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**SenseTime Group Inc.**

**商汤集团股份有限公司**

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

**(Stock Code: 0020)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022**

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended June 30, 2022. These interim results have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, and reviewed by the Audit Committee and the Auditor.

### **KEY HIGHLIGHTS**

#### **Financial Summary**

	Six Months Ended June 30				Period- over- period change
	2022	As a percentage of revenue	2021	As a percentage of revenue	
	Amount	(Unaudited)	Amount	(Unaudited)	
	<i>(RMB in thousands, except for percentages)</i>				
Revenue	1,415,343	100.0	1,651,809	100.0	-14.3%
Gross Profit	934,043	66.0	1,205,067	73.0	-22.5%
Loss for the period	(3,207,988)	(226.7)	(3,712,873)	(224.8)	-13.6%
<b>Non-IFRS Measures:</b>					
Adjusted EBITDA	(2,322,546)	(164.1)	(556,160)	(33.7)	317.6%
Adjusted net loss	(2,564,180)	(181.2)	(702,665)	(42.5)	264.9%

## Operating Metrics

	<b>Six months ended June 30 2022</b>	2021	<b>Period-over- period change</b>
Number of customers in Smart Business	<b>512</b>	635	-19.4%
Number of customers in Smart Life	<b>183</b>	155	18.1%
Number of customers in Smart Auto	<b>20</b>	13	53.8%
	<b>As at June 30, 2022</b>	As at December 31, 2021	<b>Change</b>
Number of cities served in Smart City	<b>155</b>	140	10.7%

## **BUSINESS REVIEW AND PERFORMANCE**

### **Overall Performance**

The first half of 2022 challenging for both the domestic and international environments. We continued to lead innovation in the AI industry by proactively responding to changes, including the pandemic, in the macro environment. In the first half of 2022, our Smart Auto and Smart Life segments achieved significant growth; our new infrastructure, the Shanghai Lingang Artificial Intelligence Data Center (“AIDC”), which has launched service to empower the industry digitization, is getting strong market demand, as well as driving our AI R&D capability to take another leap forward. Although our Smart City and Smart Business segments were impacted by the pandemic, resulting in projects delay and deferred revenue recognition, we have relatively high quality customer base that consists of large enterprises and cities, which demonstrated even greater needs for digitization and intelligence under the pandemic, while rapid recoveries in related industries have started since June. Thanks to our advanced AI infrastructure and diversified business profile, we have continued to maintain our industry-leading market position and strong commercial resilience, and we are confident in the future long-term growth of the AI market.

For the six months ended June 30, 2022, the Group’s total revenue was RMB1.42 billion, the gross profit was RMB0.93 billion, with gross profit margin of 66.0%. For the six months ended June 30, 2022, the Group invested RMB1.88 billion in research and development, excluding share-based compensation expenses, representing 133.1% of revenue. For the six months ended June 30, 2022, the Group’s net loss was RMB3.21 billion; adjusted net loss was RMB2.56 billion. As of June 30, 2022, the total balance of cash at banks and in hand, structured deposits and fair value of investments in bonds and other fixed income products held by the Group was RMB19.51 billion.

### **Business Summary**

In the first half of 2022, the integration of AI and the real economy made encouraging progress. During the “14th Five-Year Plan” period, the industrialization and commercialization of AI will be further accelerated. As a leading AI software company in China, SenseTime, with our advance AI infrastructure and diversified business scenarios, continues to reduce the cost of AI model production, improve the penetration efficiency of standardized products, and enable AI to benefit more scenarios and industries, thus continuing to further solidify the largest market share in this highly competitive market.

*Source: According to the report on analysis software released by Omdia in May 2022, SenseTime ranked first in terms of market share in China’s AI algorithm analysis software market in 2021*

In the first half of 2022, thanks to the industry-leading AI infrastructure, SenseTime continued to promote the industrialized innovation of AI technology and the mass production of AI models. We have built and launched the world’s leading AI supercomputing power of over 2.5 exaFLOPS, an expansion of 114% compared to 1.17 exaFLOPS at the end of 2021. Our newly opened Shanghai Lingang AIDC has been officially launched, with 1.745 exaFLOPS of computing power and has received strong market demand. As of August 2022, Shanghai Lingang AIDC has been servicing external clients with computing power exceeding 1 exaFLOPS. The industrial value of Shanghai Lingang AIDC has been successfully verified and has been awarded the title of “Shanghai Artificial Intelligence Integration Empowerment Center” by Shanghai Municipal Commission of Economy and Information, and “Key Regional Comprehensive Artificial Intelligence Infrastructure Demonstration Project” by the National Development and Reform Commission.

In the first half of 2022, we continued to promote the implementation of AI technology in Smart Business, Smart City, Smart Life and Smart Auto. In the first half of 2022, the revenue contribution of the four revenue streams accounted for 40%, 31%, 21% and 9% respectively, while revenue contribution of the four revenue streams was 42%, 46%, 9% and 4% in the full year of 2021, hence a healthy uptick in both Smart Life and Smart Auto. Geographically, our Mainland China and overseas markets each contributed 81% and 19% of our revenues. Overseas revenues increased by approximately 760 bps, compared with the full year of 2021. Overall, our business was affected by the pandemic in some regions from March to May, but has witnessed visible recovery after entering June.

## **Smart Business**

Due to the impact of the COVID-19 pandemic, some of the customers of our Smart Business segment were unable to complete the launch of SenseFoundry-Enterprise products as originally planned due to restrictions on containment and control measures during the pandemic, resulting in a delay in the recognition of some of our sales revenue. In the first half of 2022, revenue from Smart Business reached RMB0.57 billion, a decrease of 12% year-on-year. We served 512 customers, during the period 19% year-on-year, while revenue per customer increased by 9%. Smart Business still maintains a high quality customers base, of which more than 100 are either Fortune 500 companies or listed companies, spanning industries from utility management, manufacturing, infrastructure operation and maintenance, logistics, transportation, park management, retail to financial.

Despite the short-term impact of the pandemic, we see strong demand for digital transformation and smart management among smart business customers. In the first half of 2022, we further expanded the integrated digital energy management platform and industrial intelligent analysis engine business on the basis of the existing solid foundation. We have gained the industry's leading position in the digital energy under the empowered "dual carbon" policy, offering the industry's premier AI technology to leading lithium battery companies and power battery manufacturers in the energy industry chain, and to State Grid, with a total contract value of the related business exceeding RMB1 billion. Our advanced technology also allows us to achieve great leap forward in commercialization in several existing vertical scenarios. For example, in the subway scenario, we have implemented digital security checks and face payment for ticket verification in 640 stations on over 30 subway lines across China. We have realized face payment in subway across the mega city with a population of up to over 20 million people, which only takes less than 400ms for passengers to pass through the recognition and payment, and the misrecognition rate is less than one millionth, which meets the payment-level accuracy standard. At the same time, it supports mask-on facial recognition which can ensure the efficiency of passage under pandemic prevention regulations. In the consumer household smart door lock market, 90% of smart door lock mainstream brands, including Dessmann, Kaadas, Philips, Panasonic, Bosch, TCL, etc., are embedded with SenseTime's 3D facial recognition module, and the cumulative shipments are nearly 1 million units, which is the only one on the market that has passed the certification of the Ministry of Public Security's Safety and Police Electronic Product Quality Inspection Center, as well as the first solution that has passed the testing and certification of China Bank Card Inspection Center.

## **Smart City**

Due to the pandemic outbreak in some regions of Mainland China in the first half of 2022, our Smart City segment was negatively impacted mainly by the postponement of some smart city projects. In the first half of 2022, revenue from Smart City reached RMB0.43 billion, representing a decrease of 45% year-on-year. There was an additional of 15 cities in the Smart City business. Due to the pandemic, the growth rate of the number of cities has slowed down. However, in the long run, as pandemic has brought higher complexity to city management, it is getting more important and urgent for cities to be fully digitalized and intelligent; in the face of unexpected public events, managing authorities of municipalities need management tools like SenseFoundry that can perceive and process massive data instantly and provide closed-loop decision-making capabilities. The driving force for cities to accelerate digitalization and intelligence has become stronger amid the pandemic. Since June, related businesses have begun to recover rapidly.

Under an era of fully digitalized city management, the penetration rate of SenseFoundry has continued to grow, its functions have been continuously enhanced, and the coverage of long-tail scenarios has continued to increase. As of June 30, 2022, the number of IoT devices connected and empowered by SenseFoundry has increased by over 1.5 million, an increase of about 26% within half a year; around 29,000 units of AI models are installed, an increase of about 28% within half a year, so that more long-tail and fragmented analysis needs can be effectively met. As of June 30, 2022, a total of 155 cities have deployed SenseFoundry, 16 were mega cities with population over 10 million, and 4 were overseas cities. The market share of our computer vision software for smart cities in China remains #1<sup>1</sup> and our market share in China's smart emergency AI and big data sub-markets also ranks #1<sup>2</sup>.

## Smart Life

In the first half of 2022, our Smart Life segment continued to serve our consumer-facing enterprises, such as mobile phone manufacturers, APP, game developers, medical and educational institutions, etc.. We achieved revenue of RMB0.29 billion, an increase of 98% period-over-period, accounting for 21% of the Group's total revenue, this is a considerable increase from 9% recorded during the full year of 2021. Smart Life served 183 customers during the period, an increase of 18% period-over-period, and revenue per customer increased by 67%. A number of major business lines of Smart Life segment have achieved significant growth in the first half of 2022.

In smart phones, SenseTime is the leading AI software supplier. As of June 30, 2022, a total of over 1.7 billion mobile phones of more than 180 mobile phone models have been pre-installed with various AI algorithms of SenseTime, covering mainstream top-notch mobile phone manufacturers. Functions such as face unlock, super-resolution, night view enhancement and smart albums are now standard configuration of smart phones. In order to further consolidate our leading edge and breakthroughs in next-generation AI perception and imaging, in the first half of 2022, we established joint research and development with the world's leading image sensor manufacturers, and completed and delivered 5 AI sensors with leading functions. Among them, the RGBW AI sensor has undergone mass production and launched with the flagship model of a top-notch mobile phone manufacturer. This type of sensor can significantly improve the photo effect in low light conditions. For the R&D of ISP (Image Signal Processor) chips, the R&D progress and various core indicators of the first AI ISP chip were in line with expectations during the Reporting Period. It is expected to undergo mass production and be launched to the market in 2023, which will further enhance our product competitiveness.

<sup>1</sup> Source: IDC's "2021 H2 China Artificial Intelligence Software and Application Market Tracking Report" released in June, 2022

<sup>2</sup> Source: IDC's "Market Share of Smart Emergency Solutions in China, 2021" released in 2022

In the first half of 2022, our SenseMARS platform made commercial breakthrough. Surrounding people-object-location, three product pillars have taken shape – Digital Human Metaverse, Intelligent Agent and Decision and 3D Metaverse. Our products were used in the 2022 Beijing Winter Olympics, Saudi Arabia’s top cultural and recreational event Jeddah Season, Dunhuang Museum, Forbidden City Culture, etc. and were also widely deployed in more than 200 APPs such as Xiaohongshu, Weibo, bilibili, ZEPETO, Line, etc. Based on SenseMARS, our clients built key elements for their Metaverse experience, i.e. reconstructing digital space, digital human and digital collectibles. As of June 30, 2022, SenseMARS platform covered 10 million square meter of physical space, widely deployed in more than 120 theme parks, malls, banks, museums, airports, hospitals, etc. The 50 or so digital human products created by SenseMARS are also equipped with natural language capabilities. According to the “2022 China Digital Human Market Observation Report – Milestones (《2022年中國數字人市場觀測報告-里程碑》)” released by Frost & Sullivan, SenseTime’s digital human products have entered the “mature stage” to become the market leader, and have achieved six highest scores in ten evaluation indicators, with overall competitiveness ranking #1. Since 2022, leverage on SenseMARS’s breakthrough in the commercialization of digital collectibles, we cooperated with top IPs such as Dunhuang Museum, Xu Beihong art gallery, etc. to generate and launch nearly 15,000 pieces of limited edition digital collectibles, which were sold out rapidly. SenseMARS has become one of the metaverse engines with the most complete functional modules, the largest coverage of scenarios, the largest number of driver applications, and maximum access to users in the industry.

In regard to Smart Health, our smart diagnosis and treatment platform, SenseCare, now has 18 AI modules in place, including “Liver CT and MR Intelligent Analysis System”, “Liver Intelligent Surgery Planning System”, “Lung Intelligent Surgery Planning System”, “Cardiac Coronary Intelligent Analysis System”, “Head and Neck Vascular Intelligent Analysis System”, covering six clinical directions such as cardiovascular and cerebrovascular, abdomen, chest, etc.. It has obtained a total of 16 certifications, including domestic NMPA Class III and Class II medical device registration certificates, EU CE, Singapore, Saudi Arabia, United Arab Emirates and other domestic and foreign medical device certifications, and landed in 75 hospitals and medical institutions, helping physicians to analyze millions of medical tests.

We have also achieved breakthroughs in the business of artificial intelligence consumer products for household. In August 2022, the SenseTime AI Chinese chess robot “SenseRobot (元蘿蔔)” was officially released. This product has been certified by the Chinese Xiangqi Association and integrates traditional Chinese chess culture and artificial intelligence technology, targeting 200 million Chinese chess enthusiasts, with demand quickly ramped up over 10,000 since launching. We will continue to expand production capacity to enhance our delivery capabilities. As the first robot equipped with a robotic arm launched by SenseTime, “SenseRobot” integrates AI vision, robotic arms and AI decision-making intelligence, realizes production cost control of consumer products as well as safety assurance of household products. With chess and card game as the first application scene, it has created a new category of intelligent home robots, further bringing AI to everyday life.

## Smart Auto

In the first half of 2022, our SenseAuto intelligent automotive application platform continued to bring its products to commercialization. In the first half of 2022, revenue from Smart Auto amounted to RMB0.12 billion, representing a year on year increase of 71%, and accounting for 9% of the total revenue of the Group, a considerable increase from the 4% recorded in the full year of 2021. Smart Auto segment served 20 customers during the period, an increase of 54% period-over-period, and revenue per customer also increased by 11%.

In the first half of 2022, through in-depth cooperation with automobile companies, we continued to innovate and integrate our smart auto technological capabilities and launched several new products, including the “SenseAuto Automatic Parking Assistance”, “Autonomous Street Sweeping Vehicle”, vehicle-2 – city network system, etc. In the first half of 2022, our smart cabin products were delivered in mass production to many partners, including SAIC, GAC, Dongfeng, BYD, Nio, Chery, etc. and captured the largest market share in the industry offering AI software for the front seat of passenger car in China<sup>3</sup>. We have entered into strategic agreement with GAC Group to accelerate the development and mass production of “intelligent vehicles”. Several models in the field of intelligent connected vehicle with GAC Chuanqi and GAC AION will be launched in mass production soon. In the first half of 2022, SenseAuto received confirmation letter for mass production of over 3 million new vehicles. For V2X (Vehicle to Everything), we have been awarded road test licenses in Shanghai, Beijing and Chengdu, and we are building an industry-leading cloud-based data base and center for V2X (Vehicle-to-everything) coordination, which can empower application that can be integrated into smart city. Our autonomous minibuses have been deployed in Beijing, Shanghai Lingang, Wuxi, Xi’an and other places, where it realized industry-leading multi-storey viaduct driving and safely travel over long distances in tunnel scenarios without GNSS signals. It also solved various problems that the industry encountered in long-tail scenarios, such as easing traffic across the roads under the construction and unprotected left turns. In July 2022, we reach a cooperative intention with the Alfa Romeo F1 team ORLEN to jointly explore various ways to integrate AI technologies with the motorsport racing industry.

As a large number of smart autos start to go “on the road”, more and more in-vehicle data needs to be go “on the cloud”. We offer automobile companies with AI-as-a-Service services based on SenseCore, and integrated the core technology of ultra-large-based models into the autonomous driving R&D system, thus lowering the cost of autonomous driving data production and labeling by hundreds of times. For data security and privacy protection, the “Technical Requirements and Methods for Automobile Transmission Video and Image Desensitization” jointly developed by China Association of Automobile Manufacturers, SenseAuto and Shanghai Motor Vehicle Inspection Certification Tech Innovation Center was officially released in August 2022. This clarifies the desensitization method, of the vehicle data captured by automobile, setting the security standards for data captured by automobile in China. SenseAuto provides a one-stop desensitization solution for automobile companies, helping customers process data securely and at low cost so together we promote and accelerate autonomous driving industry as a whole.

<sup>3</sup> *Source: High-tech Intelligent Vehicle Research Institute: Ranking of Standard Loading of AI Software Supplier for Front Seat of Passenger Car in China Market 2021.*



## SenseCore and R&D

SenseTime firmly believes that AI will be ubiquitous in the next 20 years. It is a subversive technology that goes beyond cycles. The development of AI industry takes persistency and tenacity.

In the first half of 2022, our R&D expenditure reached RMB2.04 billion, and a cumulative investment in R&D from 2018 to date has exceeded RMB10 billion. SenseTime continues to lead China's R&D in AI, and has continued to strengthen its full-stack technological capabilities from AI infrastructure construction to industry application development. As of June 30, 2022, we had 4,093 R&D talents, accounting for 69% of the total workforce. Our per capita R&D efficiency continues to improve, the annual average number of models produced by the R&D team per person has further increased by 15% to 6.8 models compared to 2021, and the cumulative number of commercial models has increased by 40% to more than 49,000 models. During the Reporting Period, we added 2,136 patents, bringing the total number of patents to 12,502.

In the first half of 2022, the launch of Shanghai Lingang AIDC has brought SenseCore's capabilities to a new level, driving our AI model production to continue to improve in terms of scale, accuracy, and speed. Our super-large base model leads the visual large-model track, achieves over 90% accuracy in ImageNet large-scale recognition tasks, and ranks among top three globally along side Google and Microsoft. The automatic data production line based on the large model realizes that the speed of automatic data labeling is 600 times faster than traditional manual labeling, and the cost is reduced to 1/500, with comparable accuracy. It has been applied to smart cities, autonomous driving, etc. With the outstanding performance of SenseCore in the production of AI models, a number of academic institutions and enterprises (in particular automobile company customers) have subscribed and used SenseCore's AI-as-a-Service service. As of August 2022, the computing power of Shanghai Lingang AIDC's external services has exceeded 1 exaFLOPS. We continue to improve the computing power scheduling efficiency of AIDC, and optimize the performance of chips and servers. On the premise of not increasing energy consumption indicators, Shanghai Lingang AIDC can achieve larger-scale computing power output. The peak computing power is expected to exceed 5 exaFLOPS, which is 33% higher than the original plan, while further reducing the computing power cost and unit energy consumption, and drives overall cost of AI production down. During the "14th Five-Year Plan" period, China's AI computing power demand is expected to continue to expand. We have started preparatory work for AIDCs in other cities using Lingang as blue print, strategizing a nation wide computer power network.

In the first half of 2022, based on SenseCore's multimodal data processing capabilities, we successfully self developed natural language processing and speech recognition and with lower R&D than the industrial average. We also achieve commercialization in digital humans, intelligent car cabin and other related products; our decision-making intelligent model in StarCraft 2 took only five weeks of training time to complete 100 million rounds of game in StarCraft 2, reaching the highest human ranking possible grandmaster level, and was open sourced on GitHub, making it the strongest AI decision-making model among open source projects in the industry, and will achieve commercialized utilization in businesses such as AI games, among others.

We continue to build the AI chip alliance system around SenseCore. As of June 30, 2022, five types of domestic-made chips, including Huawei Ascend and Enflame Tech, have achieved training adaptation on SenseCore; Shanghai Lingang AIDC is using 260 petaFLOPS of localized computing power, accounting for 15% of its active computing power scale.

We actively open source and share research results with the world, and our open source platform has exceeded 60,000 stars on GitHub, with over 2,000 open source models. In the first half of 2022, we published 71 papers at the world's top computer vision academic conferences, and accumulated 633 papers at the three top conferences of CVPR, ICCV, and ECCV computer vision, continuing to be the global leadership in the field of computer vision.

## **Environmental, Social and Governance**

We fully integrate enterprise social responsibility into our R&D, business and management, and actively promote the sustainable development of the AI industry. In February 2022, we released our first post-IPO corporate social responsibility report, committed to the development of heartwarming AI and insisting on solving social issues with technology. We believe that cutting-edge technology exploration and research is an important cornerstone for the high-quality development of society. In terms of basic scientific research, AI technology based on strong computing power will help explore the frontier areas of science and technology, and in terms of AI innovation ecology, we play an active role in AI open source, and establish open source and open partnerships with many research institutions and industry players to achieve the democratisation of AI technology through open source and lower the entry barrier of AI for small and medium enterprises. As of June 30, 2022, our open source project received over 60,000 stars on Github, making us one of the most popular open source projects in the industry, while promoting positive and sustainable development of society.

From March to May 2022, when the pandemic hitting Shanghai hardest, we actively supported Shanghai's anti-pandemic work by donating anti-pandemic and living necessities to some streets, schools and institutions, and organized employee volunteers to participate in community service work. At the early stage of the pandemic's outbreak in Shanghai, we rapidly launched the SenseThunder-Air "All-in-One" pandemic prevention smart system and donated the system to temporary medial facilities and other public places, which helped with work automation. At the Shanghai Lingang Fangcang Hospital, our SenseAuto self-driving shuttle minibus and self-driving taxi project team completed the commissioning of the self-driving route in one day to provide technical support to the transportation for anti-pandemic work. During the pandemic, our education platform also provided remote online teaching support to some primary and secondary schools in Shanghai. Our smart diagnosis and treatment platform, SenseCare, improves the efficiency of online imaging diagnosis when doctors work from home.

We are devoted to realizing "human centric AI technology". In the first half of 2022, we officially delivered our "AI-powered Intelligent Nursing System" developed for ALS (Amyotrophic Lateral Sclerosis) patient. By monitoring the patients' key vital signs and events, it provides ALS patients around-the-clock contactless care, bringing warmth to the patients, and effectively relieves the pressure of the patients' family.

As a leading AI company, SenseTime is fully committed to data security and privacy protection, and strives to follow the highest standards of management practices. In May 2022, we were recognized once again by authoritative auditing agencies in personal information and privacy protection. We received the BS10012:2017 Certification for Personal Information Management Systems (PIMS) from the British Standards Institution (BSI), after consecutively receiving three authoritative certifications from ISO/IEC. BS10012:2017 is the world's first personal privacy protection standard. It sets out the compliance requirements for organizations to collect, store, process and retain personal privacy records, and is internationally recognized. The certification reaffirms SenseTime's firm commitment and practice in personal information security and privacy protection management. In the future, we will continue to improve and promote personal information and privacy data protection system as well as AI technology security system to ensure that the technology is applied responsibly for customers and the industry globally.

## **Strategic Vision**

Looking ahead, despite the challenging domestic and international environment, digital transformation and intelligent development will remain the key drivers of China's economic and social development plan as stipulated in the 14th Five-Year Plan period, and the popularization of AI technologies will continue to bring profound changes to the means of production, life and governance. We are confident that we can maintain and widen our competitive edge. In the second half of 2022, the Smart Life and Smart Auto segments will accelerate to realize their potential: AI sensors and metaverse in the Smart Life segment will enter the scale commercialization stage and continue in healthy momentum; in the Smart Auto segment, with the launch of targeted car models, our revenue from mass production continues to increase, and the AI-as-a-Service of SenseAuto could even provide open, co-developed and cutting-edge self-driving capabilities to various car companies. We also continue to lead the AI computing market and develop more incremental markets. We will continue to strengthen our comprehensive edges and adhere to our following established strategies to drive growth and value enhancement, and create more returns for our shareholders;

1. maintain the leading edge in products and markets for Smart City and Smart Business, and accelerate commercialization expansion and market penetration;
2. continue to establish a comprehensive technology barrier and cooperation ecology in the field of Smart Auto, and continue to break through the industry-leading self-driving technology;
3. continue to promote the development and commercialization of AI sensors, AI ISP chips, SenseMARS metaverse engine and consumer-grade home robotics products;
4. continue to enhance the algorithm production capability and customer expansion through SenseCore, establishing ourselves as the leader in domestication of AI technology;
5. strengthen our human capital, lean management, continuously optimize cash flow management, and strive for continuous improvement of operation quality.

## MANAGEMENT DISCUSSION AND ANALYSIS

Six months ended June 30, 2022 compared to six months ended June 30, 2021

The following table sets forth the comparative figures for the six months ended June 30, 2022 and 2021:

	<b>Six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	
Revenue	<b>1,415,343</b>	1,651,809
Cost of sales	<b>(481,300)</b>	(446,742)
<b>Gross profit</b>	<b>934,043</b>	1,205,067
Selling expenses	<b>(402,148)</b>	(292,388)
Administrative expenses	<b>(768,629)</b>	(1,443,031)
Research and development expenses	<b>(2,035,330)</b>	(1,771,749)
Net impairment losses on financial assets and contract assets	<b>(542,183)</b>	(178,650)
Other income	<b>193,347</b>	123,565
Other (losses)/gains – net	<b>(798,784)</b>	206,446
<b>Operating loss</b>	<b>(3,419,684)</b>	(2,150,740)
Finance income	<b>122,489</b>	96,606
Finance costs	<b>(19,128)</b>	(21,785)
<b>Finance income – net</b>	<b>103,361</b>	74,821
Share of losses of investments accounted for using the equity method	<b>(835)</b>	(3,380)
Fair value losses of preferred share and other financial liabilities	<b>(5,134)</b>	(1,713,610)
<b>Loss before income tax</b>	<b>(3,322,292)</b>	(3,792,909)
Income tax credit	<b>114,304</b>	80,036
<b>Loss for the period</b>	<b>(3,207,988)</b>	(3,712,873)
<b>Loss is attributable to:</b>		
Equity holders of the Company	<b>(3,157,653)</b>	(3,702,589)
Non-controlling interests	<b>(50,335)</b>	(10,284)
	<b>(3,207,988)</b>	(3,712,873)
<b>Non-IFRS measures:</b>		
Adjusted EBITDA	<b>(2,322,546)</b>	(556,160)
Adjusted net loss	<b>(2,564,180)</b>	(702,665)

## Revenue

Our revenue decreased by 14.3% to RMB1,415.3 million in the six months ended June 30, 2022, compared to RMB1,651.8 million in the six months ended June 30, 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 periods indicated:

	Six months ended June 30			
	2022		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>million</i>		<i>million</i>	
	<b>(Unaudited)</b>			
Smart Business	<b>568.3</b>	<b>40.2</b>	647.1	39.2
Smart City	<b>434.1</b>	<b>30.7</b>	786.3	47.6
Smart Life	<b>292.1</b>	<b>20.6</b>	147.8	8.9
Smart Auto	<b>120.8</b>	<b>8.5</b>	70.6	4.3
<b>Total</b>	<b><u>1,415.3</u></b>	<b><u>100.0</u></b>	<b><u>1,651.8</u></b>	<b><u>100.0</u></b>

Our Smart Business revenue decreased by 12.2% to RMB568.3 million in the six months ended June 30, 2022, compared to RMB647.1 million in the six months ended June 30, 2021. This primarily reflected customers' delayed AI spending and deployment of our products on their sites due to the COVID-19 pandemic and related lock-down situations in certain cities of Mainland China.

Our Smart City revenue decreased by 44.8% to RMB434.1 million in the six months ended June 30, 2022, compared to RMB786.3 million in the six months ended June 30, 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, especially in cities under lock-down in the first half of 2022. However, we have continued our expansion in domestic city coverage and has deployed our SenseFoundry into 15 new cities in the first half of 2022.

Our Smart Life revenue increased by 97.6% to RMB292.1 million in the six months ended June 30, 2022, compared to RMB147.8 million in the six months ended June 30, 2021. The increase was primarily due to (i) the expansion of our customer base with our Smart Life customers number increasing from 155 in the six months ended June 30, 2021 to 183 in the six months ended June 30, 2022, (ii) increasing revenue from customers in healthcare and education industries, and (iii) successful introduction of SenseMARS, our Metaverse-enabling platform, into international markets .

Our Smart Auto revenue increased by 71.1% to RMB120.8 million in the six months ended June 30, 2022, compared to RMB70.6 million in the six months ended June 30, 2021, primarily due to (i) the expansion of our customer base with our Smart Auto customer numbers increasing from 13 in the six months ended June 30, 2021 to 20 in the six months ended June 30, 2022, and (ii) entering into new R&D collaboration for commercialization of advanced driver assistance systems, leveraging our leading technological capabilities.

## Cost of sales

Our cost of sales increased by 7.7% from RMB446.7 million in the six months ended June 30, 2021 to RMB481.3 million in the six months ended June 30, 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 periods indicated:

	Six months ended June 30			
	2022		2021	
	<i>RMB</i> <i>million</i>	%	<i>RMB</i> <i>million</i>	%
	<b>(Unaudited)</b>			
Hardware costs and subcontracting service fees	<b>417.4</b>	<b>86.7</b>	383.0	85.7
Server operation and cloud-based service fees	<b>11.6</b>	<b>2.4</b>	0.9	0.2
Employee benefit expenses	<b>30.8</b>	<b>6.4</b>	24.1	5.4
Depreciation and amortization	<b>12.0</b>	<b>2.5</b>	-	-
Other expenses	<b>9.5</b>	<b>2.0</b>	38.7	8.7
<b>Total</b>	<b>481.3</b>	<b>100.0</b>	446.7	100.0

The increase in cost of sales was primarily attributable to the increase in hardware costs and subcontracting service fees, partially offset by the decrease of other expenses.

## Gross Profit and Gross Margin

Our gross profit decreased by 22.5% from RMB1,205.1 million in the six months ended June 30, 2021 to RMB934.0 million in the six months ended June 30, 2022, primarily due to the decrease of our revenue and increasing cost of sales. Our gross margin decreased from 73.0% in the six months ended June 30, 2021 to 66.0% in the six months ended June 30, 2022, partially due to higher hardware contribution in our cost of sales, as driven by customer demand in the first half of 2022.

## Research and Development Expenses

Our research and development expenses increased by 14.9% from RMB1,771.7 million in the six months ended June 30, 2021 to RMB2,035.3 million in the six months ended June 30, 2022, primarily due to (i) an increase of depreciation and amortization which is generally in line with the increasing investment in property, plant and equipment and intangible assets related to our research and development activities, and (ii) an increase in professional service and other consulting fees as we continue our investment in technology innovation.

## **Selling Expenses**

Our selling expenses increased by 37.5% from RMB292.4 million in the six months ended June 30, 2021 to RMB402.1 million in the six months ended June 30, 2022, primarily due to an increase in employee benefit expenses as a result of the expansion of our sales and marketing force.

## **Administrative Expenses**

Our administrative expenses decreased by 46.7% from RMB1,443.0 million in the six months ended June 30, 2021 to RMB768.6 million in the six months ended June 30, 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 203.4% from RMB178.7 million in the six months ended June 30, 2021 to RMB542.2 million in the six months ended June 30, 2022. This increase is primarily due to increased impairment provision for trade receivables, which is generally in line with the flow of our trade receivables' aging schedule as described in “**Trade Receivables**”. We have taken prudent views in making impairment loss, considering the uncertain macro economy environment and the delays on collection in reporting periods.

## **Other Income**

Our other income increased by 56.4% from RMB123.6 million in the six months ended June 30, 2021 to RMB193.3 million in the six months ended June 30, 2022, primarily due to an increase in government grants.

## **Other (Losses)/Gains – Net**

We had net other losses of RMB798.8 million in the six months ended June 30, 2022 compared to net other gains of RMB206.4 million in the six months ended June 30, 2021. The net other losses in the six months ended June 30, 2022 primarily consist of net foreign exchange losses of RMB447.5 million and fair value losses on financial assets at fair value through profit or loss amounting to RMB339.3 million. The net foreign exchange losses mainly result 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 4.4% in the six months ended June 30, 2022.

## **Finance Income – Net**

Net finance income increased from RMB74.8 million in the six months ended June 30, 2021 to RMB103.4 million in the six months ended June 30, 2022, primarily due to an increase in interest income earned from financial assets that are held for cash management purposes.

## **Fair Value Losses of Preferred Share and Other Financial Liabilities**

Fair value losses of preferred share and other financial liabilities decreased from RMB1,713.6 million in the six months ended June 30, 2021 to RMB5.1 million in the six months ended June 30, 2022. As our initial public offering was completed 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 share and other financial liabilities of RMB5.1 million in the six months ended June 30, 2022 represented the fair value change of preferred shares issued by a subsidiary of the Company.

## **Income tax credit**

We had income tax credit of RMB114.3 million in the six months ended June 30, 2022, compared to income tax credit of RMB80.0 million in the six months ended June 30, 2021 primarily due to an increase in deductible tax losses.

## **Loss for the period**

As a result of the foregoing, we had a loss of RMB3,208.0 million in the six months ended June 30, 2022, primarily due to our R&D efforts, net impairment losses on financial assets and contract assets, net foreign exchange losses and fair value losses on financial assets at fair value through profit or loss, compared to a loss of RMB3,712.9 million in the six months ended June 30, 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.



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

	<b>Six months ended June 30</b>	
	<b>2022</b>	2021
	<i><b>RMB million</b></i>	<i>RMB million</i>
	<b>(Unaudited)</b>	
<b>Loss before income tax</b>	<b>(3,322.3)</b>	(3,792.9)
Add:		
Finance income – net	<b>(103.4)</b>	(74.8)
Depreciation and amortization	<b>459.3</b>	301.4
	<hr/>	<hr/>
<b>EBITDA</b>	<b>(2,966.4)</b>	(3,566.3)
Add:		
Fair value losses of preferred share and other financial liabilities	<b>5.1</b>	1,713.6
Share-based compensation expenses	<b>299.4</b>	1,421.0
Fair value losses/(gains) on financial assets at fair value through profit or loss <sup>(1)</sup>	<b>339.3</b>	(147.9)
Listing fee <sup>(1)</sup>	<b>–</b>	23.5
	<hr/>	<hr/>
<b>Adjusted EBITDA</b>	<b>(2,322.6)</b>	(556.1)

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

	<b>Six months ended June 30</b>	
	<b>2022</b>	2021
	<i><b>RMB million</b></i>	<i>RMB million</i>
	<b>(Unaudited)</b>	
<b>Net loss for the period</b>	<b>(3,208.0)</b>	(3,712.9)
Add:		
Fair value losses of preferred share and other financial liabilities	<b>5.1</b>	1,713.6
Share-based compensation expenses	<b>299.4</b>	1,421.0
Fair value losses/(gains) on financial assets at fair value through profit or loss <sup>(1)</sup>	<b>339.3</b>	(147.9)
Listing fee <sup>(1)</sup>	<b>–</b>	23.5
	<hr/>	<hr/>
<b>Adjusted net loss</b>	<b>(2,564.2)</b>	(702.7)

Note:

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

## Trade, Other Receivables and Prepayments

Our trade, other receivables and prepayments increased from RMB5,775.9 million as of December 31, 2021 to RMB5,815.3 million as of June 30, 2022. The increase was mainly attributable to the increase of other receivables.

### Trade Receivables

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

	<b>As at June 30 2022 RMB million (Unaudited)</b>	<b>As at December 31 2021 RMB million</b>
Trade receivables		
– Due from related parties	<b>66.5</b>	46.0
– Due from third parties	<b>6,370.6</b>	6,018.1
Provision for impairment	<b>(1,506.5)</b>	(980.4)
<b>Total</b>	<b><u>4,930.6</u></b>	<b><u>5,083.7</u></b>

Our net trade receivables remained relatively stable as of June 30, 2022, compared to that as of December 31, 2021. Trade receivables' aging analysis based on date of revenue recognition is as follows:

	<b>As at June 30 2022 RMB million (Unaudited)</b>	<b>As at December 31 2021 RMB million</b>
Up to 6 months	<b>1,033.9</b>	2,659.6
6 months to 1 year	<b>2,246.2</b>	1,048.8
1 to 2 years	<b>2,194.4</b>	1,402.8
2 to 3 years	<b>715.5</b>	852.1
More than 3 years	<b>247.1</b>	100.8
	<b><u>6,437.1</u></b>	<b><u>6,064.1</u></b>

As of June 30, 2022, the aging of our gross trade receivables has worsened somewhat, compared to that as of December 31, 2021. This is generally in line with 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.

## Other Receivables

Our other receivables increased from RMB329.2 million as of December 31, 2021 to RMB497.9 million as of June 30, 2022. The increase was mainly attributable to the payment of refundable deposit in relation to the acquisition of certain property.

## LIQUIDITY AND FINANCIAL RESOURCES

We had historically funded our cash requirements principally from capital contribution from shareholders. We had cash and cash equivalents of RMB10,373.6 million, bank deposits of RMB7,032.8 million, and structured deposits of RMB466.7 million, totaling RMB17,873.1 million as of June 30, 2022, compared to the balance of RMB16,529.5 million, RMB4,990.8 million, and RMB272.5 million respectively, and totaling RMB21,792.8 million as of December 31, 2021. We have adequate financial resources to support our business development, and will continue to actively manage working capital as well as investments to maintain appropriate liquidity position.

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

	<b>Six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB million</b>	<b>RMB million</b>
	<b>(Unaudited)</b>	
Net cash used in operating activities	<b>(1,848.1)</b>	(830.9)
Net cash used in investing activities	<b>(5,721.4)</b>	(5,111.5)
Net cash generated from financing activities	<b>1,177.3</b>	3,536.3
Net decrease in cash and cash equivalents	<b>(6,392.2)</b>	(2,406.1)
Cash and cash equivalents at the beginning of the period	<b>16,529.5</b>	11,427.9
Exchange changes on cash and cash equivalents	<b>236.3</b>	(96.0)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<b>10,373.6</b>	8,925.8

### 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 six months ended June 30, 2022, net cash used in operating activities was RMB1,848.1 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, fair value losses on financial assets at fair value through profit or loss and share-based compensation.

## **Net Cash Used in Investing Activities**

For the six months ended June 30, 2022, net cash used in investing activities was RMB5,721.4 million, which was mainly attributable to acquisition of investments in financial assets at fair value through profit and loss, net increase in investments in bank deposits and purchase of property, plant and equipment.

## **Net Cash Generated from Financing Activities**

For the six months ended June 30, 2022, net cash generated from financing activities was RMB1,177.3 million, which was mainly attributable to proceeds from borrowings and net proceeds from exercise of over-allotment option, partially offset by net changes in deposits for the issuance of bank borrowings.

## **Borrowings**

As of December 31, 2021 and June 30, 2022, we had total borrowings of RMB339.9 million and RMB1,064.5 million, respectively. Repayment analysis and the currency denomination of bank borrowings of the Group as at June 30, 2022 are set out in Note 14 to the interim condensed consolidated financial information.

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 June 30, 2022, the Group had 5,943 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 programs 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 million. There has been no change in the intended use of proceeds 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 June 30, 2022, approximately HK\$4,474.72 million of the net proceeds had been utilised by the Group in accordance with the intended purposes 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 Period (Approximately HK\$ million)	Net proceeds unused as of June 30, 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	3,810.60	3,810.60	2,776.08	1,034.52	By end of 2023
(ii) Expansion of our business	15.0	952.65	952.65	110.89	841.76	By end of 2023
(iii) Pursuing strategic investment and acquisition opportunities	15.0	952.65	952.65	952.65	-	N.A.
(iv) Working capital and general corporate purposes	10.0	635.10	635.10	635.10	-	N.A.
<b>Total</b>	<b>100.0</b>	<b>6,351.00</b>	<b>6,351.00</b>	<b>4,474.72</b>	<b>1,876.28</b>	

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 June 30, 2022, our gearing ratio was -33.2%, which represented a net cash position. Our gearing ratio is calculated as net debt divided by total capital at the end of each financial period. Net debt equals to our total borrowings, lease liabilities and preferred share and other financial liabilities less our cash and cash equivalents. Total capital is calculated as total equity plus net debt.

### **Contingent Liabilities**

As of June 30, 2022, we did not have any material contingent liabilities.

### **Significant Investments held**

As of June 30, 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 six months ended June 30, 2022, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

### **Pledge of Assets**

As of June 30, 2022, we pledged certain buildings and land use rights with carrying amount of RMB897.6 million and restricted guarantee deposits amounting to RMB174.5 million for borrowings.

### **Future Plans for Material Investments and Capital Assets**

As of June 30, 2022, save as disclosed in the Company's announcements dated January 30, 2022, May 30, 2022 and June 29, 2022 in relation to the acquisition of Property or as otherwise disclosed, we have no specific plan for material investments and acquisition of capital assets. As disclosed in the Prospectus, 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.

## FINANCIAL INFORMATION

### INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000
<b>Revenue</b>	4(a)	<b>1,415,343</b>	1,651,809
Cost of sales	5	<u>(481,300)</u>	<u>(446,742)</u>
<b>Gross profit</b>		<b>934,043</b>	1,205,067
Selling expenses	5	(402,148)	(292,388)
Administrative expenses	5	(768,629)	(1,443,031)
Research and development expenses	5	(2,035,330)	(1,771,749)
Net impairment losses on financial assets and contract assets		(542,183)	(178,650)
Other income		193,347	123,565
Other (losses)/gains – net	6	<u>(798,784)</u>	<u>206,446</u>
<b>Operating loss</b>		<b>(3,419,684)</b>	(2,150,740)
Finance income		122,489	96,606
Finance costs		<u>(19,128)</u>	<u>(21,785)</u>
<b>Finance income – net</b>		<b>103,361</b>	74,821
Share of losses of investments accounted for using the equity method		(835)	(3,380)
Fair value losses of preferred share and other financial liabilities		<u>(5,134)</u>	<u>(1,713,610)</u>
<b>Loss before income tax</b>		<b>(3,322,292)</b>	(3,792,909)
Income tax credit	7	<u>114,304</u>	<u>80,036</u>
<b>Loss for the period</b>		<b><u>(3,207,988)</u></b>	<b><u>(3,712,873)</u></b>
<b>Loss is attributable to:</b>			
Equity holders of the Company		(3,157,653)	(3,702,589)
Non-controlling interests		<u>(50,335)</u>	<u>(10,284)</u>
		<b><u>(3,207,988)</u></b>	<b><u>(3,712,873)</u></b>
<b>Loss per share for loss attributable to equity holders of the Company</b>			
Basic and diluted loss per share (RMB)	8	<u>(0.10)</u>	<u>(0.39)</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS**

*FOR THE SIX MONTHS ENDED 30 JUNE 2022*

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	
<b>Loss for the period</b>	<b>(3,207,988)</b>	(3,712,873)
<b>Other comprehensive income</b>		
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	<b>(589,935)</b>	47,952
<i>Item that will not be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	<b>1,906,922</b>	193,072
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	<b>(2,617)</b>	(2,507)
	<u>1,314,370</u>	<u>238,517</u>
<b>Other comprehensive income for the period, net of taxes</b>		
	<b>(1,893,618)</b>	(3,474,356)
<b>Total comprehensive loss for the period</b>	<b>(1,893,618)</b>	(3,474,356)
<b>Total comprehensive loss for the period is attributable to:</b>		
Equity holders of the Company	<b>(1,827,352)</b>	(3,464,072)
Non-controlling interests	<b>(66,266)</b>	(10,284)
	<u><b>(1,893,618)</b></u>	<u>(3,474,356)</u>



**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**  
AS AT 30 JUNE 2022

	<i>Notes</i>	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	3,379,279	2,909,263
Right-of-use assets		440,083	432,164
Intangible assets		280,012	224,586
Contract assets		21,421	20,335
Investments accounted for using the equity method		24,105	26,930
Deferred income tax assets		586,084	457,199
Financial assets at fair value through profit or loss	12	6,805,668	4,310,970
Long-term receivables		421,111	306,860
Restricted cash		73,885	–
Bank deposits		2,980,681	–
Other non-current assets		256,114	171,795
		<u>15,268,443</u>	<u>8,860,102</u>
<b>Current assets</b>			
Inventories		567,419	496,144
Contract assets		22,068	19,023
Trade, other receivables and prepayments	11	5,815,301	5,775,885
Financial assets at fair value through profit or loss	12	466,678	272,549
Restricted cash		101,007	319
Bank deposits		4,052,113	4,990,791
Cash and cash equivalents		10,373,626	16,529,506
		<u>21,398,212</u>	<u>28,084,217</u>
<b>Total assets</b>		<u><b>36,666,655</b></u>	<u><b>36,944,319</b></u>
<b>Equity</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		5	5
Other reserves		71,084,907	70,077,626
Currency translation reserves		3,297,011	1,964,093
Accumulated losses		(43,307,394)	(40,149,213)
		<u>31,074,529</u>	<u>31,892,511</u>
Non-controlling interests		<u>28,307</u>	<u>94,573</u>
<b>Total equity</b>		<u><b>31,102,836</b></u>	<u><b>31,987,084</b></u>

	<i>Notes</i>	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	14	782,197	339,505
Lease liabilities		186,180	228,802
Deferred income tax liabilities		46,985	43,316
Contract liabilities		49,426	37,550
Deferred revenue		162,647	140,251
Preferred share and other financial liabilities		1,176,168	1,072,583
Long-term payables		19,678	44,955
Put option liability		268,456	255,028
		<u>2,691,737</u>	<u>2,161,990</u>
<b>Current liabilities</b>			
Borrowings	14	282,333	383
Trade and other payables	13	2,118,159	2,290,258
Lease liabilities		199,381	155,495
Contract liabilities		162,649	172,131
Deferred revenue		105,405	171,130
Current income tax liabilities		4,155	5,848
		<u>2,872,082</u>	<u>2,795,245</u>
<b>Total liabilities</b>		<u><b>5,563,819</b></u>	<u><b>4,957,235</b></u>
<b>Total equity and liabilities</b>		<u><b>36,666,655</b></u>	<u><b>36,944,319</b></u>
<b>Net current assets</b>		<u><b>18,526,130</b></u>	<u><b>25,288,972</b></u>
<b>Total assets less current liabilities</b>		<u><b>33,794,573</b></u>	<u><b>34,149,074</b></u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	Equity attributable to equity holders of the Company					Non-controlling interests	Total equity
	Share capital	Other reserves	Currency translation reserves	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)							
As at 1 January 2022	5	70,077,626	1,964,093	(40,149,213)	31,892,511	94,573	31,987,084
<b>Comprehensive loss</b>							
Loss for the period	-	-	-	(3,157,653)	(3,157,653)	(50,335)	(3,207,988)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	-	(2,617)	-	-	(2,617)	-	(2,617)
Exchange differences on translation of foreign operations	-	-	1,332,918	-	1,332,918	(15,931)	1,316,987
<b>Total comprehensive loss</b>	-	(2,617)	1,332,918	(3,157,653)	(1,827,352)	(66,266)	(1,893,618)
<b>Transactions with equity holders</b>							
Exercise of restricted shares and share options	-	17,736	-	-	17,736	-	17,736
Exercise of over-allotment option	*	692,807	-	-	692,807	-	692,807
Share-based compensation expenses	-	299,355	-	-	299,355	-	299,355
Others	-	-	-	(528)	(528)	-	(528)
<b>Total transactions with equity holders</b>	-	1,009,898	-	(528)	1,009,370	-	1,009,370
<b>As at 30 June 2022</b>	<b>5</b>	<b>71,084,907</b>	<b>3,297,011</b>	<b>(43,307,394)</b>	<b>31,074,529</b>	<b>28,307</b>	<b>31,102,836</b>

	Equity attributable to equity holders of the Company						Total equity RMB'000
	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	
<b>As at 1 January 2021</b>	<u>2</u>	<u>(432,856)</u>	<u>1,077,955</u>	<u>(21,713,334)</u>	<u>(21,068,233)</u>	<u>135,693</u>	<u>(20,932,540)</u>
<b>Comprehensive loss</b>							
Loss for the period	-	-	-	(3,702,589)	(3,702,589)	(10,284)	(3,712,873)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	-	(2,507)	-	-	(2,507)	-	(2,507)
Exchange differences on translation of foreign operations	-	-	241,024	-	241,024	-	241,024
<b>Total comprehensive loss</b>	<u>-</u>	<u>(2,507)</u>	<u>241,024</u>	<u>(3,702,589)</u>	<u>(3,464,072)</u>	<u>(10,284)</u>	<u>(3,474,356)</u>
<b>Transactions with equity holders</b>							
Exercise of restricted shares and share options	-	29,033	-	-	29,033	-	29,033
Capital contribution by controlling shareholder	-	10,365	-	-	10,365	-	10,365
Consideration paid to the then equity holders for acquisition of subsidiaries under common control	-	(15,219)	-	-	(15,219)	-	(15,219)
Share-based compensation expenses	-	1,421,007	-	-	1,421,007	-	1,421,007
Others	-	-	-	749	749	-	749
<b>Total transactions with equity holders</b>	<u>-</u>	<u>1,445,186</u>	<u>-</u>	<u>749</u>	<u>1,445,935</u>	<u>-</u>	<u>1,445,935</u>
<b>As at 30 June 2021</b>	<u>2</u>	<u>1,009,823</u>	<u>1,318,979</u>	<u>(25,415,174)</u>	<u>(23,086,370)</u>	<u>125,409</u>	<u>(22,960,961)</u>

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	
<b>Cash flows from operating activities</b>		
Cash used in operations	(1,837,345)	(798,196)
Income tax paid	(10,804)	(32,691)
	<u>(1,848,149)</u>	<u>(830,887)</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(997,184)	(378,212)
Purchase of intangible assets	(112,292)	(9,920)
Proceeds from disposal of property, plant and equipment	1,045	6,991
Dividend received from financial assets at fair value through profit and loss	19,787	6,172
Acquisition of investments in financial assets at fair value through profit and loss	(2,665,936)	(766,962)
Acquisition of structured deposits	(2,665,000)	(10,924,000)
Disposal of investments in financial assets at fair value through profit and loss	13,927	78,508
Disposal of structured deposits	2,478,470	8,779,772
Deposit for purchase of an office property	(200,000)	–
Net increase in investments in bank deposits	(1,693,557)	(2,002,452)
Interest received from banks	109,525	45,365
Repayments of loans granted to third parties	–	53,203
Loans granted to a related party	(10,163)	–
	<u>(5,721,378)</u>	<u>(5,111,535)</u>
<b>Net cash used in investing activities</b>		

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	<b>724,096</b>	10,000
Repayments of borrowings	–	(403,940)
Interest paid	<b>(11,044)</b>	(14,856)
Principal elements of lease payments	<b>(92,407)</b>	(52,372)
Interests elements of lease payments	<b>(10,905)</b>	(7,975)
Repayments of amount due to preferred shareholders	–	(5,206,029)
Proceeds from issuance of preferred share liabilities	–	9,202,353
Net proceeds from exercise of over-allotment option	<b>692,807</b>	–
Repurchase of preferred share liabilities and warrant liabilities	–	(17,045)
Capital contribution by controlling shareholder	–	10,365
Net changes in deposits for the issuance of bank borrowings	<b>(169,169)</b>	15,816
Capital injection by limited partners of investment fund controlled by the Group	<b>43,000</b>	–
Payment of listing fee	<b>(1,570)</b>	–
Proceeds from exercise of restricted shares and share options	<b>2,519</b>	–
	<hr/>	<hr/>
<b>Net cash generated from financing activities</b>	<b>1,177,327</b>	3,536,317
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(6,392,200)</b>	(2,406,105)
Cash and cash equivalents at beginning of period	<b>16,529,506</b>	11,427,871
Effect of foreign exchange rates changes	<b>236,320</b>	(95,949)
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	<b>10,373,626</b>	8,925,817
	<hr/>	<hr/>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 1 GENERAL INFORMATION

SenseTime Group Inc. (the “**Company**”) was incorporated in the Cayman Islands on 15 October 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, Second 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 Group are the sale of advanced artificial intelligence (“**AI**”) software, sale of AI software-embedded hardware and related services as well as research and development activities in relation to AI technology mainly in the PRC, Northeast Asia, Southeast Asia and other geographical areas.

The Company is a leading AI software company with customers across a broad spectrum of industries.

The ultimate holding company of the Company is Amind Inc. and the ultimate controlling shareholder of the Group is Prof. Tang.

On 30 December 2021, the Company has successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial information is presented in thousands of Renminbi (“**RMB’000**”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the Board of Directors on 25 August 2022.

## 2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information should be read in conjunction with the consolidated financial information of the Group for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), as set out in the Company’s annual report dated 25 March 2022 except for the adoption of amended standard as disclosed in note 3.

### 3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements.

Taxes on income for the interim period are accrued using the estimated tax rates that would be applicable to expected total annual assessable profit.

#### (a) 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 1 January 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 interim condensed consolidated financial information 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 1 January 2022 and have not been early adopted by the Group in preparing the interim condensed consolidated financial statements. None of these is expected to have a significant effect on the interim condensed consolidated financial information of the Group.

		<b>Effective for annual periods Beginning on or after</b>
IFRS 17	Insurance Contracts	1 January 2023
IAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 1 and IFRS Practice Statement 2 (Amendment)	Disclosure of Accounting Policies	1 January 2023
IAS 8 (Amendment)	Definition of Accounting Estimates	1 January 2023
IFRS 17 and IFRS 9 (Amendment)	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1 January 2023
IAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction Tax	1 January 2023
IFRS 10 and IAS 28 (Amendment)	regarding sales or contribution assets between an investor and its associate or joint venture	To be determined



#### 4 SEGMENT INFORMATION

The Company develops software and hardware products for different industry verticals and use cases based on the same AI infrastructure platform and model training framework. The technologies and nature of the products of different business lines are substantially similar. The executive directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance did not discrete operating segment financial information and the executive directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

##### (a) Geographical information

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in four principal geographical areas of the world. The following table shows the Group's total consolidated revenue by location of the customers during the six months ended 30 June 2022:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	
Mainland China	<b>1,140,734</b>	1,412,976
Northeast Asia	<b>227,706</b>	203,002
Southeast Asia	<b>4,213</b>	21,671
Others*	<b>42,690</b>	14,160
	<b>1,415,343</b>	<b>1,651,809</b>

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

##### (b) Non-current assets

The total of the non-current assets including property, plant and equipment, right-of-use assets and intangible assets as at 30 June 2022, broken down by the location of the assets, is as follows:

	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	
Mainland China	<b>3,884,892</b>	3,310,770
Northeast Asia	<b>63,827</b>	74,633
Southeast Asia	<b>53,135</b>	62,392
Others	<b>97,520</b>	118,218
	<b>4,099,374</b>	<b>3,566,013</b>

(c) **Information about major customers**

The major customers which contributed more than 10% of total revenue of the Group for the six months ended 30 June 2022 are listed as below:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	
<b>Percentage of revenue from the major customers to the total revenue of the Group</b>		
Client A	<b>19.84%</b>	*
Client B	<b>16.91%</b>	*
Client C	*	22.90%
Client D	*	14.92%

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

(d) **Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:**

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	
Revenue		
– recognised point in time	<b>1,336,432</b>	1,575,292
– recognised over time	<b>78,911</b>	76,517
	<b><u>1,415,343</u></b>	<b><u>1,651,809</u></b>

## 5 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	
Employee benefit expenses (a)	2,093,511	2,690,750
Depreciation and amortisation	459,299	301,362
Hardware costs and project subcontracting service fees	417,367	382,982
Professional service and other consulting fees	399,093	263,310
Server operation and cloud based service fees	135,040	95,035
Marketing, conference and travelling expenses	77,573	75,537
Utilities, property management and administrative expenses	35,292	34,098
Data labelling fees	30,534	19,347
Research and development tools and consumables	22,760	18,278
Listing expenses	–	23,451
Other expenses	16,938	49,760
<b>Total</b>	<b>3,687,407</b>	<b>3,953,910</b>

- (a) During the six months ended 30 June 2022, employee benefits expenses included the share-based compensation expenses of approximately RMB299,355,000 (for the six months ended 30 June 2021: RMB1,421,007,000).

## 6 OTHER (LOSSES)/GAINS – NET

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	
Fair value (losses)/gains on financial assets at fair value through profit or loss	(339,319)	147,860
Donations	(8,427)	(2,888)
Net foreign exchange (losses)/gains	(447,467)	63,073
Losses on disposal of property, plant and equipment	(257)	(3,550)
Others	(3,314)	1,951
	<b>(798,784)</b>	<b>206,446</b>

## 7 INCOME TAX CREDIT

### (i) Cayman Islands

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

### (ii) British Virgin Islands

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

### (iii) Hong Kong

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the years presented.

### (iv) Singapore

Singapore income tax rate is 17%. A concessionary rate of 5% was granted by Singapore Economic Development Board for a period of 5 years starting from 1 January 2019 for income derived from qualifying activities. No Singapore profits tax was provided for as there was no estimated assessable profit that was subject to Singapore profits tax during the six months ended 30 June 2022 (for the six months ended 30 June 2021: 17%, 5%).

### (v) Japan

Enterprise incorporated in Japan are subject to income tax rate at the state level of 23.2% during the six months ended 30 June 2022 (for the six months ended 30 June 2021: 23.2%).

### (vi) Malaysia

Malaysia income tax rate is 24% during the six months ended 30 June 2022 (for the six months ended 30 June 2021: 24%). In the case that the paid-up capital is Malaysia Ringgit (“MYR”) 2.5 million or less, and the gross income from business is not more than MYR50 million, the income tax rate on the first MYR0.6 million chargeable income is 17% and the part in excess of MYR0.6 million is 24%.

### (vii) PRC corporate income tax (“CIT”)

The income tax provision of the Group in respect of its operations in the Mainland China was subject to statutory tax rate of 25% on the assessable profits for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 25%), based on the existing legislation, interpretations and practices in respect thereof.

Beijing SenseTime Technology Development Co., Ltd. (北京市商湯科技開發有限公司, “**Beijing SenseTime**”), Shenzhen SenseTime Technology Co., Ltd. (深圳市商湯科技有限公司, “**Shenzhen SenseTime**”), Shanghai SenseTime Intelligent Technology Co., Ltd. (上海商湯智能科技有限公司, “**Shanghai SenseTime**”) and Shanghai SenseTime Lingang Intelligent Technology Co., Ltd. (上海商湯臨港智能科技有限公司, “**SenseTime 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% during the six months ended 30 June 2022 (for the six months ended 30 June 2021: Beijing SenseTime and Shenzhen SenseTime). This status is subject to a requirement that Beijing SenseTime, Shenzhen SenseTime, Shanghai SenseTime and SenseTime Lingang reapply for HNTes status every three years.

SenseTime Lingang, Shanghai SenseTime Technology Development Co., Ltd. (上海商湯科技開發有限公司), Shenzhen Tetras.AI Technology Co., Ltd. (深圳市慧鯉科技有限公司) and Shenzhen SenseTime were registered in such special zones and were entitled to a preferential income tax rate of 15% by the local government.

**(viii) 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 1 January 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 six months ended 30 June 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 primarily loss making in these periods (for the six months ended 30 June 2021: nil).

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB’000</b>	RMB’000
	<b>(Unaudited)</b>	
Current income tax	<b>8,674</b>	5,962
Deferred income tax	<b>(122,978)</b>	(85,998)
	<b>(114,304)</b>	(80,036)
Income tax credit	<b>(114,304)</b>	(80,036)

**8 LOSS PER SHARE**

**Basic**

The basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares (excluding treasury shares) issued during the six months ended 30 June 2022.

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	
Loss attributable to equity holders of the Company (RMB’000)	<b>(3,157,653)</b>	(3,702,589)
Weighted average number of ordinary shares in issue	<b>31,898,368,165</b>	9,404,428,177
Basic loss per share (expressed in RMB per share)	<b>(0.10)</b>	(0.39)

**Diluted**

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2022, 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 six months ended 30 June 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 six months ended 30 June 2022 is the same as basic loss per share of the respective period (for the six months ended 30 June 2021: same as basic loss per share of the respective period).

## 9 DIVIDENDS

No dividend had been declared or paid by the Company during the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

## 10 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities	Leasehold improvement	Large-scale electronic equipment	Computers and related equipment	Office equipment and furniture	Transportation equipment and vehicles	Other equipment	Construction in progress	Total
<b>(Unaudited)</b>									
<b>Six months ended</b>									
<b>30 June 2022</b>									
At 1 January 2022	884,596	66,985	917,614	160,826	27,743	29,498	16,145	805,856	2,909,263
Additions	-	7,299	573,780	84,993	3,872	127	1,865	102,814	774,750
Internal transfer	312,003	5,555	239,026	26	141	-	-	(556,751)	-
Disposals	-	-	(557)	(323)	(2)	-	-	(420)	(1,302)
Depreciation charge	(26,137)	(23,761)	(172,165)	(65,155)	(3,883)	(4,930)	(1,738)	-	(297,769)
Currency translation differences	(3,327)	240	575	(981)	(793)	(699)	(485)	(193)	(5,663)
<b>Closing net book amount</b>	<b>1,167,135</b>	<b>56,318</b>	<b>1,558,273</b>	<b>179,386</b>	<b>27,078</b>	<b>23,996</b>	<b>15,787</b>	<b>351,306</b>	<b>3,379,279</b>
<b>At 30 June 2022</b>									
Cost	1,282,923	230,051	2,290,238	506,304	46,048	43,773	20,823	351,306	4,771,466
Accumulated depreciation	(115,788)	(173,733)	(731,965)	(326,918)	(18,970)	(19,777)	(5,036)	-	(1,392,187)
<b>Net book amount</b>	<b>1,167,135</b>	<b>56,318</b>	<b>1,558,273</b>	<b>179,386</b>	<b>27,078</b>	<b>23,996</b>	<b>15,787</b>	<b>351,306</b>	<b>3,379,279</b>
<b>Six months ended</b>									
<b>30 June 2021</b>									
At 1 January 2021	916,124	96,302	528,139	177,278	31,075	20,870	4,327	132,364	1,906,479
Additions	-	7,785	275,960	26,193	3,761	3,137	-	230,481	547,317
Internal transfer	75	12,036	-	5,821	508	-	23	(18,463)	-
Disposals	(48)	-	(3,181)	(7,252)	(60)	-	-	-	(10,541)
Depreciation charge	(22,521)	(32,078)	(98,882)	(52,477)	(4,021)	(3,400)	(192)	-	(213,571)
Currency translation differences	(1,173)	(117)	(255)	(740)	(709)	(1)	(363)	(217)	(3,575)
<b>Closing net book amount</b>	<b>892,457</b>	<b>83,928</b>	<b>701,781</b>	<b>148,823</b>	<b>30,554</b>	<b>20,606</b>	<b>3,795</b>	<b>344,165</b>	<b>2,226,109</b>
<b>At 30 June 2021</b>									
Cost	960,030	216,956	1,140,669	357,226	44,907	30,115	4,536	344,165	3,098,604
Accumulated depreciation	(67,573)	(133,028)	(438,888)	(208,403)	(14,353)	(9,509)	(741)	-	(872,495)
<b>Net book amount</b>	<b>892,457</b>	<b>83,928</b>	<b>701,781</b>	<b>148,823</b>	<b>30,554</b>	<b>20,606</b>	<b>3,795</b>	<b>344,165</b>	<b>2,226,109</b>

(a) As at 30 June 2022, certain buildings with carrying amount of RMB832,363,000 (31 December 2021: RMB854,796,000) were pledged as collaterals for the Group's borrowings (Note 14).

- (b) During the six months ended 30 June 2022, the amounts of depreciation expense charged to research and development expenses, administrative expenses, selling expenses and cost of sales are as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	
Depreciation of property, plant and equipment		
– Research and development expenses	<b>212,666</b>	139,365
– Administrative expenses	<b>62,933</b>	63,724
– Selling expenses	<b>10,166</b>	10,482
– Cost of sales	<b>12,004</b>	–
	<hr/>	<hr/>
Depreciation expenses charged to profit or loss	<b>297,769</b>	213,571
	<hr/>	<hr/>

## 11 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at <b>30 June</b>	As at 31 December
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	
Notes receivables	<b>59,834</b>	147,687
Provision for impairment	<b>(49,012)</b>	(49,115)
	<hr/>	<hr/>
	<b>10,822</b>	98,572
	<hr/>	<hr/>
Trade receivables		
– Due from related parties	<b>66,466</b>	46,021
– Due from third parties	<b>6,370,635</b>	6,018,126
	<hr/>	<hr/>
Gross trade receivables	<b>6,437,101</b>	6,064,147
Provision for impairment	<b>(1,506,537)</b>	(980,402)
	<hr/>	<hr/>
	<b>4,930,564</b>	5,083,745
	<hr/>	<hr/>
Other receivables		
– Refundable deposits ( <i>i</i> )	<b>240,092</b>	101,783
– Loans to related parties	<b>10,829</b>	666
– Payments on behalf of customers	<b>507,824</b>	511,095
– Others	<b>110,836</b>	65,306
	<hr/>	<hr/>
Gross other receivables	<b>869,581</b>	678,850
Provision for impairment	<b>(371,714)</b>	(349,615)
	<hr/>	<hr/>
	<b>497,867</b>	329,235
	<hr/>	<hr/>
Prepayments	<b>122,841</b>	105,355
Input VAT to be deducted	<b>253,207</b>	158,978
	<hr/>	<hr/>
Total trade, other receivables and prepayments	<b>5,815,301</b>	5,775,885
	<hr/>	<hr/>

The aging of notes receivables based on date of revenue recognition was primarily within 1 to 2 years.

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 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i>
Up to 6 months	1,033,940	2,659,645
6 months to 1 year	2,246,204	1,048,809
1 to 2 years	2,194,447	1,402,755
2 to 3 years	715,493	852,127
More than 3 years	247,017	100,811
	<u>6,437,101</u>	<u>6,064,147</u>

- (i) Refundable deposits consists primarily of security deposits for rental and projects, including certain deposit paid for purchase of an office property amounted RMB200,000,000.

## 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

The Group classified the following financial assets at FVPL:

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



Financial assets mandatorily measured at FVPL include the following:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
<b>Non-current assets</b>		
Debt investments (a)		
– Unlisted	3,646,147	3,331,613
– Investments in bonds and other fixed income products	1,460,854	–
– Fund	505,683	334,065
Equity investments (b)		
– Listed	969,183	431,917
– Unlisted	223,801	213,375
	<u>6,805,668</u>	<u>4,310,970</u>
<b>Current assets</b>		
Structured deposits (c)	<u>466,678</u>	<u>272,549</u>
	<u>7,272,346</u>	<u>4,583,519</u>

(a) **Debt investments**

The movement of the debt investments during the six months ended 30 June 2022 is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	
At beginning of the period	3,665,678	2,744,605
Additions	2,036,694	684,615
Disposals	–	(32,349)
Fair value changes	(248,439)	1,562
Currency translation differences	158,751	(20,926)
	<u>5,612,684</u>	<u>3,377,507</u>

The Group made investments in various industry companies in the form of convertible redeemable preferred shares, ordinary shares with preferential rights and convertible loans. The Group has the right to require and demand the investees to redeem all of the investments held by the Group at guaranteed predetermined amount upon redemption events which are out of control of the investees. Hence these investments are accounted for as debt instruments and are measured as financial assets at fair value through profit or loss. In addition, the Group also made investments in certain investment funds as a limited partner, these investments were included in debt investments, depending on the investment contract terms.

**(b) Equity investments**

The movement of the equity investments during the the six months ended 30 June 2022 is as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	
At beginning of the period	<b>645,292</b>	991,891
Additions	<b>629,242</b>	82,347
Disposals	<b>(13,927)</b>	(46,159)
Fair value changes	<b>(98,479)</b>	104,109
Currency translation differences	<b>30,856</b>	(11,201)
	<hr/>	<hr/>
At end of the period	<b>1,192,984</b>	1,120,987
	<hr/>	<hr/>

The fair values of the listed securities are determined based on the closing price quoted in active markets. The fair values of the unlisted securities are measured using a valuation technique with unobservable inputs.

**(c) Structured deposits**

Structured deposits represented the wealth management products issued by reputable banks in mainland China or in Hong Kong. The wealth management products were non-principal protected with maturity of less than 1 year.

The movement of the wealth management products during the six months ended 30 June 2022 is as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	
At beginning of the period	<b>272,549</b>	–
Additions	<b>2,665,000</b>	10,924,000
Disposals	<b>(2,478,470)</b>	(8,779,772)
Fair value changes	<b>7,599</b>	42,146
	<hr/>	<hr/>
At end of the period	<b>466,678</b>	2,186,374
	<hr/>	<hr/>

**(d) Amounts recognised in the consolidated income statements**

During the the six months ended 30 June 2022, the following (losses)/gains were recognised in the interim condensed consolidated income statements:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000
Fair value (losses)/gains on investments in:		
Debt investments	(248,439)	1,562
Equity investments	(98,479)	104,109
Derivative	–	43
Structured deposits	7,599	42,146
	<u>(339,319)</u>	<u>147,860</u>

**13 TRADE AND OTHER PAYABLES**

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000
Trade payables		
– Third parties	618,779	468,020
– Related parties	8,596	2,381
Other payables		
– Third parties	651,283	424,263
– Related parties	687	1,125
Payables on purchase of property, plant and equipment and intangible assets	360,338	565,595
Payables for listing expenses	27,359	122,939
Accrued taxes other than income tax	125,301	226,011
Staff salaries and welfare payables	295,811	449,089
VAT payables related to contract liabilities	8,258	5,284
Accrued warranty expenses	21,747	25,551
	<u>2,118,159</u>	<u>2,290,258</u>

Aging analysis of the trade payables based on purchase date at the end of 30 June 2022 are as follows:

	As at <b>30 June</b> <b>2022</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i>
Up to 6 months	547,428	392,277
6 months to 1 year	12,958	25,249
1 to 2 years	49,637	32,526
More than 2 years	17,352	20,349
	<u>627,375</u>	<u>470,401</u>

#### 14 BORROWINGS

	As at <b>30 June</b> <b>2022</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i>
<b>Non-Current</b>		
Bank borrowing – secured	782,797	339,505
Less: current portion of non-current borrowings	(600)	–
	<u>782,197</u>	<u>339,505</u>
<b>Current</b>		
Short-term borrowing – secured	280,804	–
Current portion of non-current borrowings	600	–
Interest payable	929	383
	<u>282,333</u>	<u>383</u>
<b>Total</b>	<u><b>1,064,530</b></u>	<u><b>339,888</b></u>

As at 30 June 2022, the Group had bank loans with carrying amount of RMB142,000,000 which were secured by the Group's bank deposits of USD26,000,000 (equivalent to RMB174,497,000).

As at 30 June 2022, the Group had a bank loan with carrying amount of RMB723,514,000 (31 December 2021: RMB339,888,000) 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 10) and land use right with a carrying amount of RMB832,363,000 and RMB65,193,000 (31 December 2021: RMB854,796,000 and RMB65,869,000) respectively were also pledged as collaterals for the Group's borrowings.

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:

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000
6 months or less	<b>300</b>	–
Between 6 and 12 months	<b>281,104</b>	–
Between 1 and 5 years	<b>222,029</b>	33,951
Over 5 years	<b>560,168</b>	305,554
Total	<b><u>1,063,601</u></b>	<u>339,505</u>

## 15 EVENTS AFTER THE BALANCE SHEET DATE

- (a) From 30 June 2022 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 RMB57,750,000.
- (b) On 19 July 2022, the Group repurchased 6,700,000 Class B ordinary shares at a price at HKD2.10 per share.

Save as disclosed above and elsewhere in this report, there is no other material subsequent event undertaken by the Group after 30 June 2022.

## **OTHER INFORMATION**

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

During the Reporting Period, neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

Subsequent to the Reporting Period and up to the date of this announcement, the Company repurchased a total of 6,700,000 Class B Shares on the Stock Exchange at an aggregate consideration of HKD14,070,000. Details of such repurchase are set out as follows:

<b>Date</b>	<b>Number of Class B Shares repurchased</b>	<b>Price per Class B Share paid</b>		<b>Aggregate Consideration (HKD)</b>
		<b>Highest (HKD)</b>	<b>Lowest (HKD)</b>	
July 19, 2022	6,700,000	2.1	2.1	14,070,000

The Company will complete the cancellation of all the Class B Shares repurchased as soon as reasonably practicable in accordance with the requirements of the Listing Rules. Upon the cancellation of such repurchased Class B Shares, the Company will simultaneously arrange the holder(s) of Class A Shares to convert their Class A Shares into Class B Shares on a one-to-one ratio pursuant to Rule 8A.21 of the Listing Rules, such that the proportion of Class A Shares would not be increased as a result of the repurchase of Class B Shares, in accordance with Rule 8A.13 and 8A.15 of the Listing Rules.

Save as disclosed above, subsequent to the Reporting Period and up to the date of this announcement, neither the Company nor its subsidiaries or consolidated affiliated entities had purchased, sold or redeemed any of the listed securities of the Company.

### **Events After the Reporting Period**

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

### **Compliance with the Corporate Governance Code**

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

During the Reporting Period, the Company has complied with the corporate governance requirements under the Corporate Governance Code set out in Appendix 14 to the Listing Rules save for code provision C.2.1 as discussed below.

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 be performed by different individuals. The Company does not have a separate chairman and chief executive officer, and Dr. Xu Li currently performs these two roles. The Board believes that vesting the roles of both executive chairman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of executive chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

### **Interim Dividend**

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2022 (June 30, 2021: Nil).

### **Directors' Securities Transactions**

The Board has adopted the Model Code as the code of conduct regulating Directors' dealings in securities of the Company. In response to specific enquiries made by the Board, all Directors confirmed that they have complied with the provisions of the Model Code during the Reporting Period.

### **Audit Committee**

The Audit Committee (comprising two independent non-executive Directors, Mr. Lyn Frank Yee Chon (being the chairman of the Audit Committee) and Mr. Li Wei; and the non-executive Director, Ms. Fan Yuanyuan) has reviewed the unaudited interim condensed consolidated financial information of the Group for the Reporting Period. The Audit Committee has also discussed matters in relation to the accounting policies and practices adopted by the Company, risk management, internal control and financial reporting with senior management members and the Auditor.

### **Publication of the Interim Results and Interim Report**

This interim results announcement has been published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.sensetime.com](http://www.sensetime.com). The interim report of the Company containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company and will be despatched to the Shareholders in due course.

## DEFINITIONS

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

“AIDC”	a data center with AI supercomputing infrastructure and a large number of GPUs, to offer pre-trained AI models and produce new AI models
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the independent auditor of the Company
“Board”	the board of Directors of the Company
“Class A Share(s)”	the class A ordinary shares of the Company with a par value of USD0.000000025 each
“Class B Share(s)”	the class B ordinary shares of the Company with a par value of USD0.000000025 each
“Company”	SenseTime Group Inc. (商汤集团股份有限公司), an exempted company incorporated under the laws of Cayman Islands with limited liability, the issued Class B Shares of which are listed on the Main Board of the Stock Exchange (stock code: 0020)
“Director(s)”	director(s) of the Company
“Dr. Wang”	Dr. Wang Xiaogang (王曉剛), the Company’s co-founder, executive Director, chief scientist and a WVR Beneficiary
“Dr. Xu Li”	Dr. Xu Li (徐立), the Company’s co-founder, executive Chairman of the Board, executive Director, chief executive officer and a WVR Beneficiary
“Group”, “SenseTime” or “we”	the Company and its subsidiaries and consolidated affiliated entities
“HKD”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards



“JPY”	Japanese Yen, the lawful currency of Japan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 of the Listing Rules
“Mr. Xu Bing”	Mr. Xu Bing (徐冰), the Company’s co-founder, executive Director, Board Secretary and a WVR Beneficiary
“PRC” or “China”	the People’s Republic of China
“Prof. Tang”	Professor Tang Xiao’ou (湯曉鷗), our founder, executive Director and a WVR Beneficiary
“Property”	4/F–26/F, West Tower, Shanghai West Bund International AI Tower* (上海西岸國際人工智能中心) at Plot 188N-W-1B, Unit WS5, Huangpu River South Extension Area, Xuhui District, Shanghai
“Prospectus”	the prospectus of the Company dated December 7, 2021, as supplemented by the supplemental prospectus of the Company dated December 20, 2021
“Reporting Period”	the six months ended June 30, 2022
“RMB”	Renminbi, the lawful currency of the PRC
“SGD”	Singapore Dollars, the lawful currency of Singapore
“Share(s)”	the Class A Shares and Class B Shares
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States Dollars, the lawful currency of the United States

“WVR Beneficiary(ies)”

has the meaning ascribed thereto 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

By order of the Board  
**SenseTime Group Inc.**  
商汤集团股份有限公司  
**Dr. Xu Li**  
*Executive Chairman*  
*Chief Executive Officer*

Hong Kong, August 25, 2022

*As at the date of this announcement, the executive Directors are Dr. Xu Li, Prof. Tang Xiao’ou, Dr. Wang Xiaogang and Mr. Xu Bing; the non-executive Director is Ms. Fan Yuanyuan; and the independent non-executive Directors are Prof. Xue Lan, Mr. Lyn Frank Yee Chon and Mr. Li Wei.*

*This announcement contains certain forward-looking statements. These forward-looking statements are based on information currently available to the Group or the current belief, expectations and assumptions of the Board. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company’s control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved, and shareholders and investors of the Company should not place undue reliance on such statements.*