documents, including the *Daily Management Standards for the Office Environmental Standards of SenseTime Group, the Fire Safety Management Manual of SenseTime Group*, the *Physical Safety Management Manual of SenseTime Group*, and the *Working Guidelines for Hazard Identification*, *Risk Assessment and Risk Control of SenseTime Group*. We identify and eliminate potential safety hazards promptly and establish a reliable and effective safety guarantee system. We have obtained the ISO 45001 Occupational Health and Safety Management System Certification and continued to improve the Group's employee health and safety management system.

SenseTime cares about the physical and mental health of our employees and provides health management for employees in an all-around way. We invite professionals to give lectures on health and first-aid training on a regular basis, helping employees learn and grasp basic first-aid measures. We pay attention to the impact of the office environment on employees' health. Specifically, we formulate the standards for indoor air, drinking water quality, illuminance and noise of offices, and establish the indoor office environment and drinking water quality warning mechanism of the Group to ensure office security. In addition, we conduct fire drills for all employees at regular intervals to further strengthen their ability to respond to emergencies.

In addition, SenseTime provides employees with annual physical examinations, healthy meals, a well-equipped gym, professional private training, customized courses, “sleep pod”, and Employee Assistance Program (EAP) services, enabling them to enjoy additional health protection services after work.

During the Reporting Period, we provided employees with exclusive doctors, home consultation, online consultation, medical archive services, healthy teeth cleaning and shoulder and neck massage for employees, as well as provided their family members with supplementary commercial insurance to continuously improve their sense of security, gain and happiness.



Case: SenseTime Fire Drills for Employees in 2022

To enhance employees’ awareness of fire safety, build up their abilities in self-rescue and fire prevention and prevent and reduce accidents, we organized fire drills in the operation places such as Shanghai, Beijing, Shenzhen, Hangzhou, Chengdu, Qingdao, and Singapore. On November 8-9, 2022, SenseTime’s Chengdu office conducted fire drills in cooperation with property management personnel and fire brigade professionals, including practice, explanation of knowledge on a fire safety and firefighting drills. On November 9, we organized a fire safety day activity, including fire knowledge quiz and interesting games, actively enhancing employees’ awareness of fire safety.

Fire Drills in Chengdu Office

The Group had no fatality directly related to work in the past three years. During the Reporting Period, the Group had zero work-related fatality, and the number of working days lost due to work injury was 30.

Fighting Against COVID-19

Since 2019, the developments of the pandemic and the lockdown measures have caused a continuous impact on people's work and life. During the Reporting Period, the Group optimized and adjusted the management measures and the provisions for working from home application and approval during the lockdown, continuously updating the lockdown-related guidelines. We improved pandemic prevention and control measures in light of situations in different regions to safeguard employees' health and safety.

Active cognition publicity

- Send reminders regularly, inform the relevant policies of each operation location, and continuously strengthen employees' awareness of health and safety;

Safe working environment

- Conduct workplace health management for a long time, such as disinfection and ventilation in the office and inspection and registration of external visitors;

Flexible working mechanism

- Flexibly formulate work formats such as working from home, staggered working hours or flexible working hours;

Easily accessible psychological counseling

- Keep the psychological counselling hotline smooth, provide professional psychological counselling for employees in need, and actively conduct online health lectures to protect employees' physical health;

Abundant pandemic prevention materials

- In April-May 2022, we provided daily necessities for employees suffering difficulties during the Shanghai lockdown;
- We also took supporting protective measures, such as providing employees with masks, disinfection products, and antigen detection reagents, to protect their health and safety to the greatest extent.

Employee Care Measures During the Lockdown

Empowering Employee Development

SenseTime creates a development platform for employees that encourages breakthroughs and innovation and allows the definition of technology and industry from 0 to 1 and from 1 to 100. SenseTime has built a sound talent training system and set up a leadership center and a career development center to continuously empower employees and help them realize their value. Through practical artificial intelligence industry practice, SenseTime has constantly made positive contributions to society by combining training and warfare.

Employee Cultivation

Adhering to the concept of talent development, the Group continues to optimize the employee development system to clarify the dual-channel model for manager/expert development. The expert groups include technology, product, marketing and function. Meanwhile, we also focus on developing critical groups in the company to provide customized training for developing new employees and employees from four expert groups and the management group. Furthermore, we build a multi-dimensional training system covering cultural capability, professional capability, leadership, and general capability. We set up a strong internal lecturer team to boost internal training. During the Reporting Period, SenseTime had a total of 267 instructors, acquiring more than 40,000 attendances, to promote the joint development of employees and SenseTime through content highly related to business.

Orientation training

- We set the "AI Navigator Launch Plan" for new employees from campus recruitment. Specifically, we build long-term training mechanisms and provide an online course and offline centralized training of "integrating reference books", helping them quickly familiarize themselves with the work contents. We set the "Dream Plan" for new employees from social recruitment, helping them know the industry and SenseTime, integrate into SenseTime's corporate culture, and grasp related skills. We also conduct one-to-one tutoring for new employees for 6 months and provide full support.

Training for expert groups

- We fully use internal and external expert resources to provide more targeted learning resources for employees from expert groups at different career development stages. Employees enhance their professional ability and vision through the "Qiyu Plan" of the product group, the "Engine Plan" of the technology group, and the "Confucius Forum". The training had 13,353 participants throughout the year, helping more employees grow in learning.

Training for management group

- We value the cultivation and development of the management cadre. By developing a targeted leadership development model, we optimize leadership development projects according to actual business needs and develop leadership learning resources with more SenseTime characteristics through internal independent development. We help the management cadre complete the transformation from learning scenario to application scenario more efficiently. We adopt the innovative "online+offline" form and "dual-teacher" empowerment to ensure effective cadres training.

SenseTime Talent Training System

Case: SenseTime Technical Personnel Promotion Training System

SenseTime focuses on system and capability building while nurturing technical personnel. We adopt effective training methods according to the Group's technical personnel strategy so as facilitate the improvement of the performance results. Thus, we realize long-term management from training to development, assisting in inspiring and promoting technical personnel in their positions. We focus on "Four-capability Building" in specific technical personnel promotion, including professional capability, leadership, transferable capability and cultural capability.

Professional Capability

- We realize closed-loop management on professionalism enhancement through three steps: "setting standards – following standards – reaching standards". We set standards for technical personnel to identify gaps and make improvements accordingly. Through over 50 online courses of the "micro-courses on technical capability models" and the "Engine Plan", technical personnel can quickly obtain learning resources anytime, anywhere and have more chances for promotion.

Leadership

- Through the procedure of "set standards – reflect – train – practice", training and practices are combined to develop and improve employees' leadership capabilities.

Transferable Capability

- SenseSchool provides employees with over 1,000 online courses on soft skills. At the same time, it also arranges various offline courses on work efficiency enhancement. With these courses, employees can improve their capabilities in a more comprehensive way by improving weak points and enhancing advantages.

Cultural Capability

- We places importance on corporate culture in shaping the mind of employees. We use the corporate culture to guide employees' general thoughts and daily behaviors. In addition, cultural fit and performance are also core factors for the promotion of employees.

SenseTime's "Four-capability Building" System for the Promotion of Technical Personnel

SenseTime also improves the digital learning platform and its efficiency in a continuous way. During the Reporting Period, 226 new internal online learning courses and over 900 learning topics were introduced externally at SenseTime. In the past year, the number of person-times on the platform exceeded 90,000.

Indicators		Percentage of employees trained (%)	Average training hours per employee (hours)
By gender	Male	99.4%	96.7
	Female	99.1%	96.4
By employment type	Management	100.0%	97.3
	Non-management	99.2%	96.5

Notes:

1. Percentage of employees trained = number of employees trained of the category during the Reporting Period/total number of employees trained * 100%.

2. Average training hours per employee = total training hours of employees in the category during the Reporting Period/total number of employees in the category.

Witnessing the Growth

SenseTime always adheres to the idea of “safeguarding with culture and seeing the growth” and follows the “experts-led profession promotion” principle. We combine the development intentions of employees with the needs of the Group in a fair, transparent and rigorous way. Besides, we have established the relevant supporting mechanism to build a dual-channel development path for experts and managing personnel. We make professional promotion and leader appointment once every year. Based on different development channels and promotion ranks, we conduct the appraisal and review work with fair rules and procedures so that the growth of every employee can be seen.

Through the rich learning and training resources, SenseTime lets its employees understand the capability requirements of different posts and ranks. In this way, employees are able to have a full picture of the promotion path. To continually promote employees’ growth after the promotion, the leadership center and the career development center sets up a “Special Training Plan on Promotion of Employees”.

BETTER PUBLIC WELFARE WITH OUR ACTIONS

Adhering to the development concept of "human-centric" and "AI for good", SenseTime continually pays attention to the development of society and all sectors, improves people's livelihood with technologies, and promotes the inclusive benefits of digital technologies. Besides empowering the industry, SenseTime also actively devotes itself to charity and public welfare activities and has formulated the *Management Policy for Corporate Social Responsibility Projects of SenseTime Group (Trial)*. To live up to its social responsibilities and serve people's livelihood, SenseTime has invested large amounts of funds, manpower and materials in poverty alleviation, education equity, medical assistance and disaster relief, coordinated efforts in COVID-19 prevention, etc.

Devoting to Charity and Public Welfare

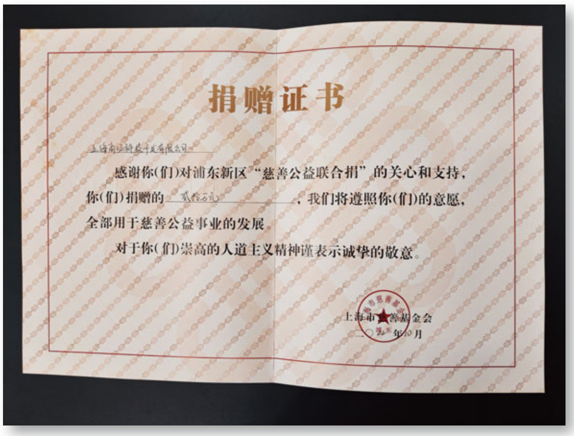
The third distribution, with charity as the main channel, is of great significance to promote fair and comprehensive development, as well as common prosperity in society. SenseTime always adheres to the concept of conducting business in good faith, integrates its own development with social well-being, and actively participates in social welfare activities in various places. Committed to fully implementing the concept of "human-centric" and "AI for good", we actively identify the demands and expectations of the public. We also invest funds, technologies and materials accordingly to help promote social equality and build a better society. During the Reporting Period, SenseTime donated RMB 3.44 million in cash and goods worth RMB 3.78 million in charitable and public welfare activities.

Case: SenseTime Participated in the "Poverty Alleviation Day in Guangdong Province"

In 2022, SenseTime participated in the "Poverty Alleviation Day in Guangdong Province" and donated a total of RMB 990 thousand to the education departments of Lianping County in Heyuan City of Guangdong Province, Longsheng County and Ziyuan County in Guilin City of Guangxi Zhuang Autonomous Region. With such effort, we hope to promote educational informatization, the construction of painting and calligraphy classrooms, as well as the recording and broadcasting classrooms in the three counties, thus improving the level of local aesthetic education. The project focused on education development in three places and fully demonstrated SenseTime's support for regional charitable and public welfare.

Case: SenseTime Donated RMB 200 Thousand to Shanghai Charity Foundation

In 2022, SenseTime donated RMB 200 thousand to Shanghai Charity Foundation. The fund was mainly used for two kinds of charitable and public welfare activities in Nanhui New Town of Shanghai. Specifically, one is for charitable assistance for "medical service, the needy, the elderly, students and the disabled"; and the other is for "practical", innovative and various charitable activities/projects based on the actual condition of Nanhui New Town. Through the donation, SenseTime has made contributions to promoting development and equality in Pudong New Area.



Donation Certificate of SenseTime

Case: SenseTime Donated COVID-19 Prevention Supplies

During the lockdown period in Shanghai in 2022, SenseTime donated supplies (COVID-19 prevention drugs and supplies, daily supplies) and equipment (SensePass portable "six-in-one" system, SenseThunder thermal imaging & temperature measurement all-in-one machine) worth RMB 3.60 million. Faced with sudden public health incidents, SenseTime took the responsibility of safeguarding the health and safety of the people and joined hands with people to overcome the difficult situation.

Caring for Vulnerable Groups

The development of technologies should strike a balance between increasing efficiency and advocating fairness and inclusive benefits. As an important part of promoting social equity, caring for vulnerable groups plays an essential role in building a harmonious society. SenseTime is deeply aware of the importance of comprehensively caring for vulnerable groups and passes on love and care with practical actions. Specifically, we actively develop products that benefit vulnerable groups and fully considers their special needs in the R&D process, and uses AI technology to help treat patients with rare diseases and care for vulnerable groups.

Case: SenseTime Unveiled AI Nursing System for Amyotrophic Lateral Sclerosis (ALS) Patients to Promote AI for Good

Amyotrophic Lateral Sclerosis (ALS), or amyotrophic lateral sclerosis, is a rare and complex disease. The disease affects nerve cells in the brain and spinal cord, and with the gradual development of the disease, the patients gradually lose their mobility, swallow, speech and breath. Due to the special nature of the disease, family members of the patient need to check the patient's breathing condition once in a while (the interval can be as short as half an hour, tens of minutes in the advanced stage of the disease) to ensure that the patient is in a normal condition.

Focusing on the special needs of ALS patients, SenseTime has developed an AI nursing system. The intelligent nursing system is a brand-new solution for ALS patient nursing, providing 24-hour contactless care for ALS patients with difficulty in mobility, swallowing and breathing. While monitoring the physiological indexes of patients in real-time, it also has functions including emergency warning, active calling, sleep analysis, abnormal statistical detection and so on, which can provide long-distance care for ALS patients. In the spring of 2022, the SenseTime AI nursing system was officially delivered and used for the first patient. After that, SenseTime continually promoted its use for public welfare purposes. During the Reporting Period, SenseTime reached an agreement with Shaanxi ALS Association and applied the system to many ALS patient families in Xi'an City, Xingping City, Weinan City and Yanchuan County of Shaanxi Province. In this way, more ALS patient families benefited from the AI technologies of SenseTime. During the Reporting Period, SenseTime's AI nursing system project won the "2022 Ofweek Artificial Intelligence Industry Annual Selection – Social Responsibility Contribution Award" issued by Ofweek.

A GREEN FUTURE SHAPED WITH RESPONSIBILITY

As a pioneer in the artificial intelligence industry, SenseTime has always practiced the concept of green development while actively participating in technological innovation. We integrate energy conservation and carbon reduction into the whole process of production and operation, establishing the carbon neutralization goal at the top level, while conducting energy-saving renovation and knowledge popularization at various workplaces. We take practical actions to undertake our social responsibility in safeguarding a green future.

The Group strictly abides by the *Environmental Protection Law of the People's Republic of China*, and other relevant laws, regulations and policies in countries or regions where we operate. Several subsidiaries of the SenseTime Group, such as Shanghai SenseTime Intelligent Technology Co., Ltd. and Beijing SenseTime Technology Development Co., Ltd., have passed the ISO 14001 Environment Management System Certification. During the Reporting Period, the Group did not have any incident violating environmental laws and regulations.

Aiming for Net Zero Emissions

Climate change has become a common challenge faced by all human beings. In 2020, China proposed the strategic decision of "striving to achieve carbon peak emissions by 2030, and achieving carbon neutrality by 2060". Under such context, in the year 2021, SenseTime clarified the strategic goal of "planning to achieve carbon peak emissions by 2025, striving to achieve operational carbon neutrality by 2030, and achieving net zero emissions by 2050". In addition, SenseTime finished planning the carbon neutrality and reduction path and established a Carbon Neutral Development Research Center responsible for promoting the specific implementation of dual-carbon work.

Before 2025	• Effectively control the growth rate of energy consumption throughout the Group, actively promote the PUE (Power Usage Effectiveness) reduction of Lingang AIDC, steadily reduce office energy consumption through means such as energy management and energy-saving technological transformation, accelerate the formulation and implementation of the Group's energy consumption optimization management system, and accelerate the research and promotion of the dual-carbon management methods of the supply chain.
2025–2030	• Study and fully implement the carbon neutrality solutions for the Group's new projects, accelerate the neutralization of the Group's existing carbon emissions through the combination of self-built and market strategies, comprehensively promote artificial intelligence technology to empower dual-carbon technology, and assist the whole society to accelerate the exploration of the dual-carbon path based on AI algorithm.
2030–2050	• Fully implement the carbon neutrality requirements of supply chain and procurement, accelerate the realization of neutralization closed-loop management for employees' travel, commuting and other behaviors and activities, and implement carbon neutrality and recyclability for logistics transportation and the use of consumables, so as to truly achieve closed-loop zero carbon with the goal of fully exploiting our own potential and closed-loop zero waste with the goal of fully implementing the logistics circulation.

SenseTime's Strategic Goals on Carbon Neutrality

SenseTime's Carbon Neutrality and Reduction Path					
Key Areas	**Buildings**	**New Infrastructure**	**Production/ Product**	**Supply Chain**	**Daily Operation**
Carbon Reduction Stage	Structure optimization for energy use	Adjustment and recycling for energy structure	Low-carbon design	Carbon reduction of upstream and downstream cooperation partners	Remote work
	Energy efficiency improvement for the system	High-efficiency energy-saving equipment system	Technology improvement	Carbon reduction in the transportation process	Green travel methods
	Innovative technology integration	AI-powered best control practice	Increasing the utilization rate of resources	Localization and regionalization	Green consumption
	Operation strategy upgrade	Operation management strategy optimization	Waste resource utilization	Low-carbon packaging	Training and guidance for employees
Neutralization Stage	Purchase CCER (China Certified Emission Reduction) Purchase GEC (Green Electricity Certificate) Over-the-counter direct investment in green energy projects and carbon sink				
Capability Building	Policy management system				
Industry Empowering	Energy, transportation, industry, architecture, scientific research, education, cultural tourism				

SenseTime believes that, for technology enterprises, achieving carbon neutrality is not just about saving energy and reducing emissions, but an opportunity to drive scientific R&D and application innovation. Combining the industrial characteristics with our own advantages, and starting with self-carbon reduction and AI empowerment, we explore feasible ways to reduce carbon emissions through technology, so as to create a benchmark case of smart carbon reduction.

Case: SenseTime Cooperated with SPIC's Central Research Institute to Create Smart Low-carbon Energy Solutions.

In the context of the "dual-carbon" strategy, low-carbon development and digital transformation have become inevitable for the energy industry. With advanced AI technologies and years of hard work in the energy industry, SenseTime has successfully built a matrix of digital energy products covering multiple industrial chains, such as energy production, transmission and storage, enabling us to create conditions for energy consumption with higher efficiency and lower carbon emissions.

In October 2022, SenseTime signed a strategic cooperation agreement with the Science and Technology Research Institute Co., Ltd. of State Power Investment Corporation (the "SPIC's central research institute"). According to the cooperation agreement, the SPIC's central research institute will rely on SenseTime's high-efficiency AI training platform to develop AI algorithm models suitable for the renewable energy industry and related application systems. Besides, the two parties will also work together to develop smart renewable energy solutions. Through AI technology, the solutions are supposed to accurately predicate the energy supply and demand trends and automatically generate dispatching operation policies, so as to support the supply-demand balance of regional power systems, and help to achieve regional energy structure optimization and regional dual-carbon goals.

Signing Ceremony of Strategic Cooperation Agreement between SenseTime and SPIC's Central Research Institute

Case: SenseTime Plans to Develop an Application Mechanism for Carbon Inclusion

In October 2021, the Chinese liaison submitted the *Progress on and New Targets and Measures for the Implementation of China's Nationally Determined Contributions* to the secretariat of the *United Nations Framework Convention on Climate Change*, in which "carbon inclusion" was mentioned multiple times, indicating that the pilot building of the carbon inclusion system had become a priority of China for carbon emission reduction at the consumer end. In November of the same year, the National Development and Reform Commission, together with the Ministry of Ecology and Environment and other departments, issued the *Implementation Plan on Further Guiding Public Institutions in Green and Low-carbon Initiatives to Facilitate Carbon Peak Emissions*. The plan stated that, "it's necessary to guide the public to lead a green and low-carbon life by exploring and using ways and methods such as carbon inclusion", which further clarified the direction for implementing the carbon inclusion system.

According to overseas experience, a complete "carbon inclusive" platform usually covers inclusive education, behavior guidance, behavior identification, points generation, equity exchange and emission reduction offset. Utilizing its own technological advantages, SenseTime is planning to develop an application mechanism for carbon inclusion in public space, and is considering taking the library as the first scenario. Based on the library's carbon emission statistics, SenseTime makes an experiment on the offsetting mode between readers' points and the emission load of the library. After completing the pilot operation and scientific demonstration, such mode can be further connected with Shanghai Carbon Emission Trading Market, before being reproduced and promoted to other public places in the country.

Optimizing Resource Use

SenseTime strictly abides by the *Energy Conservation Law of the People's Republic of China*, and other relevant laws and regulations in countries or regions where we operate. It also strictly follows internal policies such as the *Regulations on Energy Management of Resources*. We are committed to continuously optimizing resource use efficiency and reducing energy consumption and greenhouse gas emissions. During the Reporting Period, we carried out a number of energy-saving transformation activities, and strived to build a green big data center, continuously lowering the impact of operational activities on the environment.

Case: Green Big Data Center – SenseTime Lingang AIDC

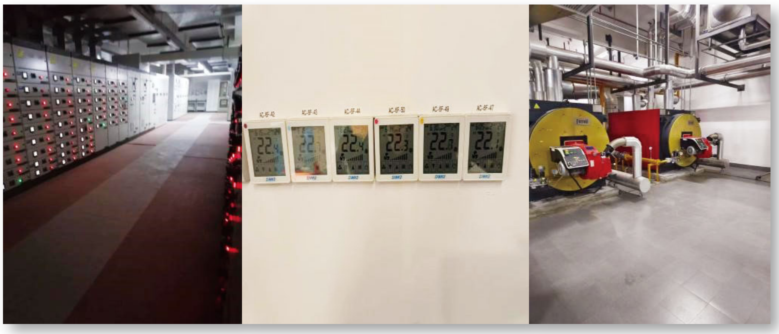
We are committed to building an energy-saving and efficient AIDC, as well as to achieving both development and environmental benefits. As early as the preparation stage of the AIDC, we already took into account the concept of energy conservation and low carbon, and made efforts in both energy system optimization and energy-saving technology application. While installing photovoltaic modules to fully use clean energy, we also equipped the Center with a centralized humidification and indirect evaporative cooling system, while optimizing the variable frequency converter control equipment. In addition, the HVAC and lighting equipment installed in the building all meet the national level 1 energy efficiency standard, and the building envelopes also have a good thermal insulation function. In addition, the project also has an intelligent management system that can fully optimize indicators such as the out-of-service server rate and demand response cycle. Through various measures, we ensure the implementation of a low-carbon strategy.

According to estimation, after the SenseTime AI Large Device is put into operation, its power consumption will be more than 10% lower than that of the average industrial level of China's medium and large data centers. It will help save about 45 million kWh of electricity annually, equivalent to 25.7 thousand tonnes of carbon dioxide equivalent greenhouse gas emissions.

External Design of SenseTime AIDC

Energy-saving Renovation

Shanghai Xinzhou Tower is the main office building of the Group. In 2022, we started the energy-saving renovation at Xinzhou Tower, and expected the project to be completed in the first quarter of 2023. The renovation will help Xinzhou Tower realize remote centralized control for the terminal of the air conditioning system, automatic regulation and control for the heating and cooling system, and variable frequency regulation for water valves, air valves, draught fans, water pumps, etc. This will enable us to use power and water resources in a more effective way, while lowering the cost of human resources. According to estimation, through smart building temperature control and optimized management policy, Xinzhou Tower will reduce close to 95 tonnes of carbon dioxide equivalent greenhouse gas emissions per year. In addition, its carbon emissions from air conditioning will also be reduced by 8% annually.



Central Control System of Xinzhou Tower

Greenhouse Gas Emissions

As an Internet technology enterprise, SenseTime's greenhouse gas emissions are mainly generated through indirect energy consumption, mainly the purchased electricity used by the data center, AI computing center and workplaces. During the Reporting Period, our energy consumption and greenhouse gas emissions are as follows. The increase in total energy consumption and total greenhouse gas emissions was mainly due to the operation of Shanghai Lingang AIDC, which started at the beginning of 2022 and caused a large increase in electricity demand.

Type	2022	2021
Energy Consumption		
Total Energy Consumption (MWh)	**54,265.7**	13,980.1
Total direct energy consumption (MWh)	**831.2**	1,679.8
Including: Gasoline (MWh)	**35.3**	28.5
Natural gas (MWh)	**765.8**	1,651.3
Diesel (MWh)	**30.1**	–
Total indirect energy consumption (MWh)	**53,434.5**	12,300.3
Including: Purchased electricity (MWh)	**53,434.5**	12,300.3
Intensity of energy consumption (MWh/person)	**10.6**	2.3
Greenhouse Gas Emissions		
Total GHG emissions (Scope 1 and Scope 2) (tCO_2 e)	**30,573.6**	7,301.1
Direct GHG emissions (Scope 1) (tCO_2 e)	**169.6**	337.1
Including: Fossil fuel combustion (tCO_2 e)	**169.6**	337.1
Indirect GHG emissions (Scope 2) (tCO_2 e)	**30,404.0**	6,964.0
Including: Purchased electricity (tCO_2 e)	**30,404.0**	6,964.0
GHG emission intensity (tonnes/person)	**6.0**	1.2

Notes:

1. Total energy consumption is calculated based on the electricity consumption, fuel consumption and the default values of fossil fuel-related parameters in Appendix 2 of the Accounting Methods and Reporting Guidelines for Greenhouse Gas Emissions of Enterprises in Other Industries issued by the National Development and Reform Commission.

2. Based on the characteristics of our operations, our greenhouse gas emissions mainly come from direct greenhouse gas emissions (Scope 1) caused by gasoline consumption of the Group's business and freight vehicles, and indirect greenhouse gas emissions (Scope 2) caused by purchased electricity.

3. During the Reporting Period, the Group adjusted and optimized the quantitative method of environmental data, and recalculated the greenhouse gas emissions data in 2021. The greenhouse gas emissions generated from fossil fuels and electricity purchased in Chinese mainland are calculated in accordance with the *Accounting Methods and Reporting Guidelines for Greenhouse Gas Emissions of Enterprises in Other Industries* issued by the National Development and Reform Commission, as well as the average carbon dioxide emission factor of China's national power grid published in the most recent year. The greenhouse gases generated by electricity purchased from abroad are calculated based on the electricity emission factors published by the International Energy Agency in 2022.

4. During the Reporting Period, the Group's purchased electricity increased significantly due to the operation of Shanghai Lingang AIDC, contributing to a large increase in energy consumption and greenhouse gas emissions during the Reporting Period as compared to 2021. The Group's natural gas consumption is mainly from Shanghai Xinzhou Tower. During the Reporting Period, the consumption of natural gas in Xinzhou Tower decreased significantly due to the lockdown of Shanghai and other related reasons.

Cherishing Fresh Water Resources

SenseTime understands the importance of water conservation and takes multiple measures to reduce unnecessary water consumption. We conduct key inspections and regular inspections and maintenance on equipment with high water consumption. We install water-saving equipment uniformly in public areas, tea rooms, toilets, etc. Besides, we always stay alert to any leakage of pipes, valves and taps to reduce the waste of water. Through posters, publicity and education, we also cultivate the water-saving habit of our employees in daily life, and raise their awareness of aquatic environment protection.

Water-saving Tips at the Workplace in Qingdao

In addition, we formulated the *2022 Planned Water Consumption Indicators* and set it as the latest water efficiency target of the Group. Statistics show that, apart from Shanghai Lingang AIDC, both the total water consumption and the density of water consumption decreased significantly during the Reporting Period, and the water-saving target was successfully reached at all of our ordinary workplaces.

During the Reporting Period, our water consumption is as follows:

Type	2022	2021
Water consumption		
Total water consumption (tonnes)	**110,571.3**	39,129.9
Water consumption intensity (tonnes/person)	**21.7**	6.4

Notes:

1. The water we use is from municipal tap water supply. Due to the fact that Shanghai Lingang AIDC started operation, our water consumption during the Reporting Period showed a relatively large increase as compared to 2021.

Packaging Material Consumption

During the Reporting Period, we almost did not use any plastic packaging materials in the production process. In the future, we will continuously optimize the design, printing and making processes of packaging, and consider using more environmentally friendly materials such as recycled paper, recycled plastics, environmentally friendly ink, so as to further promote green development.

During the Reporting Period, our consumption of packaging materials increased, mainly resulting from the sale of ToC new products. The details are as follows:

Type	2022	2021
Packaging material consumption		
Total packaging material consumption (tonnes)	**67.0**	2.8
Packaging material consumption intensity (kg/million revenue (RMB))	**17.59**	0.60

Response to Climate Change

As a responsible enterprise, we attach great importance to global climate change and fully consider the risks and opportunities it may bring. The Group has specially set up a CSR Department and a Carbon Neutral Development Research Center affiliated to it. The Department and the Center are responsible for implementing measures in response to the challenges of climate change, promoting the establishment of relevant processes and mechanisms, and continuously enhancing the Group's risk resilience ability.

In addition to the potential long-term policy risk and reputation risk, we have also noticed the increasingly frequent extreme weather events caused by climate change, as well as acute physical risks posed. For extreme weather events, we have prepared a series of emergency plans and set up strict management procedures. On identification of relevant risks, we will take immediate measures to protect employees' lives and property and minimize disaster losses.

Our Shanghai Lingang AIDC Project has prepared special plans such as the *Special Emergency Plan on Lightning Prevention and Emergency Plan on Flood Control*, so as to help us deal with relatively common extreme weather events in coastal areas. The special plans specify the preparation, early warning mechanism and material reserves in the period when emergencies may easily occur, and the reporting process, duties of relevant parties and handling measures in case of emergencies. In addition, the emergency plans also attach great importance to daily publicity and education, requiring circulation of self-rescue and mutual assistance skills towards employees, and organization of emergency drill on a yearly basis at least.

Emissions in Compliance with Standards

Due to the nature of the industry, we produce no waste gas and almost no hazardous waste in the process of operation. Our major emissions that have a substantial impact on the environment are wastewater, non-hazardous wastes and packaging consumables. During the Reporting Period, the Group strictly abided by relevant laws and regulations, continuously implemented various internal policies, and adopted various prevention and mitigation measures.

Wastewater Discharge

The wastewater generated during our operation is mainly domestic sewage. We strictly abide by the *Water Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China* and other relevant laws and regulations, and actively fulfill the responsibilities and obligations of pollutant management.

During the Reporting Period, our wastewater discharge is as follows:

Type	2022	2021
Total wastewater discharge (tonnes)	**99,514.2**	35,216.9
Intensity of wastewater discharge (tonnes/person)	**19.5**	5.8

Notes:

1. The emissions generated during our operation are mainly a small amount of domestic sewage, which is discharged into municipal pipelines for treatment. Total wastewater discharge is estimated based on water consumption.

Waste Discharge

Main waste generated in our operation process includes household waste and kitchen waste. The Group encourages employees to cherish all kinds of resources, and advocates paperless office and rational food ordering at workplaces, so as to minimize the generation of waste. For waste already generated, we conduct waste sorting according to local requirements, and transport it to the waste transfer station for further treatment by the environmental sanitation department.

During the Reporting Period, our wastewater discharge is as follows:

Type	2022	2021
Waste discharge		
Total non-hazardous waste (tonnes)	**267.3**	984.2
Non-hazardous waste intensity (tonnes/person)	**0.05**	0.16

Notes:

1. We do not produce any hazardous waste in our daily operations, and a small amount of waste such as dry batteries and light tubes from offices are disposed of by qualified institutions. Therefore, KPI A1.3 (total hazardous waste produced and intensity) has no material impact on the Group and is not disclosed in this report.

2. For most workplaces, generated waste is collected and disposed by the property management company collectively, and is thus hard to calculate total weight or included in the statistical coverage. The waste discharge data above only include waste generated at Xinzhou Tower. During the Reporting Period, waste discharge of Xinzhou Tower decreased significantly due to the lockdown of Shanghai and other related reasons.

Promoting Green Office

We are always committed to becoming a resource-saving and environmentally friendly enterprise, and are fully aware that we can get nowhere without the efforts and contributions of our employees. In our daily work, we promote a number of measures on green office, including but not limited to:

- ➢ The temperature and air flow of the air conditioning system are adjusted in a timely manner according to the actual situation, and the relevant facilities are turned off if there are no employees at the workplace;
- ➢ Employees are required to shut down unnecessary mechanical and electrical facilities after work, and special personnel are designated to conduct patrol inspection;
- ➢ Tips are posted beside printers to advocate reuse of paper, and remind employees to save paper;
- ➢ "No paper cup" is advocated in the office, and employees are encouraged to use glass cups, mugs, and tumblers as duplicates for paper cups.

Hangzhou Office: Stickers beside switchers to promote energy saving practices

Shanghai Office: TV screens remain turned off after work

Chengdu Office: Posters on energy saving

Xi'an Office: Energy conservation and consumption reduction tips in office areas

In addition to practicing the concept of sustainable development in daily work, we also carry out low-carbon publicity and education from time to time. We not only enhance employees' awareness of environmental protection, but also inspire their potential in energy conservation and consumption reduction from every detail. During the Reporting Period, we organized a variety of relevant activities such as the Energy Conservation Publicity Week, "Carbon Neutralization" Theme Fireside Chat and ESG training for all employees. Through these vivid and interesting activities, we have laid a green foundation for our enterprise culture.

Case: Energy Conservation Publicity Week Themed by AI Technology and Carbon Neutralization

From June 13 to 19, 2022, SenseTime Carbon Neutral Development Research Center, together with the Administrative Service Department and YHD, held the Energy Conservation Publicity Week Themed by AI Technology and Carbon Neutralization. The activity consisted of two parts, both online and offline. The online part included award-winning quizzes on energy conservation and carbon reduction, and collection for ideas on low-carbon life, while the offline part included a variety of experiencing activities such as the Jenga on energy conservation, climate disasters drills, and classification on emission reduction behaviors.

The activity was warmly welcomed by employees of SenseTime. A total of 282 employees participated in the online quizzes for a total of 585 times, 58 employees participated in the collection for ideas on low-carbon life, and about 200 employees joined the on-site interactions. In the joyful and fun atmosphere, all participants achieved a better understanding of energy-saving and low-carbon knowledge. At the same time, the activity also helped enhance the green culture within the Group.

Activity Site of "Jenga on Energy Conservation"

Online Page of "Award-winning Quizzes on Energy Conservation and Carbon Reduction"

Case: "Carbon Neutralization" Theme Fireside Chat

In early May 2022, we conducted a series of online "Fireside Chat" lectures to update employees with the latest trend of culture, art and environmental protection. Among them, the Fireside Chat on May 4 was themed by "Carbon Neutralization". By means of talk show, the director of SenseTime Carbon Neutral Development Research Center introduced the concept of carbon emission, the relationship between carbon emission and climate change, the definition of carbon neutrality, and what people can do for carbon reduction in their daily lives. Through such a meaningful and joyful activity, our employees not only gained a better understanding of the "dual-carbon" concept, but also raised awareness of environmental protection and energy conservation.

Independent Auditor's Report

To the Shareholders of SenseTime Group Inc.
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of SenseTime Group Inc. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 169 to 306, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition – revenue recognised at a point in time

- Impairment assessment of trade and other receivables

- Fair value measurement of financial assets at fair value through profit or loss under Level 3 financial instruments

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
Revenue recognition – revenue recognised at a point in time Refer to Note 2.26 and Note 5 to the consolidated financial statements. During the year ended 31 December 2022, the Group recognised revenue of RMB3,808.5 million primarily from sales of advanced Artificial Intelligence (hereinafter "AI") software, sales of AI software platform and related services, sales of AI software-embedded hardware, provision of research and development services and cloud services. Revenue is recognised upon transfer of control, at a point in time or over time, depending on the nature of the arrangements. Majority of the Group's revenue was recognised at a point in time, when the software or hardware and related services are delivered to the customer's designated place, inspected and accepted by the customer. We focused on this area because significant audit resources were devoted to this area due to the large volume of revenue transactions from various customers during the year.	Our procedures in relation to the auditing of revenue recognition included: – we understood, evaluated and tested, on a sample basis, the Group's relevant controls in relation to revenue recognition; – we inspected sales contracts, on a sample basis, to identify terms and conditions relating to the transfer of control and assessing the Group's timing of revenue recognition with reference to the requirements of prevailing accounting standards; – we tested the transactions, on a sample basis, by examining the relevant supporting documents, including sales contracts or customer orders, customers' acceptance notes, etc. to assess whether revenue was properly recognised; – we tested sales transactions recorded before and after the balance sheet date, on a sample basis, by tracing to the supporting documents, including the relevant customers' acceptance notes, etc. to assess whether revenue was recognised in the correct reporting period; and – we sent confirmations, on a sample basis, to the customers to confirm the sales transactions for the year and respective trade receivable balances as at the year end date; Based on the procedures performed, we found that the Group's revenue recognised was supported by the evidence obtained.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment assessment of trade and other receivables Refer to Note 2.12, Note 3.1(b), Note 4.1 and Note 23 to the consolidated financial statements. As at 31 December 2022, the Group recorded gross balance of trade and other receivables of RMB8,378.4 million in which a corresponding allowance for expected credit loss ("ECL") of RMB2,949.5 million was recorded. The loss allowances for trade and other receivables reflected management's best estimate to determine the ECL at the balance sheet date under IFRS 9. For trade receivables with objective evidence of impairment and subject to separate assessment for impairment provision, management applied simplified approach to perform impairment assessment based on estimated cash flows and took into considerations of current and future economic situations to calculate the expected credit loss and to provide for individual impairment allowances. For trade receivables without objective evidence of impairment, simplified approach is applied to loss allowances by first grouping trade receivables based on their nature and risk characteristics and then analysing their aging information before further incorporating forward-looking adjustment factors, such as China's Gross Domestic Product ("GDP") and global GDP, to reflect the management's forecasts of macroeconomic factors in different scenarios as this affects the debtors' abilities to settle the receivables. For other receivables, management assessed whether their credit risk had increased significantly since their initial recognition and applied the three-stage approach to provide for their ECL using a modelling approach that incorporated key parameters and assumptions (including probability of default, loss given default, exposure at default, etc.).	Our procedures in relation to impairment assessment of trade and other receivables included: – we obtained an understanding of management's internal control and assessment process of the impairment of trade and other receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; – we evaluated and tested, on the sample basis, the Group's relevant controls in relation to the impairment assessment of trade and other receivables; and – in respect of the methods, significant assumptions and data used and judgements made by management: 1) we assessed the appropriateness of the ECL provisioning methodologies adopted by management; 2) we tested, on a sample basis, the accuracy of the key data inputs used by management in the impairment assessment such as the aging schedules of trade and other receivables; 3) we evaluated the reasonableness of grouping of trade receivables and staging determination for other receivables against their nature and risk characteristics; 4) we assessed the significant assumptions applied by management in the estimated cash flows in the separate assessment of trade and other receivables based on information such as financial status and repayment history of the debtors on a sample basis; 5) we assessed the reasonableness of the detailed application of the key ECL model parameters and assumptions including probability of default, loss given default, exposure at default by considering the historical default rates and past collection information;

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment assessment of trade and other receivables (continued) We focused on this area due to the significance of the balance of trade and other receivables and complex estimates and judgements were involved in the assessment of expected credit losses mentioned above.	6) we evaluated the appropriateness of forward looking information applied, such as China's GDP and global GDP with reference to market data and our industry knowledge including multiple economic scenarios and parameters; 7) we evaluated the results of management's sensitivity analysis of the forward looking information using reasonably possible changes of the relevant key parameters; and 8) we tested the mathematical accuracy of the calculations of expected credit loss rates based on the historical loss and forward-looking information, and the expected credit loss provisions. Based on the procedures performed, we found that the estimates and judgements applied by the Group in the impairment assessment of trade and other receivables were supported by the evidence obtained.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
Fair value measurement of financial assets at fair value through profit or loss under Level 3 financial instruments Refer to Note 2.12, Note 3.3, Note 4.2 and Note 25 to the consolidated financial statements. As at 31 December 2022, the Group's financial assets at fair value through profit or loss amounted to RMB7,308.7 million, of which RMB6,677.3 million of these financial assets were measured based on significant unobservable inputs and classified as "Level 3 financial instruments". Level 3 financial instruments include debt investments in funds, debt investments in bonds, debt and equity investments in unlisted companies and structured deposits. Management engaged an external valuer to assist in determining the fair value of these financial assets. The fair value determination of such financial assets required management to make judgments and estimates, including the appropriateness of the adoption of applicable valuation methods and using various unobservable inputs. Valuation methods used include discounted cash flow model and market approach etc. Significant assumptions adopted by management in the valuation include expected volatility, risk-free interest rate, discount for lack of marketability ("DLOM") and expected rate of return. We focused on this area due to the significance of the balances of these investments, as well as significant judgments, assumptions and estimations were applied by the management in the fair value determination of these financial assets which are subject to high degree of estimation uncertainty and high level of inherent risk.	Our procedures in relation to fair value measurement of financial assets at fair value through profit or loss under Level 3 financial instruments included: – we obtained an understanding of the management's internal control and assessment process of the fair value measurement and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; – we evaluated and tested, on a sample basis, the Group's relevant controls in relation to the fair value measurement of the Level 3 financial instruments; – we evaluated the external valuer's competence, capability and objectivity by assessing its qualifications, relevant experience and relationship with the Group; – for debt investments in bonds, debt and equity investments in unlisted companies and structured deposits, we involved our internal valuation expert to discuss with management and the external valuer and assess the reasonableness of valuation methods, significant assumptions and inputs used. We assessed the underlying assumptions including expected volatility, risk-free interest rate, DLOM and expected rate of return based on our industry knowledge and market data, such as market interest rates, trading multiples of comparable companies, etc.; – for debt investments in funds, we involved our internal valuation expert to interview the relevant fund managers to obtain an understanding of the accounting policies used by these investee funds as well as the valuation methods and significant assumptions used in determining the net asset value of these investee funds; and – we tested the mathematical accuracy of the calculation applied in the valuation models and the fair value changes on investments measured at fair value through profit or loss during the year. Based on the procedures performed, we found that the significant judgments, assumptions and estimations applied in the Group's fair value measurement of financial assets at fair value through profit or loss under Level 3 financial instruments were supported by the evidence obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHAN Chiu Kong, Edmond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2023

Consolidated Income Statement

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Revenue	5(a)	**3,808,510**	4,700,263
Cost of sales	6	**(1,266,243)**	(1,422,625)
Gross profit		**2,542,267**	3,277,638
Selling expenses	6	**(900,787)**	(681,584)
Administrative expenses	6	**(1,567,739)**	(2,298,362)
Research and development expenses	6	**(4,014,337)**	(3,614,140)
Net impairment losses on financial assets and contract assets	3.1(b)	**(1,667,671)**	(517,608)
Other income	8	**447,255**	504,280
Other losses – net	9	**(1,367,311)**	(399,958)
Operating loss		**(6,528,323)**	(3,729,734)
Finance income	10	**260,546**	187,716
Finance cost	10	**(55,438)**	(33,758)
Finance income – net	10	**205,108**	153,958
Share of losses of investments accounted for using the equity method	12	**(2,357)**	(40,231)
Fair value losses of preferred share and other financial liabilities	29(c)	**(7,240)**	(13,525,537)
Loss before income tax		**(6,332,812)**	(17,141,544)
Income tax credit/(expense)	13	**239,822**	(35,506)
Loss for the year		**(6,092,990)**	(17,177,050)
Loss is attributable to:			
Equity holders of the Company		**(6,044,796)**	(17,140,086)
Non-controlling interests		**(48,194)**	(36,964)
		(6,092,990)	(17,177,050)
Loss per share for loss attributable to equity holders of the Company			
Basic and diluted loss per share (RMB)	14	**(0.19)**	(1.74)

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Loss

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Loss for the year		**(6,092,990)**	(17,177,050)
Other comprehensive income			
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(1,568,202)**	201,501
Items that will not be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**3,516,694**	684,637
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	29(c)	**(3,155)**	(128,297)
Other comprehensive income for the year, net of taxes		**1,945,337**	757,841
Total comprehensive loss for the year		**(4,147,653)**	(16,419,209)
Total comprehensive loss for the year is attributable to:			
Equity holders of the Company		**(4,096,716)**	(16,382,245)
Non-controlling interests		**(50,937)**	(36,964)
		(4,147,653)	(16,419,209)

The above consolidated statement of comprehensive loss should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

	Note	As at December 31, 2022 RMB'000	2021 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	16	**6,999,010**	2,909,263
Right-of-use assets	17	**315,094**	432,164
Intangible assets	18	**332,887**	224,586
Contract assets	5(f)	**22,999**	20,335
Investments accounted for using the equity method	12	**54,241**	26,930
Deferred income tax assets	20	**689,697**	457,199
Restricted cash	26	**271,392**	–
Financial assets at fair value through profit or loss	25	**6,676,533**	4,310,970
Long-term receivables	24	**357,952**	306,860
Other non-current assets	19	**183,009**	171,795
		15,902,814	8,860,102
Current assets			
Inventories	21	**617,110**	496,144
Contract assets	5(f)	**27,231**	19,023
Trade, other receivables and prepayments	23	**6,071,675**	5,775,885
Financial assets at fair value through profit or loss	25	**632,124**	272,549
Restricted cash	26	**348**	319
Term deposits	26	**6,212,878**	4,990,791
Cash and cash equivalents	26	**7,962,813**	16,529,506
		21,524,179	28,084,217
Total assets		**37,426,993**	36,944,319
Equity			
Equity attributable to equity holders of the Company			
Share capital	27	**5**	5
Other reserves	28	**71,248,900**	70,077,626
Currency translation reserves		**3,915,328**	1,964,093
Accumulated losses		**(46,194,009)**	(40,149,213)
		28,970,224	31,892,511
Non-controlling interests		**43,636**	94,573
Total equity		**29,013,860**	31,987,084

Consolidated Balance Sheet

	Note	As at December 31, 2022 RMB'000	2021 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	34	**2,907,153**	339,505
Lease liabilities	17	**105,228**	228,802
Deferred income tax liabilities	20	**9,593**	43,316
Contract liabilities	32	**74,553**	37,550
Deferred revenue	35	**307,593**	140,251
Preferred share and other financial liabilities	29	**1,395,814**	1,072,583
Long-term payables	31(b)	**11,611**	44,955
Put option liability	33	**278,584**	255,028
		5,090,129	2,161,990
Current liabilities			
Borrowings	34	**321,461**	383
Trade and other payables	31(a)	**2,472,581**	2,290,258
Lease liabilities	17	**183,002**	155,495
Contract liabilities	32	**207,571**	172,131
Deferred revenue	35	**120,635**	171,130
Current income tax liabilities		**17,754**	5,848
		3,323,004	2,795,245
Total liabilities		**8,413,133**	4,957,235
Total equity and liabilities		**37,426,993**	36,944,319
Net current assets		**18,201,175**	25,288,972
Total assets less current liabilities		**34,103,989**	34,149,074

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 169 to 306 were approved by the Board of Directors on March 28, 2023 and were signed on its behalf.

Xu Li
Director

Xu Bing
Director

Consolidated Statement of Changes in Equity

	Note	Equity attributable to equity holders of the Company					Non-controlling interests	Total equity
		Share capital RMB'000	Other reserves RMB'000	Currency translation reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	RMB'000	RMB'000
As at January 1, 2022		5	70,077,626	1,964,093	(40,149,213)	31,892,511	94,573	31,987,084
Comprehensive loss								
Loss for the year		-	-	-	(6,044,796)	(6,044,796)	(48,194)	(6,092,990)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	29(c)	-	(3,155)	-	-	(3,155)	-	(3,155)
Exchange differences on translation of foreign operations		-	-	1,951,235	-	1,951,235	(2,743)	1,948,492
Total comprehensive loss		-	(3,155)	1,951,235	(6,044,796)	(4,096,716)	(50,937)	(4,147,653)
Transactions with equity holders								
Exercise of restricted shares and share options	28	-	86,395	-	-	86,395	-	86,395
Exercise of over-allotment option	27(a)	*	692,807	-	-	692,807	-	692,807
Repurchase of ordinary shares	27(b)	(*)	(69,246)	-	-	(69,246)	-	(69,246)
Share-based compensation	7, 28, 30	-	464,473	-	-	464,473	-	464,473
Total transactions with equity holders		-	1,174,429	-	-	1,174,429	-	1,174,429
As at December 31, 2022		5	71,248,900	3,915,328	(46,194,009)	28,970,224	43,636	29,013,860

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

Consolidated Statement of Changes in Equity

	Note	(Deficits)/equity attributable to equity holders of the Company						
		Share capital RMB'000	Other reserves RMB'000	Currency translation reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total (deficits)/ equity RMB'000
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 year		–	–	–	(17,140,086)	(17,140,086)	(36,964)	(17,177,050)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	29(c)	–	(128,297)	–	–	(128,297)	–	(128,297)
Exchange differences on translation of foreign operations		–	–	886,138	–	886,138	–	886,138
Total comprehensive loss		–	(128,297)	886,138	(17,140,086)	(16,382,245)	(36,964)	(16,419,209)
Transactions with equity holders								
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	27(d)	*	4,610,673	–	–	4,610,673	–	4,610,673
Issuance of ordinary shares for share-based compensation plan		*	(*)	–	–	–	–	–
Conversion of convertible redeemable preferred shares to Class B ordinary shares	27(e)	3	64,374,173	–	(1,296,414)	63,077,762	–	63,077,762
Exercise of restricted shares and share options	28	–	73,409	–	–	73,409	–	73,409
Capital contribution by controlling shareholder	38(b)	–	10,365	–	–	10,365	–	10,365
Consideration paid to the then equity holders for acquisition of subsidiaries under common control		–	(13,766)	–	–	(13,766)	–	(13,766)
Share-based compensation	7, 28, 30	–	1,583,925	–	–	1,583,925	–	1,583,925
Transactions with non-controlling shareholders		–	–	–	–	–	(8,983)	(8,983)
Warrant granted to a third party which was recognised as an equity instrument		–	–	–	–	–	4,827	4,827
Others		–	–	–	621	621	–	621
Total transactions with equity holders		3	70,638,779	–	(1,295,793)	69,342,989	(4,156)	69,338,833
As at December 31, 2021		5	70,077,626	1,964,093	(40,149,213)	31,892,511	94,573	31,987,084

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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

Consolidated Statement of Cash Flows

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash used in operations	36(a)	**(3,073,538)**	(2,447,650)
Income tax paid		**(10,945)**	(37,791)
Net cash used in operating activities		**(3,084,483)**	(2,485,441)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,890,289)**	(1,073,109)
Purchase of intangible assets		**(276,838)**	(192,404)
Proceeds from disposal of property, plant and equipment		**4,514**	8,402
Increase in investments accounted for using the equity method	12	**(31,500)**	(1,000)
Dividend and interest received from financial assets at fair value through profit and loss	8	**18,307**	6,154
Acquisition of debt and equity investments	25	**(3,465,067)**	(1,319,018)
Disposal of debt and equity investments	25	**386,038**	90,083
Net (increase)/decrease in investments in term deposits	26	**(890,896)**	942,362
Interest received from banks		**200,961**	131,219
Acquisition of structured deposits	25	**(5,763,000)**	(15,429,000)
The intention money paid for purchase of an office property		**(200,000)**	–
The intention money returned for purchase of an office property		**200,000**	–
Disposal of structured deposits	25	**5,424,590**	15,235,034
Repayments of loans granted to third parties and related parties		**–**	53,203
Loans granted to a related party	38(b)	**(15,037)**	–
Net cash used in investing activities		**(9,298,217)**	(1,548,074)

Consolidated Statement of Cash Flows

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares relating to the initial public offering by deduction of the underwriting commission		**–**	4,643,021
Proceeds from borrowings	36(c)	**2,969,496**	363,147
Repayments of borrowings	36(c)	**(83,300)**	(1,038,467)
Interest paid	36(c)	**(43,424)**	(20,130)
Principal elements of lease payments	36(c)	**(151,177)**	(127,488)
Interest elements of lease payments	10, 36(c)	**(16,859)**	(13,841)
Repayments of amount due to preferred shareholders		**–**	(5,206,029)
Payment of purchase of non-controlling interests		**–**	(8,983)
Proceeds from issuance of preferred share liabilities by the Company	36(c)	**–**	9,202,353
Proceeds from issuance of preferred shares by a subsidiary	29(a), 36(c)	**–**	988,234
Capital injection by limited partners of investment fund controlled by the Group	29(b), 36(c)	**204,000**	85,000
Repurchase of warrant liability		**–**	(17,045)
Increase in restricted cash for the issuance of bank borrowings	26	**(365,425)**	–
Decrease in restricted cash for the issuance of bank borrowings	26	**108,438**	493,045
Consideration paid to the then equity holders for acquisition of subsidiaries under common control		**–**	(13,766)
Net proceeds from exercise of over-allotment option	27(a)	**692,807**	–
Payment of the listing expenses which was deducted from equity		**(2,562)**	(4,729)
Repurchase of ordinary shares	27(b)	**(69,246)**	–
Proceeds from exercise of restricted shares and share options		**86,395**	43,795
Capital contribution by the controlling shareholder	38(b)	**–**	10,365
Net cash generated from financing activities		**3,329,143**	9,378,482
Net (decrease)/increase in cash and cash equivalents		**(9,053,557)**	5,344,967
Cash and cash equivalents at beginning of year		**16,529,506**	11,427,871
Effect of foreign exchange rates changes		**486,864**	(243,332)
Cash and cash equivalents at end of year		**7,962,813**	16,529,506

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

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

SenseTime Group Inc. (the "Company") was incorporated in the Cayman Islands on October 15, 2014 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Tricor Services (Cayman Islands) Limited, of Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group"), including the structured entities (collectively, the "Group"), are the sale of advanced artificial intelligence ("AI") software, sale of AI software platform and related services, sale of software-embedded hardware and related services, AIDC service as well as research and development activities in relation to AI technology mainly in the People's Republic of China (the "PRC"), Northeast Asia, Southeast Asia and other geographical areas.

The 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"), which was incorporated in the Cayman Islands. The registered office of the Amind Inc. is situated at P.O. Box 2075, #30 The Strand, 46 Canal Point Drive, Grand Cayman KY1-1105, Cayman Islands.

On December 30, 2021, the Company has successful listed on the Main Board of the Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated. These consolidated financial statements were approved for issue by the Board of Directors on March 28, 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities which measured at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Amendments to standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on January 1, 2022:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018–2020	

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

(b) New standards, amendments and interpretations not yet adopted

The followings new standards and amendments to standards have not come into effect for the financial year beginning January 1, 2023 and have not been early adopted by the Group in preparing the consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial information of the Group.

	Effective for accounting periods beginning on or after
IFRS 17 Insurance Contracts	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 IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction Tax	January 1, 2023
IFRS 17 and IFRS 9 (Amendment) – Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 1, 2023
IAS 1 (Amendment) – Classification of Liabilities as Current or Non-current	January 1, 2024
IFRS 16 (Amendment) – Leases liability in a sale and leaseback	January 1, 2024
IAS 1 (Amendment) – Non-current liabilities with covenants	January 1, 2024
Amendment to IFRS 10 and IAS 28 regarding sales or contribution assets between an investor and its associate or joint venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 unrealised gains on transactions between group companies are eliminated. Unrealised 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 statement of comprehensive loss, consolidated statement of changes in equity and consolidated balance sheet 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:

- relevant activities including 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;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

(a) Consolidation (continued)

(i) Subsidiaries controlled through contractual arrangements (continued)

- 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 substantial Consolidated Affiliated Entities from their Individual Shareholders as collaterals to secure the payment obligations of all of the substantial Consolidated Affiliated Entities' payments due to the Group and to secure performance of the substantial 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 IFRSs. The Group has included the financial positions and results of the Consolidated Affiliated Entities in the consolidated financial statements.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

(a) Consolidation (continued)

(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 recognises 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 recognised 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

(a) Consolidation (continued)

(ii) Business combinations (continued)

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 recognised 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 recognised in profit or loss.

Business combinations under common control

The consolidated financial statements incorporate 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 recognised 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 statement 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 unrealised 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 income 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (Note 2.5), after initially being recognised 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 (Note 2.5), after initially being recognised at cost in the consolidated balance sheets.

2.5 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised 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. Unrealised 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 holders 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 recognised in a separate reserve within equity attributable to equity holders 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 recognised in consolidated income statement. 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 recognised in other comprehensive income 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 recognised in other comprehensive income are reclassified to consolidated income statement 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, Singapore and Middle East, and these subsidiaries considered RMB, HKD, Japanese Yen ("JPY"), Singapore dollars ("SGD") and United Arab Emirates Dirham ("AED") 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 recognised 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 statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "other losses – 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 recognised 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 income are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Foreign currency translation (continued)

(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 recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised 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 recognised 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of comprehensive loss during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Property, plant and equipment (continued)

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	20-45 years
Leasehold improvement	Shorter of the lease terms or 3 years
Large-scale electronic equipment	5-10 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 period.

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 recognised within "other losses – net" in the consolidated income statement.

2.10 Intangible assets

(a) Research and development expenditure

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognised 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (continued)

(a) Research and development expenditure (continued)

Directly attributable costs that are capitalised 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 recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

No research and development expenditures were capitalised during the year ended December 31, 2022.

(b) Patent

Separately acquired patents are shown at historical cost. They are amortised using the straight-line method over their estimated finite useful life of 5 years and are subsequently carried at cost less accumulated amortisation 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 amortisation. Amortisation 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 capitalised on the basis of the costs incurred to acquire the specific software. These costs are amortised over the estimated useful lives of 2-3 years.

(e) Licensed intellectual properties

Licensed intellectual properties are stated at historical cost less accumulated amortisation and accumulated impairment losses. Fixed minimum payments and warrant grant to licensor are capitalised as intangible asset when the Group obtains control of the licensed intellectual properties. The Group also pays variable fee to licensor based on sharing percentage of revenue from the licensed intellectual properties, which is recorded in profit or loss as incurred. The historical costs of licensed intellectual properties are measured at the present values of the fixed minimum payments and the fair value of warrant when the Group obtains control of the respective licensed intellectual properties.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (continued)

(f) Useful life

The Group amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

Patent	5 years
Trademarks	10 years
Computer software	2-3 years
Licensed intellectual properties	4 years

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 amortisation 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 recognised 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 other comprehensive income ("OCI"), or through profit or loss); and

- those to be measured at amortised 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 income ("FVOCI").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Investments and other financial assets (continued)

(a) Classification (continued)

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 recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised 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:

- Amortised 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 amortised 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 recognised directly in profit or loss and presented in "other losses – net", together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- 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 recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other losses – 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) – net" and impairment losses are presented as separate line item in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Investments and other financial assets (continued)

(c) Measurement (continued)

Debt instruments (continued)

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other losses – 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 recognised 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 recognised in "other losses – net" in the consolidated income statement 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 amortised 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 recognised 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 recognised amounts and there is an intention to settle on a net basis or realise 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 fulfilment cost. Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Trade and other receivables

Trade 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 recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised 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 amortised 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 statement 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.

Term deposits with initial terms of over three months were included in the term deposits on the consolidated balance sheets.

2.17 Share capital and share held for share award scheme

Ordinary shares are classified as equity (Note 27).

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Share capital and share held for share award scheme (continued)

Where any Group company purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders as treasury shares until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to the Company's equity holders. Unvested shares held by the Sense Talent Limited are disclosed as treasury shares and deducted from equity attributable to the Company's equity holders.

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 payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised 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 capitalised as a prepayment for liquidity services and amortised 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, cancelled 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 recognised in profit or loss as "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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised 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 capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.21 Financial instruments

(a) Preferred shares issued by a subsidiary

Preferred shares issued by a subsidiary refer to the convertible preferred shares issued by a subsidiary of the Group (Note 29).

The subsidiary designated the preferred shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as "finance costs" in profit or loss. Subsequent to initial recognition, the preferred shares are carried at fair value with changes in fair value recognised 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 subsidiary to redeem the preferred shares within 12 months after the end of the reporting period.

(b) 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 the present value of the redemption amount.

(c) Net asset value of investment funds attributable to limited partners

The investments made by limited partners to the funds controlled by the Group with fixed investment period is designated as financial liabilities at fair value through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognised 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 realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised 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 realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 organised 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 recognised 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Employee benefits (continued)

(d) Employee leave entitlement

Employee entitlement to annual leave are recognised 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 recognised until the time of leave.

(e) Bonus plan

The expected cost of bonuses is recognised 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 recognises 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 recognises 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 expenses

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 recognised 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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Share-based compensation expenses (continued)

The total expense is recognised 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 recognises the impact of the revision to original estimates, if any, in the consolidated income statement, 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 recognising 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 recognised 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 recognised 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 recognised over the remainder of the original vesting period.

If the Group receive or acquire goods or services, other than services from employees, in exchange for its own equity instruments, the fair value of goods or services received by an entity should be measurable directly. If the fair value cannot be measured reliably, the Group measures the value of the goods and services by reference to the fair value of the equity instruments granted as consideration.

From the perspective of the Company, the grants of its equity instruments to employees of its subsidiaries are made in exchange for their services related to the subsidiaries. Accordingly, the share-based compensation expenses are treated as part of the “investments in subsidiaries” in the Company’s statement of financial position.

2.25 Provision

Provisions for service warranties are recognised 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 recognised 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 recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Provision (continued)

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 recognised as interest expense.

2.26 Revenue recognition

Revenue is recognised 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 recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised 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 judgements 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Revenue recognition (continued)

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 recognised 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 recognised 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 recognised over the service period. A contract liability is recognised for advances from the customer in which revenue has not yet been recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Revenue recognition (continued)

The accounting policy for the Group's principal revenue sources (continued)

(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 recognised 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 recognised 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 recognised 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Revenue recognition (continued)

The accounting policy for the Group's principal revenue sources (continued)

(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 recognised 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 recognised upon the transfer of control, over time or at a point in time, depending on the nature of the arrangements.

(v) Cloud services

Cloud services are mainly charged on either a subscription or consumption basis. For cloud service contracts billed based on a fixed amount for a specified service period, revenue is recognised over the subscribed period when the services are delivered to customers. For cloud service provided on a consumption basis, revenue is recognised based on the customer utilisation of the resources.

(vi) 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 recognises 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 judgements 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 recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised 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 recognised 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 35 provides further information on how the Group accounts for government grants.

Government grants relating to costs are deferred and recognised 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 the purchase of property, plant and equipment and 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 recognised 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 authorised 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognised 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.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Leases (continued)

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.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Leases (continued)

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 recognised 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 recognised 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 recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated 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 equity holders 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, adjusted for bonus elements in ordinary shares issued during the year 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 minimise 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 recognised 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, Singapore and Middle East, these subsidiaries considered RMB, HKD, JPY, SGD and AED as their functional currency, respectively.

The Group is primarily exposed to changes in HKD/RMB and HKD/USD exchange rates. As at December 31, 2022, if HKD had strengthened/weakened by 5% against RMB/USD with all other variables held constant, the Group's net loss for the year would have been RMB223,354,000 lower/higher and RMB1,126,109,000 higher/lower (2021: HKD/RMB and HKD/USD: RMB387,959,000 lower/higher and RMB943,224,000 higher/lower) as a result of foreign exchange losses/gains on translation of RMB/USD denominated cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables.

(ii) Cash flow and fair value interest rate risk

Except for cash and cash equivalents, restricted cash, term deposits (Note 26), structured deposits (Note 25(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 34. The Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk. 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

As at December 31, 2022, if the Group's interest rates on borrowings obtained at variable rates had been higher/lower by 5%, the net loss for the year would have been RMB4,693,000 (2021: RMB245,000) 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 31(b).

The preferred shares issued by a subsidiary and net asset value attributable to limited partners expose the Group to fair value interest rate risk. Please refer to Note 29 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 25). 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.

The Group performed sensitivity test to changes in unobservable input of DLOM in determining the fair value of FVPL. When performing the sensitivity test, management applied an increase or decrease to DLOM, which represents management's assessment of reasonably possible change to this unobservable input. If DLOM had added/reduced 5% with all other variables held constant, the loss before income tax for the year ended December 31, 2022 will increase by RMB46,366,000 or decrease by RMB46,263,000.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, term deposits, structured deposits, as well as notes receivables, trade receivables and contract assets and other receivables. 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 and structured deposits are mainly placed with state-owned or reputable financial institutions in mainland China and reputable international financial institutions outside of mainland China.

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 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 loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

For other financial assets carried at amortised cost (excluding prepayments, input Value Added Tax ("VAT") to be deducted), 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- cash and cash equivalents, restricted cash and term deposits;
- trade receivables and contract assets (including notes receivables and long-term receivables); and
- other receivables.

(i) Cash and cash equivalents, restricted cash and term deposits

To manage risk arising from cash and cash equivalents, restricted cash and term 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 China's GDP and global GDP to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Impairment of financial assets (continued)

(ii) Trade receivables and contract assets (including notes receivables and long-term receivables) (continued)

For 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.

The Group performed sensitivity test to changes in unobservable input of GDP in determining the fair value of trade receivables and contract assets (including notes receivables and long-term receivables). When performing the sensitivity test, management applied an increase or decrease to GDP, which represents management's assessment of reasonably possible change to this unobservable input. If GDP had added/reduced 5% with all other variables held constant, the loss before income tax for the year ended December 31, 2022 will increase RMB92,827,000 or decrease RMB93,318,000.

(iii) 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 amortised 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Impairment of financial assets (continued)

(iii) Other receivables (continued)

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 year ended December 31, 2022 are as below:

	Trade receivables and contract assets (including notes receivables and long-term receivables) RMB'000	Amount due from preferred shareholders RMB'000	Other receivables RMB'000	Total RMB'000
As at January 1, 2022	**(1,054,656)**	**–**	**(349,615)**	**(1,404,271)**
Increase in loss allowance recognised in profit or loss during the year	**(1,624,511)**	**–**	**(43,160)**	**(1,667,671)**
Receivables written off during the year as uncollectable	**43,614**	**–**	**26,022**	**69,636**
Currency translation differences	**(3,803)**	**–**	**(4,188)**	**(7,991)**
As at December 31, 2022	**(2,639,356)**	**–**	**(370,941)**	**(3,010,297)**
As at January 1, 2021	(648,148)	(15,129)	(244,903)	(908,180)
(Increase)/decrease in loss allowance recognised in profit or loss during the year	(427,723)	15,129	(105,014)	(517,608)
Receivables written off during the year as uncollectable	20,018	–	–	20,018
Currency translation differences	1,197	–	302	1,499
As at December 31, 2021	(1,054,656)	–	(349,615)	(1,404,271)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(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 analyses 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 RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At December 31, 2022					
Borrowings	**423,160**	**106,177**	**875,436**	**2,542,824**	**3,947,597**
Lease liabilities	**190,426**	**91,421**	**7,812**	**14,339**	**303,998**
Long-term payables	**–**	**8,000**	**4,000**	**–**	**12,000**
Financial liabilities included in trade and other payables and others	**1,812,786**	**–**	**–**	**–**	**1,812,786**
Put option liability	**–**	**278,584**	**–**	**–**	**278,584**
	2,426,372	**484,182**	**887,248**	**2,557,163**	**6,354,965**
At December 31, 2021					
Borrowings	13,796	13,796	75,390	331,911	434,893
Lease liabilities	159,752	134,269	83,826	12,038	389,885
Long-term payables	–	35,398	12,000	–	47,398
Financial liabilities included in trade and other payables and others	1,692,057	–	–	–	1,692,057
Put option liability	–	–	255,028	–	255,028
	1,865,605	183,463	426,244	343,949	2,819,261

Details of the description of preferred share and other financial liabilities are presented in Note 29.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 on basis of gearing ratio. The ratio is calculated as total bank borrowings divided by total equity.

	2022	2021
Total bank borrowings	**3,228,614**	339,888
Total equity	**29,013,860**	31,987,084
Gearing ratio	**11%**	1%

3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised 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 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
As at December 31, 2022				
Assets:				
– Financial assets at FVPL	**631,337**	**–**	**6,677,320**	**7,308,657**
Liabilities:				
– Preferred share liabilities	**–**	**–**	**1,090,277**	**1,090,277**
– Other financial liabilities	**–**	**–**	**305,537**	**305,537**
	–	**–**	**1,395,814**	**1,395,814**

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2021				
Assets:				
– Financial assets at FVPL	431,917	–	4,151,602	4,583,519
Liabilities:				
– Preferred share liabilities	–	–	988,234	988,234
– Other financial liabilities	–	–	84,349	84,349
	–	–	1,072,583	1,072,583

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(a) Fair value hierarchy (continued)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (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 maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted debt and equity investment.

(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.

The fair value of trade and other receivables, 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 and current borrowings approximated to their carrying amounts. The fair value of non-current borrowings was disclosed in Note 34.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(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 year ended December 31, 2022:

	Financial assets at FVPL RMB'000
At January 1, 2022	**4,151,602**
Acquisitions	**8,574,840**
Disposals	**(5,533,482)**
Fair value changes	**(726,323)**
Foreign currency translation recorded in other comprehensive income	**210,683**
At December 31, 2022	**6,677,320**
At January 1, 2021	2,955,352
Acquisitions	16,715,764
Disposals	(15,267,290)
Transfer from Level 3 to Level 1	(193,341)
Fair value changes	(7,342)
Foreign currency translation recorded in other comprehensive income	(51,541)
At December 31, 2021	4,151,602

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

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

The changes of preferred share and other financial liabilities for the year ended December 31, 2022 have been presented in Note 29.

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 summarises 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.

At December 31, 2022

Description	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Debt instruments – Unlisted debt investments	**Expected volatility**	**37.43%-60.00%**	**The higher the expected volatility, the lower the fair value**
	Risk-free rate	**2.13%-4.72%**	**The higher the risk-free rate, the lower the fair value**
	DLOM	**30.00%**	**The higher the DLOM, the lower the fair value**
Structured deposits	**Expected rate of return**	**1.39%-3.94%**	**The higher the expected rate of return, the higher the fair value**
Preferred shares issued by a subsidiary	**Expected volatility**	**47.00%**	**The higher the expected volatility, the lower the fair value**
	Risk-free rate	**3.98%**	**The higher the risk-free rate, the lower the fair value**

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

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

At December 31, 2021

Description	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Debt instruments – Unlisted debt investments	Expected volatility	39.86%-56.4%	The higher the expected volatility, the lower the fair value
	Risk-free rate	0.39%-2.66%	The higher the risk-free rate, the lower the fair value
	DLOM	30.0%	The higher the DLOM, the lower the fair value
Structured deposits	Expected rate of return	2.59%-2.90%	The higher the expected rate of return, the higher the fair value
Preferred shares issued by a subsidiary	Expected volatility	49.58%	The higher the expected volatility, the lower the fair value
	Risk-free rate	0.90%	The higher the risk-free rate, the lower 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 5% lower/higher, the loss before income tax for the year ended December 31, 2022 would have been RMB333,827,000 (2021: RMB215,549,000) higher/lower.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements 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 measured at amortised cost

The impairment provisions for trade and other receivables, contract assets 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 statement.

In assessing forward-looking information, the Group considers different macroeconomic scenarios and weights. The Group regularly monitors and reviews critical macroeconomic assumptions and parameters related to the measurement of expected credit loss, including the economic policies, macroeconomic indicators, industry risks, and changes in customer conditions, etc.

4.2 Fair value measurement of financial assets at fair value through profit or loss

The fair value measurement 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 29, 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 management/ 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 share liabilities issued by a subsidiary and net asset value of investment funds attributable to limited partners, which involved the use of significant accounting estimates and judgments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.4 Impairment of non-financial assets, including property, plant and equipment, intangible assets and long-term equity investments

In determine whether non-financial assets, including property, plant and equipment, intangible assets and long-term equity investments are impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

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 recognise 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 judgement 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 recognises 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 recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. 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 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.7 Scope of consolidation

Consolidation is required only if control exists. The Group controls an investee when it has all the following: (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. Power results from rights that can be straightforward through voting rights or complicated in contractual arrangements. Variable returns normally encompass financial benefits and risks, but in certain cases, they also include operational values specific to the Group. These three factors cannot be considered in isolation by the Group in its assessment of control over an investee. Where the factors of control are not apparent, significant judgement is applied in the assessment, which is based on an overall analysis of all of the relevant facts and circumstances. The Group is required to reassess whether it controls the investee if facts and circumstances indicate a change to one or more of the three factors of control.

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 segregate operating segment financial information and the executive directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

(a) Revenue by geographical

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 for the year ended December 31, 2022:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Mainland China	**3,168,880**	4,147,620
Northeast Asia	**521,866**	365,759
Southeast Asia	**21,904**	56,944
Others*	**95,860**	129,940
	3,808,510	4,700,263

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

5 SEGMENT INFORMATION (CONTINUED)

(b) Non-current assets by geographical

The total of the non-current assets including property, plant and equipment, right-of-use assets and intangible assets as at December 31, 2022, broken down by the location of the assets, is as follows:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Mainland China	**7,498,318**	3,310,770
Northeast Asia	**66,301**	74,633
Southeast Asia	**27,054**	62,392
Others*	**55,318**	118,218
	7,646,991	3,566,013

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

(c) Information about major customers

The major customers which contributed more than 10% of total revenue of the Group for the year ended December 31, 2022 are listed as below:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Percentage of revenue from the major customers to the total revenue of the Group		
Client A	**15.20%**	11.68%
Client B	*****	10.73%

* the amount of aggregate revenue from this customer is less than 10% of the total revenue for the year.

5 SEGMENT INFORMATION (CONTINUED)

(d) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Revenue		
– recognised point in time	**3,543,301**	4,364,889
– recognised over time	**265,209**	335,374
	3,808,510	4,700,263

(e) During the year ended December 31, 2022, the Group determines revenue should be reported on a gross or net basis based on principle/agent assessment and revenue are primarily reported on a gross basis.

(f) Contract assets

(i) The Group has recognised the following contract assets with customers:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Current assets	**28,012**	25,965
Loss allowance	**(781)**	(6,942)
	27,231	19,023
Non-current assets	**26,396**	21,306
Loss allowance	**(3,397)**	(971)
	22,999	20,335
	50,230	39,358

5 SEGMENT INFORMATION (CONTINUED)

(f) Contract assets (continued)

(i) The Group has recognised the following contract assets with customers: (continued)

The following table shows how much of the revenue, which was included in the contract liability balance at the beginning of the year, recognised during the year ended December 31, 2022 relates to carried-forward contract liabilities:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Revenue recognised that were included in the contract liabilities at the beginning of the year	**118,647**	202,385

(ii) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from long-term contracts:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied	**187,190**	37,550

Management expects that 28% (2021: 29%) of the transaction price allocated to unsatisfied performance obligations as of December 31, 2022 will be recognised as revenue during the next year. The remaining 72% (2021: 71%) will be recognised over one year.

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 analysed below:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Employee benefit expenses (Note 7) (a)	**4,012,452**	4,577,655
Hardware costs and project subcontracting service fees	**1,118,932**	1,265,429
Depreciation and amortisation (Note 16, Note 17 and Note 18)	**967,685**	657,830
Professional service and other consulting fees	**800,666**	659,612
Server operation and cloud-based service fees	**250,985**	201,730
Marketing, conference and travelling expenses	**247,663**	183,710
Utilities, property management and administrative expenses	**168,912**	105,525
Data labelling fees	**59,895**	53,362
Research and development tools and consumables	**42,509**	52,140
Auditor's remuneration		
– Audit services	**15,365**	11,626
– Non-audit services	**4,100**	4,230
Listing expenses	**–**	134,579
Other expenses	**59,942**	109,283
	7,749,106	8,016,711

(a) During the year ended December 31, 2022, employee benefits expenses included the share-based compensation expenses of RMB464,473,000 (for the year ended December 31, 2021: RMB1,583,925,000) (Note 30(d)).

7 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	**2,950,032**	2,544,178
Contributions to pension plans (a)	**243,874**	185,143
Housing fund, medical insurance and other social insurance	**354,073**	264,409
Share-based compensation expenses (Note 30(d))	**464,473**	1,583,925
	4,012,452	4,577,655

(a) Pensions – defined contribution plans

As stipulated by rules and regulations in mainland China, the Group has participated in state-sponsored defined contribution retirement plans for its employees in mainland China. The Group has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees. During the year ended December 31, 2022, the Group contributed RMB233,528,000 (2021: RMB179,733,000) to the aforesaid state-sponsored retirement plans.

As stipulated by rules and regulations in other countries and regions, during the year ended December 31, 2022, the Group contributed RMB10,346,000 (2021: RMB5,410,000) to the social insurance scheme of those countries and regions.

During the year ended December 31, 2022, there was no forfeited defined contribution to offset existing contribution under the defined contribution schemes (2021: nil).

7 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include no director (2021: three directors) during the year ended December 31, 2022. The emoluments payable to the remaining five (2021: two) individuals during the year are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	**20,247**	13,046
Pension, housing fund, medical insurance and other social insurance	**162**	33
Other social security costs, housing benefits and other employee benefits	**162**	–
Share-based compensation expenses	**74,241**	24,021
	94,812	37,100

(c) The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emoluments bands:		
HKD15,500,001 to HKD16,000,000	**1**	–
HKD16,000,001 to HKD16,500,000	**1**	–
HKD16,500,001 to HKD17,000,000	**1**	–
HKD22,000,001 to HKD22,500,000	**–**	1
HKD22,500,001 to HKD23,000,000	**–**	1
HKD28,000,001 to HKD28,500,000	**1**	–
HKD32,500,001 to HKD33,000,000	**1**	–

No director or any of the five highest paid employees of the Company waived any emolument during the year ended December 31, 2022 (2021: nil). No emolument was paid by the Group to the directors and chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended December 31, 2022 (2021: nil).

8 OTHER INCOME

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Government grants		
– Financial subsidies (i)	**342,166**	344,453
– Tax refund (ii)	**86,782**	153,673
Dividend received	**18,307**	6,154
	447,255	504,280

(i) Governments grants received during the year primarily comprised the financial subsidies received from various local government authorities in the mainland China, Hong Kong China and other regions. There are no unfulfilled conditions or contingencies relating to these incomes.

(ii) During the year ended December 31, 2022, the Group sold self-developed software products to its customers. The VAT was collected at a tax rate of 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 – NET

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Fair value losses on financial assets at fair value through profit or loss (Note 25(d))	**(885,078)**	(514,661)
Changes on net asset value of investment funds attributable to limited partners (Note 29(b))	**(17,188)**	–
Realisation of gains from downstream transactions from associates (Note 12)	**151**	151
Donations	**(12,703)**	(8,909)
Net foreign exchange (losses)/gains	**(453,432)**	132,435
Losses on disposal of property, plant and equipment and intangible assets	**(1,390)**	(5,189)
Gains on early termination of leasing contracts	**3,296**	–
Others	**(967)**	(3,785)
	(1,367,311)	(399,958)

10 FINANCE INCOME – NET

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Finance income		
Interest income	**239,612**	174,183
Accretion income for long-term receivables	**20,934**	13,533
Finance income	**260,546**	187,716
Finance costs		
Interest expenses on bank borrowings	**(45,954)**	(18,919)
Interest expenses for long-term payables	**(2,068)**	(3,089)
Interest and finance charges paid/payable for lease liabilities (Note 17(ii))	**(16,859)**	(13,841)
	(64,881)	(35,849)
Amount capitalised (a)	**9,443**	2,091
Finance costs expensed	**(55,438)**	(33,758)
Finance income – net	**205,108**	153,958

(a) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is 3.74% (2021: 4.10%).

11 SUBSIDIARIES

The Company's principal subsidiaries (including Consolidated Affiliated Entities) during the year ended December 31, 2022 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 % As at December 31, 2022	2021	Date of establishment/ incorporation	Issued capital/ paid in capital	Principal activities and place of operation	Place of incorporation and type of legal entity
Directly held by the Company:						
SenseTime Group Limited	**100%**	100%	October 30, 2014	HKD108,914,958	Sales of software products and provision of related services in Hong Kong	Hong Kong, limited liability company
MobileTime Intelligence Group Inc.	**100%**	100%	January 21, 2020	Nil paid	Holding company in Cayman Islands	Cayman Islands, limited liability company
SenseTime Management Group Limited	**100%**	100%	October 30, 2018	Nil paid	Holding company in BVI	BVI, limited liability company
SenseMeet Investment Limited	**100%**	100%	September 26, 2018	Nil paid	Holding company in BVI	BVI, limited liability company
SenseTime MiddleEast Holding Limited	**100%**	100%	July 23, 2021	Nil paid	Holding company in BVI	BVI, limited liability company
SenseEnergy Investment Limited	**100%**	100%	November 22, 2017	USD2	Holding company in Cayman Islands	Cayman Islands, limited liability company
PowerTensors Group Inc.	**100%**	100%	January 8, 2020	Nil paid	Holding company in Cayman Islands	Cayman Islands, limited liability company
SenseForce Investment Limited	**100%**	100%	November 23, 2017	USD1	Holding company in BVI	BVI, limited liability company
SenseSquare Investment Limited	**100%**	100%	January 7, 2021	Nil paid	Holding company in BVI	BVI, limited liability company
Share-based compensation plan vehicles:						
Sense Talent Limited	**100%**	100%	December 23, 2016	*	Holding company in Hong Kong	Hong Kong, limited liability company
SenseTalent Management Limited	**100%**	100%	August 1, 2018	*	Holding company in BVI	Holding company in BVI

11 SUBSIDIARIES (CONTINUED)

Name of entity	Effective interest held In terms of % As at December 31, 2022	2021	Date of establishment/ incorporation	Issued capital/ paid in capital	Principal activities and place of operation	Place of incorporation and type of legal entity
Indirectly held by the Company:						
SenseTime MEA Ltd. (formerly named "SenseWonder Technology Limited")	**51%**	51%	August 27, 2021	Nil paid	Holding company in Cayman Islands	Cayman Islands, limited liability company
SensePower Management Limited	**100%**	100%	September 26, 2017	USD5,000,001	Holding company in BVI	BVI, limited liability company
SenseCore Investment Limited	**100%**	100%	March 21, 2018	Nil paid	Holding company in BVI	BVI, limited liability company
SenseView Investment Limited	**100%**	100%	March 21, 2018	Nil paid	Holding company in BVI	BVI, limited liability company
SenseGame Investment Limited	**100%**	100%	April 11, 2018	Nil paid	Holding company in BVI	BVI, limited liability company
SenseChannel Investment Limited	**100%**	100%	July 5, 2018	Nil paid	Holding company in BVI	BVI, limited liability company
SenseAisle Investment Limited	**100%**	100%	July 5, 2018	Nil paid	Holding company in BVI	BVI, limited liability company
SenseFast Investment Limited	**100%**	100%	September 17, 2018	Nil paid	Holding company in BVI	BVI, limited liability company
SenseSpeedy Investment Limited	**100%**	100%	September 17, 2018	Nil paid	Holding company in BVI	BVI, limited liability company
SenseCross Investment Limited	**100%**	100%	September 26, 2018	Nil paid	Holding company in BVI	BVI, limited liability company
SenseBrave Investment Limited	**100%**	100%	October 2, 2019	Nil paid	Holding company in BVI	BVI, limited liability company
SenseBright Investment Limited	**100%**	100%	October 2, 2019	Nil paid	Holding company in BVI	BVI, limited liability company
SenseNature Investment Limited	**100%**	100%	October 2, 2019	Nil paid	Holding company in BVI	BVI, limited liability company
SenseTime Technology Malaysia Sdn. Bhd.	**100%**	100%	December 17, 2019	MYR18,800,000	Holding company in Malaysia	Malaysia, limited liability company
SenseTime KSA Information Systems Technology	**100%**	100%	November 13, 2019	SAR151,000,000	Holding company in Saudi Arabia	Saudi Arabia, limited liability company
SenseBrain Technology Limited	**100%**	100%	March 14, 2018	USD900,000	Operation Entity in USA	USA, limited liability company
SenseTime International Pte. Ltd.	**100%**	100%	January 17, 2018	USD105,950,000	Sales of software products and provision of related services in Singapore	Singapore, limited liability company
SenseTime Singapore Management Pte. Ltd.	**100%**	100%	December 21, 2018	USD50,000	Holding company in Singapore	Singapore, limited liability company

11 SUBSIDIARIES (CONTINUED)

Name of entity	Effective interest held In terms of % As at December 31, 2022	2021	Date of establishment/ incorporation	Issued capital/ paid in capital	Principal activities and place of operation	Place of incorporation and type of legal entity
Indirectly held by the Company: (continued)						
Tetras.AI Singapore Pte. Ltd. (formerly named "Sensescene Singapore Technology Pte. Ltd.")	**55%**	55%	March 14, 2019	USD40,275,000	Operation Entity in Singapore	Singapore, limited liability company
Tetras.AI Hong Kong Co., Limited (formerly named "Sensescene Technology Hong Kong Co., Limited")	**55%**	55%	April 8, 2019	USD34,320,000	Operation Entity in Hong Kong	Hong Kong, limited liability company
SenseTime Macau Technology Limited	**100%**	100%	October 14, 2020	MOP1,000,000	Operation Entity in Macau	Macau, limited liability company
SenseTime Investment Limited	**100%**	100%	October 27, 2017	HKD1	Operation Entity in Hong Kong	Hong Kong, limited liability company
PowerTensors Technology Limited	**100%**	100%	February 24, 2020	Nil paid	Holding company in Hong Kong	Hong Kong, limited liability company
SenseTime Korea Technology Ltd.	**100%**	100%	April 28, 2021	KRW273,000,000	Operation Entity in Korea	Korea, limited liability company
Tetras.AI Korea Ltd.	**55%**	55%	October 21, 2020	KRW440,000,000	JV Company in Korea	Korea, limited liability company
Kabushiki Kaisha SenseTime Japan ("SenseTime Japan")	**100%**	100%	January 13, 2016	JPY8,000,000	Sales of software products and provision of related services in Japan	Japan, limited liability company
Kabushiki Kaisha SenseTime EastAsia Holding	**100%**	100%	December 14, 2018	JPY12,000,000	Holding company in Japan	Japan, limited liability company
SenseTime Middle East Technology Limited	**100%**	100%	October 24, 2019	Nil paid	Holding company in Abu Dhabi	Abu Dhabi, limited liability company
SenseTime Technology FZ-LLC	**100%**	100%	April 9, 2019	AED50,000	Holding company in Dubai	Dubai, limited liability company
SenseAuto Technology Development Limited	**100%**	100%	November 30, 2022	Nil paid	Operation Entity in Hong Kong	Hong Kong, limited liability company
SenseAuto Holding Limited	**100%**	100%	November 18, 2022	Nil paid	Holding company in Cayman	Cayman Islands, limited liability company

11 SUBSIDIARIES (CONTINUED)

Name of entity	Effective interest held In terms of % As at December 31, 2022	2021	Date of establishment/ incorporation	Issued capital/ paid in capital	Principal activities and place of operation	Place of incorporation and type of legal entity
Indirectly held by the Company: (continued)						
SenseAuto Europe Intelligent Technology GmbH	**100%**	100%	December 13, 2022	Nil paid	Operation Entity in Germany	Germany, limited liability company
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, "Tetras.AI Shenzhen")	**55%**	55%	July 11, 2019	USD30,000,000	Development and sale of AI sensor technology and system integration technology in PRC	PRC, wholly foreign owned enterprise
Beijing SenseTime Technology Development Co., Ltd. (北京市商湯科技開發有限公司, "Beijing SenseTime")	**100%**	100%	November 14, 2014	RMB1,642,065,224	Sales of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
Shenzhen SenseTime Technology Co., Ltd. (深圳市商湯科技有限公司, "Shenzhen SenseTime")	**100%**	100%	May 15, 2015	RMB3,299,136,491	Sales of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
Zhejiang SenseTime Technology Development Co., Ltd. (浙江商湯科技開發有限公司)	**100%**	100%	August 31, 2017	RMB403,140,000	Sales of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
SenseTime Jutong Technology Development (Hangzhou) Co., Ltd. (商湯炬瞳科技開發(杭州)有限公司)	**100%**	100%	August 21, 2017	RMB53,000,000	Development of software products and provision of related services in PRC	PRC, limited liability company
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%	August 31, 2017	RMB23,101,000	Investment holdings and management in PRC	PRC, limited liability company
Shenzhen StarAds Technology Co., Ltd. (深圳市星廣互動科技有限公司, "StarAds") (i)	**46%**	46%	July 24, 2017	RMB12,880,000	Development of software products and provision of related services in PRC	PRC, joint venture between foreign invested enterprise and domestic company
Linkface Technology Limited	**100%**	100%	November 12, 2015	Nil paid	Development of software products and provision of related services in Hong Kong	Hong Kong, Limited liability company

11 SUBSIDIARIES (CONTINUED)

Name of entity	Effective interest held In terms of % As at December 31, 2022	2021	Date of establishment/ incorporation	Issued capital/ paid in capital	Principal activities and place of operation	Place of incorporation and type of legal entity
Indirectly held by the Company: (continued)						
Shanghai Jutong Software Development Co., Ltd. (上海炬瞳軟件開發有限公司)	**100%**	100%	February 7, 2017	Nil paid	Development of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
Shanghai SenseTime Intelligent Technology Co., Ltd. (上海商湯智能科技有限公司, "Shanghai SenseTime")	**100%**	100%	December 15, 2017	RMB11,750,946,976	Sales of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
Ningbo Shangyun Software Co., Ltd. (寧波市商蘊軟件有限公司)	**100%**	100%	December 27, 2017	RMB5,000,000	Development of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
Ningbo Shangsheng Software Co., Ltd. (寧波市商升軟件有限公司)	**100%**	100%	January 31, 2018	RMB5,000,000	Development of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
Ningbo Shangyi Software Co., Ltd. (寧波市商毅軟件有限公司)	**100%**	100%	January 18, 2018	RMB5,000,000	Development of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
Ningbo Shanglian Software Co., Ltd. (寧波市商連軟件有限公司)	**100%**	100%	January 18, 2018	RMB5,000,000	Development of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
Ningbo Shangrui Software Co., Ltd. (寧波市商睿軟件有限公司)	**100%**	100%	November 12, 2018	RMB5,000,000	Development of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
Ningbo Shangchen Software Co., Ltd. (寧波市商琛軟件有限公司)	**100%**	100%	November 12, 2018	RMB5,000,000	Development of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
Ningbo Shanghao Software Co., Ltd. (寧波市商灝軟件有限公司)	**100%**	100%	November 12, 2018	RMB5,000,000	Development of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise

11 SUBSIDIARIES (CONTINUED)

Name of entity	Effective interest held In terms of % As at December 31, 2022	2021	Date of establishment/ incorporation	Issued capital/ paid in capital	Principal activities and place of operation	Place of incorporation and type of legal entity
Indirectly held by the Company: (continued)						
Hangzhou Shanggu Enterprise Management Limited (杭州商谷企業管理有限公司)	**100%**	100%	June 7, 2018	RMB27,000,000	Management consulting in PRC	PRC, limited liability company
Chengdu SenseTime Technology Co., Ltd. (成都商湯科技有限公司)	**100%**	100%	June 13, 2018	RMB239,317,144	Sales of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
Shanghai Lingang Senseauto Intelligent Technology Co., Ltd. (上海臨港絕影智能科技有限公司, formerly named 上海商湯臨港智能科技有限公司, "Shanghai Lingang")	**100%**	100%	July 11, 2018	RMB1,493,900,000	Development of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
Chongqing SenseTime Technology Co., Ltd. (重慶商湯科技有限公司)	**100%**	100%	October 18, 2018	RMB8,000,000	Development of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
Shanghai SenseTime Information Technology Co., Ltd. (上海商湯信息科技有限公司)	**100%**	100%	December 18, 2018	RMB47,000,000	Development of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
Shanghai Notahulu Information Technology Co., Ltd. (上海兩個瓢信息科技有限公司, formerly named 上海阡闓信息科技有限公司, "Shanghai Notahulu")	**100%**	100%	February 25, 2019	RMB128,090,000	Information transportation, software and information services in PRC	PRC, wholly foreign owned enterprise
Shanghai Yuqin Information Technology Co., Ltd. (上海煜芩信息科技有限公司, "Shanghai Yuqin")	**100%**	100%	March 20, 2019	RMB1,950,507,000	Information transportation, software and information services in PRC	PRC, wholly foreign owned enterprise
Shanghai SenseTime Education Technology Co., Ltd. (上海商湯教育科技有限公司)	**100%**	100%	September 5, 2019	RMB1,550,000	Education in PRC	PRC, wholly foreign owned enterprise
SenseTime Dongnan (Fujian) Technology Co., Ltd. (商湯東南（福建）科技有限公司)	**90%**	90%	April 19, 2019	RMB20,000,000	Wholesale and retail in PRC	PRC, joint venture between foreign invested enterprise and domestic company

11 SUBSIDIARIES (CONTINUED)

Name of entity	Effective interest held In terms of % As at December 31, 2022	2021	Date of establishment/ incorporation	Issued capital/ paid in capital	Principal activities and place of operation	Place of incorporation and type of legal entity
Indirectly held by the Company: (continued)						
Ningbo Shangheng Software Co., Ltd. (寧波市商珩軟件有限公司)	**100%**	100%	December 24, 2018	Nil paid	Development of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
Ningbo Shangmin Software Co., Ltd (寧波市商旻軟件有限公司)	**100%**	100%	December 24, 2018	RMB5,000,000	Development of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
Ningbo Shangqia Software Co., Ltd (寧波市商洽軟件有限公司)	**100%**	100%	December 24, 2018	Nil paid	Development of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
Ningbo Qianshi Enterprise Management Partners LP (寧波阡誓企業管理合夥企業（有限合夥）)	**100%**	100%	April 11, 2019	Nil paid	Leasing and business services in PRC	PRC, limited partnership
Qingdao SenseTime Technology Co., Ltd. (青島商湯科技有限公司)	**100%**	100%	November 29, 2019	USD50,000,000	Sales of software products and provision of related services in PRC	PRC, joint venture between foreign invested enterprise and domestic company
Hainan SenseTime Technology Co., Ltd. (海南商湯科技有限公司)	**100%**	100%	November 29, 2019	RMB33,000,000	Sales of software products and provision of related services in PRC	PRC, joint venture between foreign invested enterprise and domestic company
SenseTime Artificial Intelligent Research Center (商湯人工智能研究中心（深圳）有限公司)	**100%**	100%	January 9, 2020	RMB35,000,000	Research and development of AI technology in PRC	PRC, limited liability company
Shanghai SenseTime Technology Development Co., Ltd. (上海商湯科技開發有限公司, "Shanghai Development") (ii)	**100%**	100%	January 16, 2020	RMB2,000,000,000	Development of computer vision technology and provision of related services in PRC	PRC, limited liability company
Jiangsu Nanjing SenseTime Intelligent Technology Co., Ltd. (江蘇南京商湯智能科技有限公司)	**100%**	100%	March 16, 2020	RMB30,000,000	Provision of system integration services and software development services in PRC	PRC, limited liability company

11 SUBSIDIARIES (CONTINUED)

Name of entity	Effective interest held In terms of % As at December 31, 2022	2021	Date of establishment/ incorporation	Issued capital/ paid in capital	Principal activities and place of operation	Place of incorporation and type of legal entity
Indirectly held by the Company: (continued)						
Shanghai PowerTensors Intelligent Technology Co., Ltd. (上海陣量智能科技有限公司)	**100%**	100%	May 6, 2020	USD18,700,000	Provision of AI technology consulting services and IC design services in PRC	PRC, wholly foreign owned enterprise
Shanghai MobileTime Technology Co., Ltd. (上海眸正科技有限公司)	**100%**	100%	December 24, 2018	RMB1,398,900,000	Development of software products and provision of related services in PRC	PRC, wholly foreign owned enterprise
Shanghai Qianlun Technology Co., Ltd. (上海阡倫科技有限公司) (i)	**100%**	100%	September 17, 2020	Nil paid	Provision of AI technology consulting services and IC design services in PRC	PRC, limited liability company
Xi'an SenseTime Intelligent Technology Co., Ltd. (西安商湯智能科技有限公司)	**100%**	100%	September 22, 2020	RMB100,000,000	Development of AI platform and provision and sale of software and hardware in PRC	PRC, wholly foreign owned enterprise
Beijing Chengtang Consulting Management Co., Ltd. (北京成唐諮詢管理有限公司) (i)	**100%**	100%	May 26, 2021	RMB10,000,000	Management consulting in PRC	PRC, limited liability company
Beijing Guoxiang Shangheng Equity Investment Fund Partnership (limited partnership) (北京國香商恒股權投資基金合夥企業(有限合夥))	**64%**	64%	August 11, 2021	RMB725,000,000	Private equity investments in PRC	PRC, limited partnership
Beijing YHD Culture Co., Ltd. (北京羊很大文化有限公司)	**100%**	100%	November 2, 2021	RMB110,000	Sales of cultural products in PRC	PRC, wholly foreign owned enterprise
Shenzhen YHD International Trade Co., Ltd. (深圳羊很大國際貿易有限公司)	**100%**	100%	August 26, 2021	RMB100,000	Sales of cultural products in PRC	PRC, limited liability company
Nanchong SenseTime Technology Co., Ltd. (南充商湯科技有限公司)	**100%**	100%	November 29, 2021	RMB3,059,808	Sales of software products and provision of related services in PRC	PRC, joint venture between foreign invested enterprise and domestic company
Ningbo Shangjin Software Co., Ltd. (寧波市商錦軟件有限公司)	**100%**	100%	December 4, 2020	RMB2,000	Development and sale of software, provision of related services in PRC	PRC, wholly foreign owned enterprise

11 SUBSIDIARIES (CONTINUED)

Name of entity	Effective interest held In terms of % As at December 31, 2022	2021	Date of establishment/ incorporation	Issued capital/ paid in capital	Principal activities and place of operation	Place of incorporation and type of legal entity
Indirectly held by the Company: (continued)						
Ningbo Shanglun Software Co., Ltd. (寧波市商倫軟件有限公司)	**100%**	100%	December 18, 2020	RMB2,000	Development and sale of software, provision of related services in PRC	PRC, wholly foreign owned enterprise
Ningbo Shangone Software Co., Ltd. (寧波市商壹軟件有限公司)	**100%**	100%	December 18, 2020	Nil paid	Development and provision of technology support services in PRC	PRC, wholly foreign owned enterprise
Ningbo Shangyu Software Co., Ltd. (寧波市商彧軟件有限公司)	**100%**	100%	December 18, 2020	RMB2,000	Development and provision of technology support services in PRC	PRC, wholly foreign owned enterprise
Shanghai Zhengrong Technology Co., Ltd. (上海政融科技有限公司)	**100%**	–	September 29, 2022	RMB61,580,000	Development and sale of software, provision of related services in PRC	PRC, limited liability company
Ningbo Shangzhi Software Co., Ltd. (寧波市商摯軟件有限公司)	**100%**	100%	December 18, 2020	Nil paid	Development and sale of software, provision of related services in PRC	PRC, wholly foreign owned enterprise
Hefei SenseTime Intelligent Technology Co., Ltd. (合肥商湯智能科技有限公司)	**100%**	100%	March 9, 2021	RMB1,000,000	Provision of system integration services and software development services in PRC	PRC, wholly foreign owned enterprise
Shanghai Guoxiang Equity Investment Management Co., Ltd. (上海國香股權投資管理有限公司)	**100%**	100%	February 8, 2018	RMB30,000,000	Investment holdings and management in PRC	PRC, wholly foreign owned enterprise
Shanghai Guoxiang Goodwill Investment Management Co., Ltd. (上海國香商譽投資管理有限公司)	**100%**	100%	April 8, 2018	RMB55,000,000	Investment holdings and management in PRC	PRC, limited liability company
Shenzhen SenseTime Intelligent Technology Co., Ltd. (深圳商湯智能科技有限公司)	**100%**	100%	April 26, 2021	RMB6,010,000	Development and sale of software, provision of related services in PRC	PRC, limited liability company
Beijing Sweet SugARSoft Technology Co., Ltd. (北京大甜綿白糖科技有限公司)	**100%**	100%	April 26, 2021	RMB5,000,000	Development and sale of software, provision of related services in PRC	PRC, wholly foreign owned enterprise

11 SUBSIDIARIES (CONTINUED)

Name of entity	Effective interest held In terms of % As at December 31, 2022	2021	Date of establishment/ incorporation	Issued capital/ paid in capital	Principal activities and place of operation	Place of incorporation and type of legal entity
Indirectly held by the Company: (continued)						
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	RMB49,000,000	Provision of advertisement publishing services, development of computer technology and digital culture creativity in PRC	PRC, limited liability company
Minghan Intelligence (Shenzhen) Co., Ltd. (銘翰智能(深圳)有限責任公司)	**100%**	100%	October 29, 2018	RMB1,000,000	Provision of system integration services and software development services in PRC	PRC, limited liability company
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 in PRC	PRC, limited liability company
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") (iii)	**50%**	50%	March 25, 2019	RMB96,000,000	Private equity investments in PRC	PRC, limited partnership
Nantong SenseTime Technology Co., Ltd. (南通商湯科技有限公司)	**100%**	100%	December 17, 2020	USD30,000,000	Provision of system integration services and software development services in PRC	PRC, wholly foreign owned enterprise
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	RMB20,000,000	Private equity investments in PRC	PRC, limited liability company
Xin'an Intelligent Data Technology (Hebei) Co., Ltd. (信安智能數據(河北)有限公司)	**100%**	100%	June 11, 2021	Nil paid	Provision of system integration services and software development services in PRC	PRC, limited liability company
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	RMB200,000,000	Private equity investments in PRC	PRC, limited partnership

11 SUBSIDIARIES (CONTINUED)

Name of entity	Effective interest held In terms of % As at December 31, 2022	2021	Date of establishment/ incorporation	Issued capital/ paid in capital	Principal activities and place of operation	Place of incorporation and type of legal entity
Indirectly held by the Company: (continued)						
Beijing SugARSoft Intelligent Technology Co., Ltd. (北京綿白糖智能科技有限公司, "Beijing SugARSoft")	**100%**	100%	November 2, 2020	RMB1,000,000	Development and sale of software, provision of related services in PRC	PRC, limited liability company
Shenzhen Lemeng Technology Service Co., Ltd. (深圳樂檬科技服務有限公司)	**100%**	–	March 8, 2022	RMB400,000	Development and sale of software, provision of related services in PRC	PRC, limited liability company
Shanghai SenseTime Digital Technology Co., Ltd. (上海商湯數字科技有限公司)	**100%**	–	March 8, 2022	RMB1,762,001,000	Development and sale of software, provision of related services in PRC	PRC, limited liability company
Wuhan SenseTime Intelligent Technology Co., Ltd. (武漢商湯智能科技有限公司)	**100%**	–	March 16, 2022	USD6,000,000 RMB600,000	Provision of system integration services and software development services in PRC	PRC, limited liability company
Shenzhen Chengluo Consulting Management Partnership (Limited Partnership) (深圳成偲諮詢管理合夥企業（有限合夥）)	**77%**	–	December 23, 2021	Nil paid	Private equity investments in PRC	PRC, limited partnership
Shanghai Chengshen Consulting Management Partnership (Limited Partnership) (上海成參諮詢管理合夥企業（有限合夥）)	**100%**	–	July 15, 2021	Nil paid	Private equity investments in PRC	PRC, limited partnership
Shanghai Lingyipao Catering Management Co., Ltd. (上海另一瓢餐飲管理有限公司)	**100%**	–	March 14, 2022	RMB10,000,000	Catering services	PRC, limited liability company
Zibo SenseTime Technology Co., Ltd. (淄博商湯科技有限公司)	**100%**	–	August 9, 2022	USD10,000,000	Development and sale of software, provision of related services in PRC	PRC, limited liability company
Shenzhen SenseTime Muyun Technology Co., Ltd. (深圳商湯幕雲科技有限公司)	**100%**	–	June 23, 2022	Nil paid	Development and sale of software, provision of related services in PRC	PRC, limited liability company
Shanghai Mouxin Technology Co., Ltd. (上海眸信科技有限公司)	**100%**	–	March 17, 2022	RMB280,000	Development and sale of software, provision of related services in PRC	PRC, limited liability company

11 SUBSIDIARIES (CONTINUED)

Name of entity	Effective interest held In terms of % As at December 31, 2022	2021	Date of establishment/ incorporation	Issued capital/ paid in capital	Principal activities and place of operation	Place of incorporation and type of legal entity
Indirectly held by the Company: (continued)						
Beijing SenseTime Minghui Technology Co., Ltd. (北京商湯名慧科技有限公司)	**100%**	–	June 10, 2022	Nil paid	Development and sale of software, provision of related services in PRC	PRC, limited liability company
Shenzhen Chengyi Consulting Management Partnership (Limited Partnership) (深圳成懿諮詢管理合夥企業（有限合夥）)	**100%**	–	December 24, 2021	Nil paid	Private equity investments in PRC	PRC, limited partnership
Shenzhen Chenglu Consulting Management Partnership (Limited Partnership) (深圳成璐諮詢管理合夥企業（有限合夥）)	**100%**	–	December 22, 2021	Nil paid	Private equity investments in PRC	PRC, limited partnership
Shenzhen Chengwu Consulting Management Partnership (Limited Partnership) (深圳成梧諮詢管理合夥企業（有限合夥）)	**100%**	–	December 27, 2021	Nil paid	Private equity investments in PRC	PRC, limited partnership
Shanghai Yuhuan Technology Co., Ltd. (上海禹幻科技有限公司) (iv)	**50%**	–	October 27, 2022	Nil paid	Development and sale of software, provision of related services in PRC	PRC, limited liability company
Shanghai Shangchou Technology Co., Ltd. (上海商籌科技有限公司) (ii)	**100%**		September 13, 2022	Nil paid	Development and sale of software, provision of related services in PRC	
Shanghai SenseTime Shancui Medical Technology Co., Ltd. (上海商湯善萃醫療科技有限公司)	**100%**	–	August 10, 2022	RMB1,000,000	Development and sale of software, provision of related services in PRC	PRC, limited liability company

* represents that the amount is less than USD1.

(i) 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.

(ii) These companies were controlled by the Group through Contractual Arrangement.

(iii) Tianjin Guoxiang was accounted for as a subsidiary of the Group as it was controlled by its executive partner Guoxiang Equity Investment Management Co., Ltd, a 100% wholly owned subsidiary of the Group.

(iv) Shanghai Yuhuan Technology Co., Ltd. was accounted for as the Group's subsidiary because the minority shareholder gave his voting power to the Group and accordingly the Group held 100% voting rights over this entity.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts of investments accounted for using the equity method recognised in the consolidated balance sheet are as follows:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Associates	**20,428**	22,490
Joint ventures	**33,813**	4,440
	54,241	26,930

The movements for investments in associates and joint ventures during the year ended December 31, 2022 are as below:

	Associates	**Joint ventures**	**Total**
	RMB'000	RMB'000	RMB'000
At January 1, 2022	**22,490**	**4,440**	**26,930**
Additions	**–**	**31,500**	**31,500**
Share of gain/(loss)	**38**	**(2,395)**	**(2,357)**
Impairment loss	**(2,251)**	**–**	**(2,251)**
Realisation of unrealised profit	**151**	**–**	**151**
Currency translation differences	**–**	**268**	**268**
At December 31, 2022	**20,428**	**33,813**	**54,241**
At January 1, 2021	64,247	6,078	70,325
Additions	1,000	–	1,000
Share of loss	(38,651)	(1,580)	(40,231)
Impairment loss	(4,257)	–	(4,257)
Realisation of unrealised profit	151	–	151
Currency translation differences	–	(58)	(58)
At December 31, 2021	22,490	4,440	26,930

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.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

The Company engaged an independent valuer to provide assistance in its impairment assessment for the major associates and joint ventures whilst the remaining entities were still in their early stage with insignificant expenditure incurred. Based on the assessment, impairment provision of RMB6,508,000 was provided for some associates which experienced significant financial difficulties as at December 31, 2022 (December 31, 2021: RMB4,257,000).

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 year ended December 31, 2022 are as below:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Associates		
Aggregate carrying amount	**20,428**	22,490
Aggregate amounts of the Group's share of gain/(loss) from operations	**38**	(38,651)
Joint Ventures		
Aggregate carrying amount	**33,813**	4,440
Aggregate amounts of the Group's share of loss from operations	**(2,395)**	(1,580)

13 INCOME TAX (CREDIT)/EXPENSE

(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 year ended December 31, 2022 (2021: 16.5%).

(iv) Singapore

Singapore income tax rate is 17%. A concessionary rate of 5% was granted by Singapore Economic Development Board for a period of 5 years starting from January 1, 2019 for income derived from qualifying activities. No Singapore profits tax was provided for as there was no estimated assessable profit that was subject to Singapore profits tax for the year ended December 31, 2022 (2021: 17%, 5%).

(v) Japan

Enterprises incorporated in Japan are subject to income tax rate at the state level of 23.2% for the year ended December 31, 2022 (2021: 23.2%).

(vi) Malaysia

Malaysia income tax rate is 24% for the year ended December 31, 2022 (2021: 24%). In the case that the paid-up capital is Malaysian Ringgit ("MYR") 2.5 million or less, and the gross income from business is not more than MYR50 million, the income tax rate on the first MYR0.6 million chargeable income is 17% and the part in excess of MYR0.6 million is 24%.

(vii) Saudi Arabia

Enterprises incorporated in Saudi Arabia are subject to income tax rate of 20% for the year ended December 31, 2022 (2021: 20%).

13 INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

(viii) PRC corporate income tax ("CIT")

The income tax provision of the Group in respect of its operations in the mainland China was subject to statutory tax rate of 25% on the assessable profits, based on the existing legislation, interpretations and practices in respect thereof.

Beijing SenseTime, Shenzhen SenseTime, Shanghai SenseTime and Shanghai Lingang were qualified as "High and New Technology Enterprises" ("HNTEs") under the relevant PRC laws and regulations. Accordingly, these entities were entitled to a preferential income tax rate of 15% in 2022. This status is subject to a requirement that Beijing SenseTime, Shenzhen SenseTime, Shanghai SenseTime and Shanghai Lingang reapply for HNTEs status every three years.

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

(ix) PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

During the year ended December 31, 2022, no deferred income tax liability on WHT was accrued as at the end of each reporting period because the subsidiaries of the Group were accumulated losses making in these periods (2021: nil).

The Group shall be subject to withholding tax in respect of the taxable income derived from the provision of technical services between the subsidiaries across the countries, the applicable tax rate is 25% applied with a deemed profit rate according to the PRC tax regulation.

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Current income tax	**22,714**	7,269
Deferred income tax (Note 20)	**(262,536)**	28,237
Income tax (credit)/expense	**(239,822)**	35,506

13 INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

(ix) PRC Withholding Tax ("WHT") (continued)

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,	
	2022	2021
	RMB'000	RMB'000
Loss before tax	**(6,332,812)**	(17,141,544)
Tax calculated at statutory tax rates applicable to each group entity	**(998,577)**	(462,494)
Tax effects of:		
Super deduction for research and development expenses (a)	**(218,342)**	(188,591)
Income not subject to tax	**(25,357)**	(44,453)
Associates and joint ventures' results reported net of tax	**368**	6,408
Expenses not deductible for tax purpose (b)	**177,044**	275,399
Changes in income tax rate as a result of qualifying for HNTEs	**–**	109,899
Tax losses for which no deferred income tax asset was recognised (c)	**562,009**	260,721
Other temporary difference for which no deferred income tax asset was recognised	**164,624**	46,927
Accrued withholding tax	**15,806**	6,244
Under provision of income tax final settlement difference of previous year	**2,310**	4,716
Over provision of income tax final settlement difference of previous year	**(25)**	(96)
Reversal of previously recognised deferred tax assets for tax losses and temporary differences	**76,739**	18,872
Others	**3,579**	1,954
Tax (credit)/expense	**(239,822)**	35,506

13 INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

(ix) PRC Withholding Tax ("WHT") (continued)

(a) Super deduction for research and development expenses

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, for the period from January 1, 2022 to September 30, 2022, 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"); for the period from October 1, 2022 to December 31, 2022, enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year.

(b) Expenses not deductible for tax purpose

Expenses not deductible for tax purpose include share base payment expenses, business entertainment expenses exceeding threshold, employee commercial insurance expenses, non-deductible donations etc.

(c) Tax losses for which no deferred income tax assets was recognised

The Group only recognised 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, 2022, the Group did not recognise deferred income tax assets of RMB1,357,648,000 (2021: RMB727,698,000). The expiration dates of unused tax losses for which no deferred tax asset has been recognised are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
2023	**8,162**	8,162
2024	**87,797**	87,797
2025	**339,949**	177,775
2026	**919,258**	614,259
2027	**1,940,533**	49,395
2028	**416,029**	418,653
2029	**963,974**	963,974
2030	**688,746**	688,746
2031	**587,216**	571,523
2032	**841,191**	–
Indefinitely	**911,467**	668,920
	7,704,322	4,249,204

14 LOSS PER SHARE

Basic

The basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares (excluding treasury shares) issued during the year ended December 31, 2022:

	Year ended December 31,	
	2022	2021
Loss attributable to equity holders of the Company (RMB'000)	**(6,044,796)**	(17,140,086)
Weighted average number of ordinary shares in issue (thousand)	**31,932,411**	9,871,265
Basic loss per share (expressed in RMB per share)	**(0.19)**	(1.74)

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 three categories of dilutive potential ordinary shares: preferred shares issued by a subsidiary of the Company, restricted share units ("RSUs") and share options. As the Group incurred losses for the year ended December 31, 2022, 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 year ended December 31, 2022 is the same as basic loss per share of the respective year (2021: same as basic loss per share of the respective year).

15 DIVIDENDS

No dividend had been declared or paid by the Company during the year ended December 31, 2022 (2021: nil).

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Leasehold improvement RMB'000	Large-scale electronic equipment RMB'000	Computers and related equipment RMB'000	Office equipment and furniture RMB'000	Transportation equipment and vehicles RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At January 1, 2022									
Cost	**974,306**	**216,957**	**1,476,998**	**424,198**	**42,977**	**44,509**	**19,451**	**805,856**	**4,005,252**
Accumulated depreciation	**(89,710)**	**(149,972)**	**(559,384)**	**(263,372)**	**(15,234)**	**(15,011)**	**(3,306)**	**–**	**(1,095,989)**
Net book amount	**884,596**	**66,985**	**917,614**	**160,826**	**27,743**	**29,498**	**16,145**	**805,856**	**2,909,263**
Year ended December 31, 2022									
Opening net book amount	**884,596**	**66,985**	**917,614**	**160,826**	**27,743**	**29,498**	**16,145**	**805,856**	**2,909,263**
Additions	**3,267,334**	**8,209**	**952,362**	**187,851**	**18,260**	**8,416**	**8,373**	**290,359**	**4,741,164**
Internal transfer	**321,781**	**10,315**	**305,575**	**2,587**	**804**	**3,947**	**10,108**	**(655,117)**	**–**
Disposals	**(1,446)**	**(77)**	**(985)**	**(554)**	**(439)**	**(2)**	**(1,043)**	**(1,358)**	**(5,904)**
Depreciation charge	**(56,751)**	**(42,496)**	**(403,305)**	**(120,129)**	**(8,623)**	**(10,217)**	**(3,370)**	**–**	**(644,891)**
Currency translation differences	**(1,066)**	**820**	**1,270**	**(205)**	**(268)**	**(353)**	**(758)**	**(62)**	**(622)**
Closing net book amount	**4,414,448**	**43,756**	**1,772,531**	**230,376**	**37,477**	**31,289**	**29,455**	**439,678**	**6,999,010**
At December 31, 2022									
Cost	**4,561,346**	**236,224**	**2,733,558**	**603,069**	**61,054**	**56,438**	**34,945**	**439,678**	**8,726,312**
Accumulated depreciation	**(146,898)**	**(192,468)**	**(961,027)**	**(372,693)**	**(23,577)**	**(25,149)**	**(5,490)**	**–**	**(1,727,302)**
Net book amount	**4,414,448**	**43,756**	**1,772,531**	**230,376**	**37,477**	**31,289**	**29,455**	**439,678**	**6,999,010**
At January 1, 2021									
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
Year ended December 31, 2021									
Opening net book amount	916,124	96,302	528,139	177,278	31,075	20,870	4,327	132,364	1,906,479
Additions	–	20,865	615,334	98,659	2,448	11,685	9,048	721,290	1,479,329
Internal transfer	15,334	14,128	262	6,064	471	6,041	4,920	(47,220)	–
Disposals	(137)	–	(3,977)	(8,895)	(212)	(93)	(277)	–	(13,591)
Depreciation charge	(44,720)	(64,120)	(221,655)	(110,795)	(5,026)	(8,885)	(1,873)	–	(457,074)
Currency translation differences	(2,005)	(190)	(489)	(1,485)	(1,013)	(120)	–	(578)	(5,880)
Closing net book amount	884,596	66,985	917,614	160,826	27,743	29,498	16,145	805,856	2,909,263
At December 31, 2021									
Cost	974,306	216,957	1,476,998	424,198	42,977	44,509	19,451	805,856	4,005,252
Accumulated depreciation	(89,710)	(149,972)	(559,384)	(263,372)	(15,234)	(15,011)	(3,306)	–	(1,095,989)
Net book amount	884,596	66,985	917,614	160,826	27,743	29,498	16,145	805,856	2,909,263

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) As at December 31, 2022, certain buildings with carrying amount of RMB4,376,326,000 (December 31, 2021: RMB854,796,000) were pledged as collaterals for the Group's borrowings (Note 34).

(b) During the year ended December 31, 2022, the amounts of depreciation expense charged to research and development expenses, administrative expenses, selling expenses and cost of sales are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Depreciation of property, plant and equipment		
– Research and development expenses	**458,755**	307,357
– Administrative expenses	**126,389**	127,489
– Selling expenses	**20,338**	22,228
– Cost of sales	**39,409**	–
Depreciation expenses charged to profit or loss	**644,891**	457,074

(c) Impairment assessment for property, plant and equipment, right-of-use assets and intangible assets

According to IAS 36 "Impairment of assets", when any indicators of impairment are identified, property, plant and equipment are reviewed for impairment based on each cash generating unit ("CGU"). The CGU defined of the Group is an individual entity. As at December 31, 2022, certain CGUs of the Group continue to incur net losses as the Group was still in the stage of expanding its business and operations in the rapidly growing AI software market, and are continuously investing in research and development. The Group considered these CGUs had impairment indicators and therefore performed impairment test on them.

For the purpose of impairment review, the carrying amount of these CGUs were compared to the corresponding recoverable amount, which were based predominantly on value-in-use. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a four-year to eight-year period. Management considers the length of the forecast period is appropriate because it generally takes longer for an AI technology company to reach a stable growth state, compared to companies in other industries, especially considering the fact that the AI technology industry in China is an emerging industry with fast growth in the coming years and the Group is still in the stage of expanding its business and operations in the rapidly growing AI software market. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. Management engaged an independent external valuer to assess the recoverable amount of each of the CGUs respectively and leveraged management's extensive experiences in the AI industry and provided forecast based on past performance and their expectation of future business plans and market developments. As a result, no impairment loss on these CGUs is required to be recognised for the year ended December 31, 2022 (2021: nil).

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Impairment assessment for property, plant and equipment, right-of-use assets and intangible assets (continued)

The following table sets out the key assumptions adopted by management in the impairment assessment:

	As at December 31, 2022
Gross margin rate (%)	**45% to 97%**
Annual revenue growth rate (%)	**0% to 151%**
Pre-tax discount rate (%)	**16% to 19%**

The budgeted gross margin rate and budgeted annual revenue growth rate used in the impairment testing were determined by management based on past performance and its expectation for market development. Discount rates reflect market assessments of the time value and the specific risks relating to the industry. These estimates and judgments may be affected by unexpected changes in the future market or economic conditions. The directors of the Company have considered the reasonably possible changes to the key assumptions as adopted in the impairment assessments and considered will not result in any impairment charge to be recognised.

17 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

(i) Amounts recognised in the consolidated balance sheets

The consolidated balance sheets show the following amounts relating to leases:

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Right-of-use assets		
Leased buildings	**250,577**	366,294
Land use right (a)	**64,517**	65,870
	315,094	432,164
Lease liabilities		
Current	**183,002**	155,495
Non-current	**105,228**	228,802
	288,230	384,297

(a) As at December 31, 2022, certain land use right with carrying amount of RMB64,517,000 (December 31, 2021: RMB65,870,000) was pledged as collaterals for the Group's borrowings (Note 34)

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

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Amortisation charge of right-of-use assets		
Leased buildings	**183,820**	136,176
Land use right	**1,353**	1,353
	185,173	137,529
Interest expense (included in finance income – net)	**16,859**	13,841

The total cash outflows for leases for the year ended December 31, 2022 was RMB209,182,000 (2021: RMB150,394,000).

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

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

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

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

	Leased buildings RMB'000	Land use right RMB'000	Total RMB'000
Year ended December 31, 2022			
Opening net book amount	**366,294**	**65,870**	**432,164**
Additions	**118,825**	**–**	**118,825**
Early termination of leasing contracts	**(44,688)**	**–**	**(44,688)**
Amortisation charge	**(183,820)**	**(1,353)**	**(185,173)**
Currency translation differences	**(6,034)**	**–**	**(6,034)**
Closing net book amount	**250,577**	**64,517**	**315,094**
As at December 31, 2022			
Cost	**700,324**	**67,674**	**767,998**
Accumulated depreciation	**(449,747)**	**(3,157)**	**(452,904)**
Net book amount	**250,577**	**64,517**	**315,094**
Year ended December 31, 2021			
Opening net book amount	268,725	67,223	335,948
Additions	233,557	–	233,557
Amortisation charge	(136,176)	(1,353)	(137,529)
Currency translation differences	188	–	188
Closing net book amount	366,294	65,870	432,164
As at December 31, 2021			
Cost	841,576	67,674	909,250
Accumulated depreciation	(475,282)	(1,804)	(477,086)
Net book amount	366,294	65,870	432,164

During the year ended December 31, 2022, the amounts of amortisation expense charged to research and development expenses, administrative expenses and selling expenses are as follows:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Administrative expenses	**178,841**	136,176
Research and development expenses	**5,232**	1,353
Selling expenses	**1,100**	–
	185,173	137,529

During the year ended December 31, 2022, no impairment loss is required to be recognised on right-of-use assets (Note 16(c)) (2021: nil).

18 INTANGIBLE ASSETS

	Patents	Trademarks	Computer software	Licensed intellectual properties	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022					
Cost	**67,191**	**22**	**246,048**	**43,169**	**356,430**
Accumulated amortisation	**(49,482)**	**(14)**	**(80,550)**	**(1,798)**	**(131,844)**
Net book amount	**17,709**	**8**	**165,498**	**41,371**	**224,586**
Year ended December 31, 2022					
Opening net book amount	**17,709**	**8**	**165,498**	**41,371**	**224,586**
Additions	**–**	**–**	**241,561**	**–**	**241,561**
Amortisation charge	**(15,348)**	**(2)**	**(111,481)**	**(10,790)**	**(137,621)**
Currency translation differences	**684**	**–**	**3,677**	**–**	**4,361**
Closing net book amount	**3,045**	**6**	**299,255**	**30,581**	**332,887**
As at December 31, 2022					
Cost	**72,236**	**22**	**492,927**	**43,169**	**608,354**
Accumulated amortisation	**(69,191)**	**(16)**	**(193,672)**	**(12,588)**	**(275,467)**
Net book amount	**3,045**	**6**	**299,255**	**30,581**	**332,887**
As at January 1, 2021					
Cost	68,791	22	109,539	–	178,352
Accumulated amortisation	(35,329)	(12)	(34,979)	–	(70,320)
Net book amount	33,462	10	74,560	–	108,032
Year ended December 31, 2021					
Opening net book amount	33,462	10	74,560	–	108,032
Additions	8	–	138,211	43,169	181,388
Amortisation charge	(15,192)	(2)	(46,235)	(1,798)	(63,227)
Currency translation differences	(569)	–	(1,038)	–	(1,607)
Closing net book amount	17,709	8	165,498	41,371	224,586
As at December 31, 2021					
Cost	67,191	22	246,048	43,169	356,430
Accumulated amortisation	(49,482)	(14)	(80,550)	(1,798)	(131,844)
Net book amount	17,709	8	165,498	41,371	224,586

18 INTANGIBLE ASSETS (CONTINUED)

During the year ended December 31, 2022, the amounts of amortisation expense charged to research and development expenses, administrative expenses and selling expenses are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Research and development expenses	**103,609**	51,944
Administrative expenses	**31,286**	10,547
Selling expenses	**2,726**	736
	137,621	63,227

During the year ended December 31, 2022, no impairment loss is required to be recognised on intangible assets (Note 16(c)) (2021: nil).

19 OTHER NON-CURRENT ASSETS

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Advance payment for purchase of property, plant and equipment and intangible assets	**183,009**	167,138
Others	**–**	4,657
	183,009	171,795

20 DEFERRED INCOME TAX

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

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered within 12 months	**304,099**	127,414
– to be recovered after more than 12 months	**418,414**	373,082
Offset by deferred tax liabilities	**(32,816)**	(43,297)
Net deferred income tax assets	**689,697**	457,199
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**(42,409)**	(86,613)
Offset by deferred income tax assets	**32,816**	43,297
Net deferred income tax liabilities	**(9,593)**	(43,316)

20 DEFERRED INCOME TAX (CONTINUED)

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	Unrealised 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, 2022	**310,191**	**115,135**	**12,227**	**1,392**	**44,140**	**17,411**	**500,496**
Credit/(charge) to the consolidated income statement	**56,165**	**177,962**	**(10,402)**	**526**	**(10,334)**	**4,415**	**218,332**
Currency translation differences	**3,490**	**170**	**–**	**–**	**–**	**25**	**3,685**
At December 31, 2022	**369,846**	**293,267**	**1,825**	**1,918**	**33,806**	**21,851**	**722,513**
At January 1, 2021	292,751	121,116	16,908	5,881	43,588	10,593	490,837
Credit/(charged) to the consolidated income statement	17,995	(5,981)	(4,681)	(4,489)	552	6,818	10,214
Currency translation differences	(555)	–	–	–	–	–	(555)
At December 31, 2021	310,191	115,135	12,227	1,392	44,140	17,411	500,496

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, 2022	**(43,291)**	**(43,297)**	**(25)**	**(86,613)**
Credit to the consolidated income statement	**33,698**	**10,481**	**25**	**44,204**
At December 31, 2022	**(9,593)**	**(32,816)**	**–**	**(42,409)**
At January 1, 2021	(7,608)	(40,065)	(489)	(48,162)
(Charged)/credit to the consolidated income statement	(35,683)	(3,232)	464	(38,451)
At December 31, 2021	(43,291)	(43,297)	(25)	(86,613)

21 INVENTORIES

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Purchased hardware and components	**362,830**	308,326
Contract fulfilment cost	**296,889**	226,925
	659,719	535,251
Less: provision	**(42,609)**	(39,107)
	617,110	496,144

The provision for impairment of inventories recorded as cost of sales during the year ended December 31, 2022 were RMB53,127,000 (2021: RMB36,960,000).

Inventories with carrying amount of RMB38,373,000 were recorded as selling expenses during the year ended December 31, 2022 for marketing and promotion purpose (2021: RMB6,496,000).

22 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Financial assets:		
Financial assets at amortised cost:		
– Financial assets included in trade and other receivables and notes receivables (Note 23)	**5,460,541**	5,511,552
– Long-term receivables (Note 24)	**357,952**	306,860
– Restricted cash (Note 26)	**271,740**	319
– Term deposits (Note 26)	**6,212,878**	4,990,791
– Cash and cash equivalents (Note 26)	**7,962,813**	16,529,506
Financial assets at fair value through profit or loss (Note 25)	**7,308,657**	4,583,519
	27,574,581	31,922,547

22 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Financial liabilities:		
Financial liabilities at amortised cost:		
– Borrowings (Note 34)	**3,228,614**	339,888
– Lease liabilities (Note 17)	**288,230**	384,297
– Long-term payables (Note 31(b))	**11,611**	44,955
– Financial liabilities included in trade and other payables and others (Note 31)	**1,812,786**	1,692,057
– Put option liability (Note 33)	**278,584**	255,028
Financial liabilities at fair value through profit or loss:		
– Preferred share liabilities (Note 29(a))	**1,090,277**	988,234
– Other financial liabilities (Note 29(b))	**305,537**	84,349
	7,015,639	3,788,808

23 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Notes receivables (i)	**80,673**	147,687
Provision for impairment	**(49,031)**	(49,115)
	31,642	98,572
Trade receivables (ii)		
– Due from related parties (Note 38(c))	**47,405**	50,907
– Due from third parties	**7,748,873**	6,013,240
Gross trade receivables	**7,796,278**	6,064,147
Provision for impairment	**(2,578,516)**	(980,402)
	5,217,762	5,083,745
Other receivables (iii)		
– Refundable deposits (a)	**63,407**	101,783
– Loans to related parties (b)	**15,959**	666
– Payments on behalf of customers(c)	**429,475**	511,095
– Others (d)	**73,237**	65,306
Gross other receivables	**582,078**	678,850
Provision for impairment (e)	**(370,941)**	(349,615)
	211,137	329,235
Prepayments	**107,587**	105,355
Input VAT to be deducted	**503,547**	158,978
Total trade, other receivables and prepayments	**6,071,675**	5,775,885

As at December 31, 2022, 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.

23 TRADE, OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

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,	
	2022	2021
	RMB'000	RMB'000
RMB	**8,514,755**	6,739,321
HKD	**230,942**	47,525
SGD	**139,142**	131,866
USD	**107,890**	158,566
SAR	**53,778**	–
MYR	**13,394**	45,881
JPY	**5,583**	24,040
Others	**4,679**	7,818
	9,070,163	7,155,017

(i) Notes receivables

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

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Bank's notes receivables		
– Up to 6 months	**31,673**	98,613
Commercial notes receivables		
– 6 months to 1 year	**–**	49,074
– 1 to 2 years	**49,000**	–
	80,673	147,687

23 TRADE, OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(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,	
	2022	2021
	RMB'000	RMB'000
Up to 6 months	**1,995,560**	2,659,645
6 months to 1 year	**746,068**	1,048,809
1 to 2 years	**3,244,937**	1,402,755
2 to 3 years	**1,179,960**	852,127
More than 3 years	**629,753**	100,811
	7,796,278	6,064,147

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.

23 TRADE, OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(ii) Trade receivables (continued)

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, 2022 are determined as follows:

As at December 31, 2022, the loss allowance of individually impaired trade receivables is determined as follows:

Individual	Trade receivables RMB'000	Expected credit loss rate %	Loss allowance RMB'000	Reason
Trade receivables	**579,695**	**18.02%**	**(104,489)**	**The likelihood of recovery**

As at December 31, 2022, the loss allowance of collectively impaired trade receivables is determined as follows:

At December 31, 2022	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	**11.21%**	**22.62%**	**37.40%**	**53.31%**	**76.55%**	**100.00%**	**N.A.**
Gross carrying amount – trade receivables (RMB'000)	**1,994,466**	**657,758**	**2,996,192**	**977,549**	**557,577**	**33,041**	**7,216,583**
Loss allowance (RMB'000)	**(223,548)**	**(148,785)**	**(1,120,672)**	**(521,129)**	**(426,852)**	**(33,041)**	**(2,474,027)**

23 TRADE, OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(ii) Trade receivables (continued)

Impairment and risk exposure (continued)

As at December 31, 2021, the loss allowance of individually impaired trade receivables is determined as follows:

Individual	Trade receivables RMB'000	Expected credit loss rate %	Loss allowance RMB'000	Reason
Trade receivables	49,337	36.57%	(18,041)	The likelihood of recovery

As at December 31, 2021, the loss allowance of collectively impaired trade receivables is determined as follows:

At December 31, 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	4.17%	11.82%	24.69%	38.58%	57.97%	100.00%	N.A.
Gross carrying amount – trade receivables (RMB'000)	2,657,858	1,046,239	1,361,787	849,271	84,313	15,342	6,014,810
Loss allowance (RMB'000)	(110,707)	(123,628)	(336,175)	(327,633)	(48,876)	(15,342)	(962,361)

23 TRADE, OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(iii) Other receivables

(a) Refundable deposits

Refundable deposits consist primarily of security deposits for rental and projects.

(b) Loans to related parties

The loans to related parties represent the loans granted to related parties for their general business operations by the Group (Note 38(b)). These loans were repayable on demand.

(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(vi), the Group assessed whether revenue should be reported on a gross or net basis for each sales transaction. For certain sales transactions where the Group acts as agent during the year ended December 31, 2022, 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 the 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.

23 TRADE, OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(iii) Other receivables (continued)

(e) Impairment and risk exposure (continued)

ECL model for other receivables, as summarised 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 amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The loss allowance recognised 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 decrease) 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 recognised, as well as releases for other receivables derecognised in the period; and

- Other receivables derecognised and write-offs of allowance related to assets that were written off during the period.

The Group considers customers as follow:

- '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.

23 TRADE, OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(iii) Other receivables (continued)

(e) Impairment and risk exposure (continued)

Loss allowance

The following tables explain the changes in the loss allowance for other receivables between the beginning and the end of the year:

	Stage 1 12-month ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Gross carrying amount as of December 31, 2022	**194,734**	**–**	**387,344**	**582,078**
Loss allowance as of December 31, 2022	**(14,394)**	**–**	**(356,547)**	**(370,941)**
Expected credit loss rate	**7.39%**	**–**	**92.05%**	**N.A.**
Gross carrying amount as of December 31, 2021	305,666	–	373,184	678,850
Loss allowance as of December 31, 2021	(12,597)	–	(337,018)	(349,615)
Expected credit loss rate	4.12%	–	90.31%	N.A.

24 LONG-TERM RECEIVABLES

Long-term receivables represented: (1) the receivables due for settlement by instalments, which are generally between 1 to 5 years; (2) the refundable deposits with maturity date over 1 year. Long-term receivables contain significant financing components. Accordingly, these receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method. The portion due for settlement within 1 year is reclassified to trade receivables. The balance of long-term receivables were analysed in the following table.

24 LONG-TERM RECEIVABLES (CONTINUED)

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Payment by instalment sales contract	**583,243**	562,543
Refundable deposits due after one year	**67,161**	–
Less: due within one year	**(284,821)**	(238,457)
	365,583	324,086
Less: provision for impairment	**(7,631)**	(17,226)
	357,952	306,860

The fair value of long-term receivables as at December 31, 2022 is RMB367,662,000 (2021: RMB306,801,000).

The aging analysis of the payment by instalment sales contract based on date of revenue recognition is as follows:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Up to 6 months	**2,310**	170,406
6 months to 1 year	**160,630**	–
1 to 2 years	**133,092**	136,769
More than 2 years	**2,390**	16,911
	298,422	324,086

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 payment by instalment sales contract. On the basis as described in Note 3.1, the loss allowance for payment by instalment sales contract as at December 31, 2022 are determined as follows:

24 LONG-TERM RECEIVABLES (CONTINUED)

Impairment and risk exposure (continued)

As at December 31, 2022, the loss allowance of individually impaired payment by instalment sales contract is determined as follows:

	Trade receivables RMB'000	Expected credit loss rate %	Loss allowance RMB'000	Reason
Payment by instalment sales contract	**298,422**	**1.67%**	**(4,995)**	**The likelihood of recovery**

As at December 31, 2021, the loss allowance of individually impaired payment by instalment sales contract is determined as follows:

	Trade receivables RMB'000	Expected credit loss rate %	Loss allowance RMB'000	Reason
Payment by instalment sales contract	324,086	5.32%	(17,226)	The likelihood of recovery

The Group applies the three-stage approach to measuring expected credit losses for refundable deposits with maturity date over 1 year.

As at December 31, 2022, the loss allowance of impaired refundable deposits with maturity date over 1 year is determined as follows:

	Stage 1 12-month ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Gross carrying amount as of December 31, 2022	**67,161**	**–**	**–**	**67,161**
Loss allowance as of December 31, 2022	**(2,636)**	**–**	**–**	**(2,636)**
Expected credit loss rate	**3.93%**	**–**	**–**	**N.A.**

25 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 amortised cost or FVOCI;

– Equity investments that are held for trading; and

– Equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Financial assets mandatorily measured at FVPL include the following:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Non-current assets		
Debt investments (a)		
– Unlisted	**3,690,089**	3,331,613
– Investments in bonds	**1,523,159**	–
– Fund	**585,512**	334,065
Equity investments (b)		
– Listed	**631,337**	431,917
– Unlisted	**246,436**	213,375
	6,676,533	4,310,970
Current assets		
Structured deposits (c)	**632,124**	272,549
	7,308,657	4,583,519

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

(a) Debt investments

The movement of the debt investments is analysed as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
At beginning of the year	**3,665,678**	2,744,605
Additions	**2,802,090**	1,289,866
Disposals	**(108,892)**	(32,256)
Transfer to equity investments (i)	**–**	(193,341)
Fair value changes	**(750,966)**	(96,463)
Currency translation differences	**190,850**	(46,733)
At end of the year	**5,798,760**	3,665,678

(i) One of the companies invested by the Group was listed on the New York Stock Exchange in 2021, the preferred shares held by the Group was converted into ordinary shares, accordingly the investment was transferred from debt investment to equity investment.

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.

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

(b) Equity investments

The movement of the equity investments is analysed as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
At beginning of the year	**645,292**	991,891
Additions	**662,977**	29,152
Transfer from debt investments	**–**	193,341
Disposals	**(277,146)**	(57,827)
Fair value changes	**(155,277)**	(494,709)
Currency translation differences	**1,927**	(16,556)
At end of the year	**877,773**	645,292

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 is analysed as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
At beginning of the year	**272,549**	–
Additions	**5,763,000**	15,429,000
Disposals	**(5,424,590)**	(15,235,034)
Fair value changes	**21,165**	78,583
At end of the year	**632,124**	272,549

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

(d) Amounts recognised in the consolidated income statement

During the year ended December 31, 2022, the following (losses)/gains were recognised in the consolidated income statement:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Fair value (losses)/gains on investments in:		
Debt investments	**(750,966)**	(96,463)
Equity investments	**(155,277)**	(494,709)
Derivative	**–**	(2,072)
Structured deposits	**21,165**	78,583
	(885,078)	(514,661)

(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.

26 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TERM DEPOSITS

(a) Cash and cash equivalents

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Cash at banks and in hand	**14,447,431**	21,520,616
Less: restricted cash (b)	**(271,740)**	(319)
Less: term deposits with initial term of over three months (c)	**(6,212,878)**	(4,990,791)
Cash and cash equivalents	**7,962,813**	16,529,506

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

(b) Restricted cash

As at December 31, 2022, USD38,600,000 (equivalent to RMB271,392,000) was restricted guarantee deposits held in a separate reserve account that is pledged to the bank as security deposits under bank borrowings agreements (Note 34). Restricted cash with maturity date over one year was disclosed in non-current assets. USD50,000 (equivalent to RMB348,000) was restricted deposits for credit cards and foreign currency accounts. As at December 31, 2021, USD50,000 (equivalent to RMB319,000) was restricted deposits for credit cards and foreign currency accounts.

(c) Term deposits were deposits with initial terms of over three months were neither past due nor impaired, term deposits with maturity date over 1 year were disclosed in non-current assets. As at December 31, 2022, all term deposits' maturity dates are within 1 year. The carrying amount of the term deposits with initial terms of over three months approximately to their fair value as at December 31, 2022.

(d) Cash and cash equivalents are denominated in:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
– RMB	**5,213,627**	6,635,613
– USD	**2,225,547**	5,167,908
– Saudi Arabian Riyal ("SAR")	**238,286**	–
– HKD	**166,451**	4,689,350
– SGD	**52,216**	5,524
– MYR	**17,551**	3,825
– JPY	**16,655**	13,172
– AED	**15,930**	1,741
– Korea Won ("KRW")	**7,356**	10,532
– New Taipei Dollar ("NTD")	**3,976**	1,614
– Macau Pataca ("MOP")	**1,312**	–
– Others	**3,906**	227
	7,962,813	16,529,506

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

(d) Cash and cash equivalents are denominated in: (continued)

Restricted cash is denominated in:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
– USD	**271,740**	319

Term deposit is denominated in:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
– USD	**6,212,878**	4,990,791

27 SHARE CAPITAL

Authorised:

	Number of ordinary shares	Number of preferred shares
At January 1, 2022 and December 31, 2022	**2,000,000,000,000**	**–**
At 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
Conversion of preferred shares to Class B ordinary shares	20,065,141,397	(20,065,141,397)
At December 31, 2021	2,000,000,000,000	–

Issued:

	Note	Number of shares	Share capital RMB'000
At January 1, 2022		**33,282,400,000**	**5**
Exercise of over-allotment option	(a)	**225,000,000**	*****
Repurchase of ordinary shares	(b)	**(38,475,000)**	*****
At December 31, 2022	(f)	**33,468,925,000**	**5**
At January 1, 2021		10,212,538,603	2
Issuance of ordinary shares for share-based compensation plan	(c)	1,504,720,000	*
Issuance of ordinary shares from initial public offering	(d)	1,500,000,000	*
Conversion of preferred shares to Class B ordinary shares	(e)	20,065,141,397	3
At December 31, 2021		33,282,400,000	5

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

27 SHARE CAPITAL (CONTINUED)

(a) On January 26, 2022, the over-allotment option of an aggregate of 225,000,000 new Class B ordinary shares has been fully exercised by the underwriters of the global offering. This led to an increase of share capital and other reserves by RMB36 and RMB692,807,000, respectively.

(b) On July 19, 2022, a total of 6,700,000 class B ordinary shares had been repurchased by the Company with a consideration of RMB12,405,000. The repurchased shares were cancelled on September 19, 2022. During the period from September 16, 2022 to September 26, 2022, a total of 31,775,000 class B ordinary shares had been repurchased by the Company with a consideration of RMB56,841,000. The repurchased shares were cancelled on December 30, 2022.

The share repurchases mentioned above led to a decrease of share capital and other reserves by RMB7 and RMB69,246,000, respectively.

(c) On February 26, 2021, pursuant to a shareholder resolution, additional 1,504,720,000 ordinary shares of par value of USD0.000000025 each, were issued to SenseTalent Management as a reserved share-based compensation plan pool.

(d) On December 30, 2021, the Company completed its IPO of 1,500,000,000 ordinary shares at HKD3.85 per share and listed on the Main Board of The Stock Exchange of Hong Kong Limited. The issuance of 1,500,000,000 Class B ordinary shares, net of underwriting commission and other issuance cost, led to an increase of share capital and share premium by RMB239 and RMB4,610,673,000, respectively.

(e) Upon completion of the IPO, each issued preferred share were converted into one Class B ordinary share by re-designation and reclassification of every preferred share in issue as a Class B ordinary share on a one for one basis. As a result, the financial liabilities for preferred shares were derecognised and recorded as share capital and share premium with the amount of RMB3,000 and RMB63,077,759,000, respectively. Amounts in other comprehensive income relating to changes in own credit risk were transferred to retained earnings when preferred share liabilities issued by the Company were derecognised.

27 SHARE CAPITAL (CONTINUED)

(f) All the issued and unissued shares have been reclassified from the date of successful listing as Class A ordinary shares and Class B ordinary shares of US$0.000000025 and US$0.000000025 par value each respectively. The ordinary shares originally held by Amind, XWorld, Infinity Vision and Vision Worldwide were reclassified as Class A ordinary shares and all the other ordinary shares were reclassified into Class B ordinary shares. In addition, all the preferred shares were converted into Class B ordinary shares. Each Class A ordinary share will entitle the holder to exercise 10 votes, and each Class B ordinary share will entitle the holder to exercise one vote, respectively. During the year ended December 31, 2022, 8,644,928 Class A ordinary shares were converted into Class B ordinary shares on a one-to-one ratio.

The ordinary shares of the Company represented two classes as follows:

	As at December 31, 2022 Number of shares	As at December 31, 2021 Number of shares
Class A ordinary shares	**7,520,115,072**	7,528,760,000
Class B ordinary shares	**25,948,809,928**	25,753,640,000
	33,468,925,000	33,282,400,000

28 OTHER RESERVES

	Shares held for share award scheme RMB'000	Share premium RMB'000	Share-based compensation expenses RMB'000	Other comprehensive income reserve RMB'000	Others RMB'000	Total RMB'000
At January 1, 2022	*****	**70,155,916**	**619,579**	**–**	**(697,869)**	**70,077,626**
Share-based compensation expenses (Note 7)	**–**	**–**	**464,473**	**–**	**–**	**464,473**
Exercise of restricted shares and share options (Note 30)	*****	**538,281**	**(451,886)**	**–**	**–**	**86,395**
Exercise of over-allotment option (Note 27(a))	**–**	**692,807**	**–**	**–**	**–**	**692,807**
Repurchase of ordinary shares (Note 27(b))	**–**	**(69,246)**	**–**	**–**	**–**	**(69,246)**
Changes in credit risk for financial liabilities designated as at fair value through profit or loss (Note 29)	*****	**–**	**–**	**(3,155)**	**–**	**(3,155)**
As at December 31, 2022	**–**	**71,317,758**	**632,166**	**(3,155)**	**(697,869)**	**71,248,900**
At January 1, 2021	*	1,058,422	371,307	(1,168,117)	(694,468)	(432,856)
Issuance of ordinary shares from initial public offering, net of underwriting commissions and other issuance costs (Note 27(d))	–	4,610,673	–	–	–	4,610,673
Conversion of convertible redeemable preferred shares to Class B ordinary shares (Note 27(e))	–	63,077,759	–	1,296,414	–	64,374,173
Share-based compensation expenses (Note 7)	–	–	1,583,925	–	–	1,583,925
Exercise of restricted shares and share options (Note 30)	*	1,409,062	(1,335,653)	–	–	73,409
Capital contribution by controlling shareholder (Note 38(b))	–	–	–	–	10,365	10,365
Consideration paid to the then equity holders for acquisition of subsidiaries under common control	–	–	–	–	(13,766)	(13,766)
Changes in credit risk for financial liabilities designated as at fair value through profit or loss (Note 29)	–	–	–	(128,297)	–	(128,297)
Issuance of ordinary shares for share-based compensation plan	(*)	–	–	–	–	(*)
At December 31, 2021	*	70,155,916	619,579	–	(697,869)	70,077,626

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

29 PREFERRED SHARE AND OTHER FINANCIAL LIABILITIES

As at December 31, 2022, the preferred share and other financial liabilities included:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Preferred share liabilities issued by a subsidiary (a)	**1,090,277**	988,234
Net asset value of investment funds attributable to limited partners (b)	**305,537**	84,349
Total preferred share and other financial liabilities	**1,395,814**	1,072,583
Including:		
Current portion	**–**	–
Non-current portion	**1,395,814**	1,072,583
	1,395,814	1,072,583

(a) Preferred share liabilities issued by a subsidiary

On September 22, 2021, SenseMeet Investment limited ("SenseMeet") and a sovereign wealth fund of the Government of Saudi Arabia ("Fund A") signed a joint venture agreement to set up SenseWonder Technology Limited ("SenseWonder"). 51 ordinary shares and 49 convertible preferred shares were issued to SenseMeet and Fund A respectively. The consideration for subscription of preferred shares by Fund A shall be paid in two tranches, first tranche consideration amounted to USD155,000,000 and second tranche amounted to USD52,000,000 when certain conditions are satisfied. As of December 31, 2021, USD155,000,000 (equivalent to RMB988,234,000) has been paid by Fund A. No more consideration was received during the year ended December 31, 2022. Pursuant to the agreement, Fund A was also granted a put option to require SenseMeet to acquire all its preferred shares if 1) cannot complete an initial public offering or share sale by the seventh anniversary of the closing date; 2) SenseMeet undergoing a change of control. As at December 31, 2022, the preferred share liabilities were disclosed in non-current liability as the directors of the Company considered these events would not be occurred by the end of next year. The preferred shares issued to Fund A has dividends and conversion rights. Fund A has a preferential dividend rate of eight percent (8%) upon liquidation event or an exercise of its put option. Accordingly, the investment by Fund A to SenseWonder are recognised as preferred share liability at FVPL.

The Company has performed assessment on the fair value of the preferred shares issued by a subsidiary (the Target Company"). The 100% equity value of the Target Company has been determined by using the Discounted Cash Flow Method ("DCF Method") under the Income Approach. The fair value of the preferred shares issued by the Target Company was determined using the equity allocation method.

29 PREFERRED SHARE AND OTHER FINANCIAL LIABILITIES (CONTINUED)

(a) Preferred share liabilities issued by a subsidiary (continued)

For the year ended December 31, 2022, key valuation assumptions used to determine the fair value of preferred shares issued by a subsidiary are as follows:

	As at December 31, 2022
Expected volatility	**47.00%**
Risk-free rate	**3.98%**

The Company performed sensitivity test to changes in unobservable inputs in determining the fair value of the preferred shares issued by a subsidiary. The changes in unobservable inputs including expected volatility and risk-free rate will result in a significantly higher or lower fair value measurement. The increase in the fair value of the preferred shares issued by a subsidiary would increase the loss of fair value change in the consolidated income statement. 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 issued by a subsidiary had added/reduced 5% with all other variables held constant, the loss before income tax for the year ended December 31, 2022, 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, 2022	
	Expected volatility RMB'000	Risk-free rate RMB'000
Impact on the loss before income tax due to estimated fair value changes of the preferred shares issued by a subsidiary		
Add 5%	**(9,843)**	**(3,210)**
Reduce 5%	**10,035**	**3,228**

29 PREFERRED SHARE AND OTHER FINANCIAL LIABILITIES (CONTINUED)

(b) Net asset value of investment funds attributable to limited partners

In August 2021, the Group established Beijing Guoxiang Shangheng Equity Investment Fund Partnership (limited partnership), as a limited partnership with an 8-year life, together with five limited partners for strategic investment. During the year ended December 31, 2022, the Group received RMB189,000,000 (2021: RMB85,000,000) capital injection from these limited partners.

In February 2022, the Group established Shenzhen Chengluo Consulting Management Partnership (Limited Partnership), together with a limited partner for strategic investment. During the year ended December 31, 2022, the Group has already received RMB15,000,000 capital injection from the limited partner.

The Group designated the net asset value of investment funds attributable to limited partners as financial liabilities at fair value through profit or loss.

(c) Losses on the changes in fair value of preferred share and other financial liabilities

	Year ended December 31,	
	2022 **RMB'000**	2021 RMB'000
Losses recognised on:		
Changes in fair value of preferred shares issued by a subsidiary	**7,240**	–
Changes in fair value of preferred shares issued by the Company (i)	**–**	13,522,213
Changes in fair value of other financial liabilities	**–**	3,324
	7,240	13,525,537
Losses attributable to changes in credit risk of above financial instruments recognised in other comprehensive loss	**3,155**	128,297
Changes on net asset value of investment funds attributable to limited partners	**17,188**	–

(i) All the outstanding preferred shares issued by the Company were converted into the Company's Class B ordinary shares as at December 30, 2021 upon completion of the IPO.

30 SHARE-BASED COMPENSATION PLANS

Starting from 2016, the board of directors approved the restricted shares plan ("Pre-IPO RSU Plan"), share option plan and Post-IPO restricted shares plan ("Post-IPO RSU Plan") for the purpose of providing incentive for certain directors, senior management members and employees contributing to the Group.

(a) RSU

On November 2, 2016, 68,697 RSUs were granted to employees and the exercise price of all RSUs was HKD0.7789 per share. Total number of RSUs was 686,970,000 after share split with a ratio of 1:10,000 and the exercise price was HKD0.00007789 on April 9, 2018. As at December 31, 2022, all RSUs were exercised.

(b) Share option plan

From 2016 to 2022, the Company adopted several batches of the share option plans. The terms and conditions during the year ended December 31, 2022 and 2021 were as follows:

Date of options granted	Number of shares (after share split)	Vesting Periods	Contractual life of options
January 1, 2021	908,981,674	0-4 years	7 years
July 1, 2021	24,627,628	0-4 years	7 years
January 1, 2022	116,779,795	2-4 years	7 years
July 1, 2022	10,107,491	3-4 years	7 years
September 13, 2022	224,725,567	3.75 years	7 years

30 SHARE-BASED COMPENSATION PLANS (CONTINUED)

(b) Share option plan (continued)

Movements in the number of share options granted and their related weighted average exercise price during the year ended December 31, 2022 are as follows:

	Year ended December 31,			
	2022		2021	
	Average exercise price per share option (HKD)	**Number of options**	Average exercise price per share option (HKD)	Number of options
At beginning of the year	**0.53**	**979,707,216**	0.38	803,339,052
Granted	**0.78**	**351,612,853**	0.32	933,609,302
Exercised	**0.41**	**(242,785,739)**	0.10	(738,184,662)
Forfeited	**0.76**	**(84,482,534)**	0.66	(19,056,476)
At end of the year	**0.62**	**1,004,051,796**	0.53	979,707,216

No option expired during the year ended December 31, 2022 (2021: nil).

As at December 31, 2022, 348,772,234 (2021: 404,733,360) options were vested but not exercised.

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

			Number of share options	
Grant date	**Expiry date**	**Exercise price** (HKD)	**December 31, 2022**	December 31, 2021
November 2, 2016	November 2, 2023	*	**57,461,635**	93,414,879
July 1, 2017	July 1, 2024	0.22 or *	**37,386,011**	92,292,347
February 1, 2019	February 1, 2026	0.78 or 0.22 or *	**81,687,005**	135,888,331
June 30, 2019	June 30, 2026	0.78	**13,043,353**	19,261,370
January 1, 2020	January 1, 2027	0.78 or 0.22 or *	**191,113,102**	246,153,652
July 1, 2020	July 1, 2027	0.78	**10,693,056**	26,553,236
January 1, 2021	January 1, 2028	0.78 or 0.22 or *	**268,969,290**	342,187,741
July 1, 2021	July 1, 2028	0.78 or 0.22	**16,884,507**	23,955,660
January 1, 2022	January 1, 2029	0.78	**97,249,341**	–
July 1, 2022	July 1, 2029	0.78	**9,032,433**	–
September 13, 2022	September 13, 2029	0.78	**220,532,063**	–
		Total	**1,004,051,796**	979,707,216

* represents that the amount is less than HKD0.01 for the year.

30 SHARE-BASED COMPENSATION PLANS (CONTINUED)

(c) Fair value estimation of RSUs and share options

The fair value as at the grant dates of each of the share-based compensation plans are summarised as follows:

	January 1, 2021 RMB'000	July 1, 2021 RMB'000	January 1, 2022 RMB'000	July 1, 2022 RMB'000	September 13, 2022 RMB'000
Share options (i)	1,820,442	44,672	454,513	21,353	307,426

(i) Share options

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

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

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

Grant date	Risk-free interest rate	Expected volatility	Time to maturity
January 1, 2021	0.65%	51.69%	7 years
July 1, 2021	1.24%	52.19%	7 years
January 1, 2022	1.32%	45.32%	7 years
July 1, 2022	2.82%	47.96%	7 years
September 13, 2022	3.13%	47.73%	7 years

30 SHARE-BASED COMPENSATION PLANS (CONTINUED)

(d) Share-based compensation expenses recorded during the year

During the year ended December 31, 2022, 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,	
	2022	2021
	RMB'000	RMB'000
Research and development expenses	**218,499**	552,744
Administrative expenses	**176,758**	982,974
Selling expenses	**69,216**	48,207
	464,473	1,583,925

31 TRADE AND OTHER PAYABLES AND LONG-TERM PAYABLES

(a) Trade and other payables

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Notes payables	**1,691**	–
Trade payables		
– Third parties	**842,792**	468,020
– Related parties (Note 38(c))	**4,378**	2,381
Other payables		
– Third parties	**574,256**	424,263
– Related parties (Note 38(c))	**2,148**	1,125
Payables on purchase of property, plant and equipment and intangible assets	**387,521**	565,595
Payables for listing expenses	**–**	122,939
Accrued taxes other than income tax	**223,530**	226,011
Staff salaries and welfare payables	**400,977**	449,089
VAT payables related to contract liabilities	**15,410**	5,284
Accrued warranty expenses	**19,878**	25,551
	2,472,581	2,290,258

31 TRADE AND OTHER PAYABLES AND LONG-TERM PAYABLES (CONTINUED)

(a) Trade and other payables (continued)

(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 and notes payables based on purchase date at the end of December 31, 2022 are as follows:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Up to 6 months	**718,327**	392,277
6 months to 1 year	**76,660**	25,249
1 to 2 years	**19,477**	32,526
More than 2 years	**34,397**	20,349
	848,861	470,401

(b) Long-term payables

Long-term payables represented the obligations to pay for goods and licensed intellectual properties with payments due more than one year. The fair values of long-term payables as at December 31, 2022 were RMB11,126,000 (2021: RMB44,958,000).

32 CONTRACT LIABILITIES

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Current		
Deferred service fee income (i)	**50,879**	15,183
Advances from customers	**156,692**	156,948
	207,571	172,131
Non-current		
Deferred service fee income (i)	**74,553**	37,550

(i) Deferred service fee income represented the maintenance and upgrade service obligations separated from the revenue contracts, which were analysed 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. See Note 5(f) for the analysis of the revenue, which was included in the contract liabilities balance at the beginning of the period, recognised during the year ended December 31, 2022 relates to carried-forward contract liabilities.

33 PUT OPTION LIABILITY

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Present value of liability in relation to a put option granted to non-controlling shareholder of a subsidiary (a)	**278,584**	255,028

(a) On April 17, 2019, the Group entered into an agreement with a strategic technology partner ("Company Z") to allot and issue 45% of the subsidiary's equity interest. According to the equity subscription arrangement, Company Z has the right to request the Group to purchase the 45% equity it held at a pre-agreed price on the occurrence of some certain events. The purchase price was determined by making reference to the net assets of the subsidiary in future periods or a fixed amount (USD40,000,000) as stated in the equity subscription arrangement. Since the Group is obligated to pay cash to Company Z upon occurrence of certain events beyond the Group's control, this put option liability was initially recognised at present value of redemption amount by the Group with reference to the present value of the estimated future cash outflows, and was accreted to redemption amount subsequently. As at December 31, 2022, the put option liability was disclosed as non-current liability as certain events did not occur.

34 BORROWINGS

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Non-Current		
Bank borrowing – secured	**2,909,453**	339,505
Less: current portion of non-current borrowings	**(2,300)**	–
	2,907,153	339,505
Current		
Short-term borrowing – guaranteed	**316,248**	–
Current portion of non-current borrowings	**2,300**	–
Interest payable	**2,913**	383
	321,461	383
Total	**3,228,614**	339,888

Secured bank borrowing

As at December 31, 2022, the Group had bank borrowings with carrying amount of RMB229,700,000 which were secured by the Group's restricted deposits of USD38,600,000 (equivalent to RMB271,392,000) (Note 26(b)).

As at December 31, 2022, the Group had a bank borrowing with carrying amount of RMB1,015,613,000 which was pledged by equity interest of Shanghai Yuqin Information Technology Co., Ltd. ("Shanghai Yuqin") and joint liability guarantee from Shanghai Yuqin and Shanghai SenseTime. In addition, certain buildings (Note 16(a)) with a carrying amount of RMB1,109,380,000 and land use right with a carrying amount of RMB64,517,000 (December 31, 2021: buildings with a carrying amount of RMB854,796,000 and land use right with a carrying amount of RMB65,870,000) respectively were also pledged as collaterals for this bank borrowing.

As at December 31, 2022, the Group had a bank borrowing with carrying amount of RMB1,664,140,000 which was pledged by certain buildings (Note 16(a)) with a carrying amount of RMB3,266,946,000 as a collateral for the Group's borrowings. This pledge registration took effect in February 2023.

34 BORROWINGS (CONTINUED)

Guaranteed bank borrowings

As at December 31, 2022, the Group had bank borrowings with carrying amount of RMB316,248,000 which were guaranteed by SenseTime Group Limited.

The Group's borrowings are denominated in:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
– RMB	**3,228,614**	339,888

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,	
	2022	2021
	RMB'000	RMB'000
6 months or less	**199,954**	–
Between 6 and 12 months	**118,594**	–
Between 1 and 2 years	**6,300**	–
Between 2 and 5 years	**610,565**	33,951
Over 5 years	**2,290,288**	305,554
	3,225,701	339,505

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

	As at December 31, 2022		As at December 31, 2021	
	Amount	**Interest rate**	Amount	Interest rate
	RMB'000	**Per annum**	RMB'000	Per annum
RMB bank borrowings	**3,225,701**	**2.50%~3.95%**	339,505	3.95%

The Group had complied with all of the financial covenants of its borrowing facilities for the year ended December 31, 2022 (2021: complied with all of the financial covenants of its borrowing facilities).

34 BORROWINGS (CONTINUED)

Guaranteed bank borrowings (continued)

As at December 31, 2022, the weighted average effective interest rate for borrowings was 3.36% (2021: 3.95%).

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, 2022 were disclosed as follows:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Non-current borrowings	**2,801,157**	348,310

As at December 31, 2022, the Group has the following undrawn bank facilities:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
RMB facilities	**9,694,749**	7,963,699
USD facilities	**195,009**	178,520
	9,889,758	8,142,219

35 DEFERRED REVENUE

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Government grants (i)		
– Current	**120,635**	171,130
– Non-current	**307,593**	140,251
	428,228	311,381

(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 the purchase of property, plant and equipment and certain research and development projects, accordingly when the required criteria set by the government are met, the portion of the qualified fund is recognised as "other income" and the remaining balance is recoded as "deferred revenue".

36 CASH FLOW INFORMATION

(a) Cash used in operations

	Year ended December 31,	
	2022 **RMB'000**	2021 RMB'000
Loss before income tax	**(6,332,812)**	(17,141,544)
Adjustments for		
– Depreciation of property, plant and equipment (Note 16)	**644,891**	457,074
– Amortisation of intangible assets (Note 18)	**137,621**	63,227
– Depreciation of right-of-use assets (Note 17)	**185,173**	137,529
– Provision for impairment of financial assets (Note 3.1(b))	**1,667,671**	517,608
– Provision for impairment of Investments accounted for using the equity method (Note 12)	**2,251**	4,257
– Provision for impairment of inventories (Note 21)	**53,127**	36,960
– Share of loss of investments accounted for using the equity method (Note 12)	**2,357**	40,231
– Share-based compensation expenses (Note 7)	**464,473**	1,583,925
– Finance costs (Note 10)	**55,438**	33,758
– Finance income (Note 10)	**(260,546)**	(187,716)
– Fair value losses on financial assets at fair value through profit or loss (Note 9)	**885,078**	514,661
– Changes on net asset value of investment funds attributable to limited partners (Note 9)	**17,188**	–
– Dividend income (Note 8)	**(18,307)**	(6,154)
– Losses on disposal of property, plant and equipment (Note 9)	**1,390**	5,189
– Gains on early termination of leasing contracts	**(3,296)**	–
– Realisation of gains from downstream transactions from associates (Note 9)	**(151)**	(151)
– Fair value losses on preferred share and other financial liabilities (Note 29)	**7,240**	13,525,537
– Net foreign exchange gains	**(283,674)**	(6,110)
	(2,774,888)	(421,719)
Changes in working capital		
– Increase in trade and other receivables	**(1,956,056)**	(1,729,897)
– Increase in long-term receivables	**(20,564)**	(149,463)
– Increase in contract assets	**(7,784)**	(20,515)
– (Increase)/decrease in inventories	**(172,730)**	181,183
– Decrease in long-term payables	**(35,412)**	(42,624)
– Increase/(decrease) in trade and other payables	**1,708,277**	(182,752)
– Increase/(decrease) in contract liabilities	**68,772**	(43,712)
– Increase/(decrease) in deferred revenue	**116,847**	(38,151)
Net cash used in operations	**(3,073,538)**	(2,447,650)

36 CASH FLOW INFORMATION (CONTINUED)

(b) Non-cash investing and financing activities

There were no material non-cash transactions during the year ended December 31, 2022 (2021: nil).

(c) Net cash reconciliation

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Cash and cash equivalents (Note 26)	**7,962,813**	16,529,506
Preferred share liabilities (Note 29(a))	**(1,090,277)**	(988,234)
Other financial liabilities (Note 29(b))	**(305,537)**	(84,349)
Put option liability (Note 33)	**(278,584)**	(255,028)
Lease liabilities (Note 17)	**(288,230)**	(384,297)
Borrowings (Note 34)	**(3,228,614)**	(339,888)
Net cash	**2,771,571**	14,477,710

36 CASH FLOW INFORMATION (CONTINUED)

(c) Net cash reconciliation (continued)

	Other assets	Liabilities from financing activities					
	Cash and cash equivalents	Lease liabilities	Preferred share and other financial liabilities	Put option liability	Borrowings due within 1 year	Borrowings due after 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at January 1, 2022	**16,529,506**	**(384,297)**	**(1,072,583)**	**(255,028)**	**(383)**	**(339,505)**	**14,477,710**
Net cash flows	**(9,053,557)**	**168,036**	**(204,000)**	**–**	**(275,124)**	**(2,567,648)**	**(11,932,293)**
Other changes	**–**	**(87,700)**	**(27,583)**	**–**	**(45,954)**	**–**	**(161,237)**
Foreign exchange adjustments	**486,864**	**15,731**	**(91,648)**	**(23,556)**	**–**	**–**	**387,391**
Net cash as at December 31, 2022	**7,962,813**	**(288,230)**	**(1,395,814)**	**(278,584)**	**(321,461)**	**(2,907,153)**	**2,771,571**
Net debt as at January 1, 2021	11,427,871	(293,637)	(50,199,662)	(260,996)	(593,561)	(423,000)	(40,342,985)
Net cash flows	5,344,967	141,329	(10,275,587)	–	612,097	83,353	(4,093,841)
Other changes	–	(232,007)	58,004,591	–	(19,061)	142	57,753,665
Foreign exchange adjustments	(243,332)	18	1,398,075	5,968	142	–	1,160,871
Net debt as at December 31, 2021	16,529,506	(384,297)	(1,072,583)	(255,028)	(383)	(339,505)	14,477,710

37 CAPITAL COMMITMENTS

Significant capital expenditure commitments are set out below:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Capital investment for financial assets at fair value through profit or loss	**180,400**	562,830
Property, plant and equipment	**466,886**	422,036
Intangible assets	**7,704**	87,984
	654,990	1,072,850

38 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 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
Shanghai Artificial Intelligence Research Institute Co., Ltd. (上海人工智能研究院有限公司, "SAIRI")	Associate of the Group
Hangzhou Shang Jin Yun Intelligent Technology Co., Ltd. (杭州商警雲智能科技有限公司, "Shang Jin Yun")	Associate of the Group
Beijing Linkface Technology Co., Ltd. (北京今始科技有限公司, "Linkface")	Associate of the Group
Shanghai Lingang Yuanqi Intelligent Technology Co., Ltd. (上海臨港元企智能科技有限公司, "Lingang Yuanqi")	Joint venture of the Group
Seno China Limited	Joint venture of the Group
Hong Kong AI & Data Laboratory Limited ("HK AI Lab")	Joint venture of the Group
Softbank Corp.	Company controlled by a significant shareholder
SoftBank Robotics Corp.	Company controlled by a significant shareholder
Japan Computer Vision Corp.	Company controlled by a significant shareholder
Shandong Hoooon Toy Co., Ltd. (山東轟轟智能機器人有限公司, "Shandong 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
Chengdu Lu Xingtong Information Technology Co., Ltd. (成都路行通信息技術有限公司, "Lu Xingtong")	Investment with significant influence
Shanghai Sun Vision Intelligent Technology Co., Ltd. (上海光方迅視智能科技有限公司, "Sun Vision")	Investment with significant influence

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Save as disclosed elsewhere in the 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: (continued)

Name of related parties	Relationship with the Group
Shanghai Ludao Dongmei Technology Co., Ltd. (上海陸道動美科技有限公司, "Ludao Dongmei")	Investment with significant influence
MantisVision Technologies Co., Ltd. (螳螂慧視科技有限公司, "Tanglang")	Investment with significant influence
Shanghai SenseTime Qianshi Technology Ltd. (上海商湯阡視科技有限公司, "Shanghai Qianshi")	Company controlled by key management personnel
Alibaba Cloud Computing Co., Ltd. (a)	Subsidiary or affiliates of a former substantial shareholder
Shanghai Yi Bang Intelligent Technology Co., Ltd. (上海益邦智能技術股份有限公司, "Shanghai Yi Bang") (b)	Investment with significant influence before November 2021

(a) Taobao China Holding Limited was a substantial shareholder of the Company and appointed one director to the Company before 2021. After resignation of the director and the continuous dilution of the shareholding percentage in the Company, Taobao China Holding Limited and its subsidiaries or affiliates were no longer the related parties of the Company since August 2021.

(b) Shanghai Yibang was no longer a related party of the Company after the Company withdrew its resident director from Shanghai Yibang on November 26, 2021 and was not able to exercise its significant influence in Shanghai Yibang.

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

(i) Sale of products or provision of services

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Japan Computer Vision Corp.	**64,099**	77,466
Lu Xingtong	**16,528**	16,500
SAIRI	**133**	225
Lingang Yuanqi	**90**	–
Shanghai Qianshi	**38**	–
Shang Jin Yun	**13**	229
Shanghai Yibang*	*****	23,787
Alibaba Cloud Computing Co., Ltd.*	*****	7,872
Softbank Corp.	**–**	585
Seedien	**–**	497
Zero Sports AI	**–**	52
Ludao Dongmei	**–**	33
Beijing Moviebook Technology	**–**	32
	80,901	127,278

(ii) Purchase of products or services

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Sun Vision	**5,294**	–
Shandong Hoooon	**4,997**	3,402
Lu Xingtong	**3,285**	–
Shang Jin Yun	**1,509**	–
Shanghai Qianshi	**1,500**	–
Zero Sports AI	**353**	477
Alibaba Cloud Computing Co., Ltd.*	*****	7,234
Shanghai Yibang*	*****	5,606
Beijing Ling Technology	**–**	4
	16,938	16,723

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

(iii) Purchase of property, plant and equipment and intangible assets

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Shandong Hoooon	**–**	120

(iv) Transactions with the controlling shareholder

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Capital contribution made by Prof. Tang	**–**	10,365

(v) Provision of loans to a related party

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Shanghai Qianshi	**15,037**	–

(vi) Interest income from a related party

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Shanghai Qianshi	**256**	–

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties

(i) Trade receivables

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Japan Computer Vision Corp.	**37,294**	24,516
Shang Jin Yun	**5,149**	20,095
Shanghai Qianshi	**4,887**	4,886
Lingang Yuanqi	**75**	–
Zero Sports AI	**–**	960
Seedien	**–**	450
	47,405	50,907
Loss allowance	**(8,793)**	(11,120)
	38,612	39,787

(ii) Other receivables – non-trade in nature

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Shanghai Qianshi	**15,293**	–
Linkface	**666**	666
	15,959	666
Loss allowance	**(1,489)**	(666)
	14,470	–

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties (continued)

(iii) Trade payables

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Shandong Hoooon	**4,278**	2,281
Shang Jin Yun	**100**	100
	4,378	2,381

(iv) Other payables

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Non-trade in nature		
Seno China Limited	**648**	593
Trade in nature		
Shanghai Qianshi	**1,500**	–
Shandong Hoooon	**–**	55
Zero Sports AI	**–**	477
	2,148	1,125

(v) Prepayment for purchase of products

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Lu Xingtong	**5,241**	–
Tanglang	**478**	–
Sun Vision	**280**	–
Shang Jin Yun	**91**	–
	6,090	–

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties (continued)

(vi) Contract liabilities

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Japan Computer Vision Corp.	**336**	995
Lu Xingtong	**49**	–
Shang Jin Yun	**–**	13
HK AI Lab	**–**	7
SoftBank Robotics Corp.	**–**	5
	385	1,020

* These companies were no longer related parties of the Company for the whole financial year ended December 31, 2022 and the balances and transactions with these companies weren't disclosed as related party balances and transactions since then.

These balances with related parties are unsecured, interest-free (except for Shanghai Qianshi) and repayable on demand.

(d) 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,	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	**21,086**	20,004
Pension costs – defined contribution plans	**159**	108
Other social security costs, housing benefits and other employee benefits	**135**	82
Share-based compensation expenses	**11,782**	1,220,485
	33,162	1,240,679

As at December 31, 2022, RMB4,805,000 has not been paid to key management.

39 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of every director for the year ended December 31, 2022 were set out below:

Name of Directors	Fees RMB'000	Wages and salaries RMB'000	Discretionary bonuses RMB'000	Share-based compensation expenses RMB'000	Social security costs, housing benefits and employee welfare RMB'000	Total RMB'000
Executive Directors:						
Dr. XU Li (徐立博士)	-	2,667	798	-	63	3,528
Prof. TANG	-	-	-	-	-	-
Dr. WANG Xiaogang (王曉剛博士)	-	2,149	631	-	-	2,780
Mr. XU Bing (徐冰先生)	-	1,989	596	-	63	2,648
Non-executive Director:						
Ms. FAN Yuanyuan (范瑗瑗女士)	-	-	-	-	-	-
Independent non-executive Directors:						
Prof. XUE Lan (薛瀾教授)	1,099	-	-	-	-	1,099
Mr. LYN Frank Yee Chon (林怡仲先生)	1,099	-	-	-	-	1,099
Mr. LI Wei (厲偉先生)	1,202	-	-	-	-	1,202
	3,400	6,805	2,025	-	126	12,356

39 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

The remuneration of every director for the year ended December 31, 2021 were set out below:

Name of Directors	Fees RMB'000	Wages and salaries RMB'000	Discretionary bonuses RMB'000	Share-based compensation expenses RMB'000	Social security costs, housing benefits and employee welfare RMB'000	Total RMB'000
Executive Directors:						
Dr. XU Li (徐立博士)	–	2,666	944	518,225	15	521,850
Prof. TANG	–	–	–	–	–	–
Dr. WANG Xiaogang (王曉剛博士)	–	2,589	795	377,719	–	381,103
Mr. XU Bing (徐冰先生)	–	2,104	942	307,335	15	310,396
Non-executive Director:						
Ms. FAN Yuanyuan (范瑗瑗女士)	–	–	–	–	–	–
Independent non-executive Directors:						
Prof. XUE Lan (薛瀾教授)	–	–	–	–	–	–
Mr. LYN Frank Yee Chon (林怡仲先生)	–	–	–	–	–	–
Mr. LI Wei (厲偉先生)	–	–	–	–	–	–
	–	7,359	2,681	1,203,279	30	1,213,349

The above tables did not include the directors resigned before the listing. No remuneration has been paid to them for the year ended December 31, 2021.

39 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors for the year ended December 31, 2022 (2021: nil).

(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 year ended December 31, 2022 (2021: nil).

(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 year ended December 31, 2022 (2021: nil).

(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 Company 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 year or at any time during the year ended December 31, 2022 (2021: nil).

40 CONTINGENCIES

As at December 31, 2022, there were no significant contingencies assets and liabilities for the Group.

41 EVENTS AFTER THE BALANCE SHEET DATE

From January 1, 2023 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 RMB40,000,000.

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Assets		
Non-current assets		
Investments in subsidiaries	**3,676,399**	3,046,742
Current assets		
Other receivables	**39,531,862**	31,853,864
Cash and cash equivalents	**6,817**	3,769,747
	39,538,679	35,623,611
Total assets	**43,215,078**	38,670,353
Equity		
Share capital	**5**	5
Other reserves	**71,295,396**	70,120,967
Currency translation reserves	**5,106,639**	1,589,946
Accumulated losses	**(33,199,808)**	(33,180,877)
Total equity	**43,202,232**	38,530,041
Liabilities		
Current liabilities		
Other payables	**12,846**	140,312
Total liabilities	**12,846**	140,312
Total equity and liabilities	**43,215,078**	38,670,353

The balance sheet of the Company was approved by the Board of Directors on March 28, 2023 and was signed on its behalf.

Xu Li
Director

Xu Bing
Director

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Share premium RMB'000	Share-based compensation expenses RMB'000	Other comprehensive income reserve RMB'000	Others RMB'000	Total RMB'000
At January 1, 2022	**70,155,916**	**619,579**	**–**	**(654,528)**	**70,120,967**
Share based compensation expenses	**–**	**464,473**	**–**	**–**	**464,473**
Exercise of restricted shares and share options	**538,281**	**(451,886)**	**–**	**–**	**86,395**
Exercise of over-allotment option	**692,807**	**–**	**–**	**–**	**692,807**
Repurchase of ordinary shares	**(69,246)**	**–**	**–**	**–**	**(69,246)**
As at December 31, 2022	**71,317,758**	**632,166**	**–**	**(654,528)**	**71,295,396**
At January 1, 2021	1,058,422	371,307	(1,168,117)	(654,528)	(392,916)
Issuance of ordinary shares from initial public offering, net of underwriting commissions and other issuance costs	4,610,673	–	–	–	4,610,673
Conversion of convertible redeemable preferred shares to ordinary shares	63,077,759	–	1,296,414	–	64,374,173
Share-based compensation expenses	–	1,583,925	–	–	1,583,925
Exercise of restricted shares and share options	1,409,062	(1,335,653)	–	–	73,409
Changes in credit risk for financial liabilities designated as at fair value through profit or loss	–	–	(128,297)	–	(128,297)
At December 31, 2021	70,155,916	619,579	–	(654,528)	70,120,967

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"1st Contractual Arrangement"	the series of contractual arrangement entered into by, among others, Shanghai Qianlun, Shanghai SenseTime Technology Development and Shanghai Yuqin, see "Contractual Arrangements" in the Directors' Report
"2nd Contractual Arrangement"	the series of contractual arrangement entered into by, among others, Shanghai Shangchou and Shenzhen Lemeng, see "Contractual Arrangements" in the Directors' Report
"Amind"	Amind Inc., an exempted company incorporated under the laws of the Cayman Islands with limited liability, which is wholly-owned by Prof. Tang
"Articles" or "Articles of Association"	the twenty-second amended and restated articles of association of the Company, adopted in the Company's general meeting dated June 24, 2022 and as amended from time to time
"Auditor"	PricewaterhouseCoopers, being the external auditor of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"Chairman"	The chairman of the Board
"Class A Share(s)"	class A ordinary shares of the share capital of the Company with a par value of US$0.000000025 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to 10 votes per share on any resolution tabled at the Company's general meeting, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share

"Class B Shares(s)"	class B ordinary shares of the share capital of the Company with a par value of US$0.000000025 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company's general meeting
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "the Company", "we", "us"	SenseTime Group Inc. (商汤集团股份有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on October 15, 2014, whose Class B Shares are listed on the Stock Exchange (Stock Code: 0020)
"Compliance Advisor"	Haitong International Capital Limited, being the compliance advisor of the Company
"Consolidated Affiliated Entities"	collectively, Shanghai Qianlun, Shanghai SenseTime Technology Development and Shanghai Shangchou, the financial results of which have been consolidated and accounted for as subsidiaries of the Company by virtue of the Contractual Arrangements
"Contractual Arrangements"	the 1st Contractual Arrangement and 2nd Contractual Arrangement, see "Contractual Arrangements" in the Directors' Report
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Prof. Tang and Amind
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"CVPR"	Conference on Computer Vision and Pattern Recognition, an annual research conference sponsored by the IEEE
"Directors"	the directors of the Company
"Dr. Wang"	Dr. Wang Xiaogang, our co-founder, executive Director, chief scientist and a WVR Beneficiary
"ESG"	environmental, social and governance
"ESG Reporting Guide"	the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules

"GAAP"	generally accepted accounting principles
"Global Offering"	the global offering in respect of 1,500,000,000 Class B Shares which was completed on the Listing Date
"Group", "our Group", or "the Group"	the Company and its subsidiaries and Consolidated Affiliated Entities from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK$" or "HKD"	Hong Kong Dollars, the lawful currency of Hong Kong
"IDC License"	the Value-added Telecommunications Business Operation Permit with Internet Data Center Services
"IEEE"	Institute of Electrical and Electronics Engineers, the world's largest association of technical professionals established for the advancement of technology
"Independent Third Party(ies)"	individual(s) or company(ies) who or which, to the best of the Director's knowledge having made all due and careful enquiries, is/are independent from and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
"Individual Shareholders"	collectively, Mr. Yang Fan and Mr. Ma Kun
"Infinity Vision"	Infinity Vision Enterprise Inc., a business company incorporated under the laws of BVI with limited liability, which is wholly-owned by Dr. Wang
"Joint Company Secretaries"	the joint company secretaries of the Company
"JPY"	Japanese Yen, the lawful currency of Japan
"Latest Practicable Date"	April 20, 2023, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained in this annual report
"Listing Date"	December 30, 2021, being the date on which dealings in the Class B Shares first commenced on the Stock Exchange

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of the Company, adopted on June 24, 2022 and as amended from time to time
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"PRC" or "China"	the People's Republic of China
"Pre-IPO ESOP"	the pre-IPO employee incentive scheme adopted by the Company dated November 1, 2016 as amended from time to time, the principal terms of which are set out in "Share Incentive Schemes – Pre-IPO ESOP" in the Directors' Report
"Pre-IPO RSU Plan"	the pre-IPO RSU plan adopted by the Company dated November 1, 2016 as amended from time to time, the principal terms of which are set out in "Share Incentive Schemes – Pre-IPO RSU Plan" in the Directors' Report
"Prof. Tang"	Professor Tang Xiao'ou, our founder, executive Director and a WVR Beneficiary
"Prospectus"	the prospectus issued by the Company on December 7, 2021 in connection with the Global Offering and listing of the Class B Shares on the Stock Exchange, as amended and supplemented by the supplemental prospectus issued by the Company on December 20, 2021
"Reporting Period"	the year ended December 31, 2022
"Reserved Matters"	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being: (i) any amendment to the Memorandum of Association or Articles of Association; (ii) the variation of rights attached to any class of shares; (iii) the appointment, election or removal of any independent non-executive Director; (iv) the appointment, election or removal of the Company's auditor; and (v) the voluntary liquidation or winding-up of the Company

"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SenseTalent"	SenseTalent Management Limited, a business company incorporated under the laws of BVI with limited liability holding our ordinary Shares pursuant to the Pre-IPO ESOP and the Pre-IPO RSU Plan
"SenseTime HK"	SenseTime Group Limited 商湯集團有限公司, a company incorporated under the laws of Hong Kong with limited liability on October 30, 2014, our direct wholly-owned subsidiary
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SGD"	Singapore Dollars, the lawful currency of Singapore
"Shanghai Qianlun"	Shanghai Qianlun Technology Co., Ltd. (上海阡倫科技有限公司), a company incorporated under the laws of the PRC with limited liability on September 17, 2020, our Consolidated Affiliated Entity
"Shanghai SenseTime Technology Development"	Shanghai SenseTime Intelligent Technology Co., Ltd. (上海商湯智能科技有限公司), a company incorporated under the laws of the PRC with limited liability on December 15, 2017, our indirect wholly-owned subsidiary
"Shanghai Shangchou"	Shanghai Shangchou Technology Co., Ltd. (上海商籌科技有限公司), a company incorporated under the laws of the PRC with limited liability on September 13, 2022, our Consolidated Affiliated Entity
"Shanghai Yuqin"	Shanghai Yuqin Information Technology Co., Ltd. (上海煜芩信息科技有限公司), a company incorporated under the laws of the PRC with limited liability on March 20, 2019, our indirect wholly-owned subsidiary
"Share(s)"	the Class A Shares and the Class B Shares in the share capital of our Company, as the context so requires
"Shareholder(s)"	holder(s) of the Shares
"Shenzhen Lemeng"	Shenzhen Lemeng Technology Services Co., Ltd. (深圳樂檬科技服務有限公司), a wholly foreign owned enterprise incorporated under the laws of the PRC with limited liability on March 8, 2022, our indirect wholly-owned subsidiary

"State Council"	the PRC State Council (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vision Worldwide"	Vision Worldwide Enterprise Inc., a business company incorporated under the laws of BVI with limited liability which is wholly-owned by Mr. Xu Bing
"WVR Beneficiaries"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Prof. Tang, Dr. Xu Li, Dr. Wang and Mr. Xu Bing, being the holders of the Class A Shares, entitling each to weighted voting rights, see "Weighted Voting Rights" in the Directors' Report
"WVR Structure"	has the meaning ascribed to it in the Listing Rules
"XWorld"	XWORLD Enterprise Inc., a business company incorporated under the laws of BVI with limited liability which is wholly-owned by Dr. Xu Li

SenseTime Group Inc.
商汤集团股份有限公司