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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 Codes: 0020 (HKD Counter) and 80020 (RMB Counter))

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

The Board is pleased to announce the consolidated financial results of the Group for the year ended December 31, 2023. The consolidated financial statements for the year ended December 31, 2023 have been audited by the Auditor in accordance with the International Standards on Auditing, and reviewed by the Audit Committee.

KEY HIGHLIGHTS

Financial Summary

	Year ended December 31,				
	2023		2022		
	Amount	**As a percentage of revenue**	Amount	As a percentage of revenue	**Year-over-year change**
	(RMB in thousands, except for percentages)				
Revenue	**3,405,842**	**100.0**	3,808,510	100.0	-10.6%
Gross Profit	**1,500,787**	**44.1**	2,542,267	66.8	-41.0%
Loss for the year	**(6,494,670)**	**(190.7)**	(6,092,990)	(160.0)	6.6%
EBITDA	**(5,449,554)**	**(160.0)**	(5,570,235)	(146.3)	-2.2%

BUSINESS REVIEW AND OUTLOOK

OVERALL PERFORMANCE

In 2023, SenseTime continued to invest in and maintain its industry-leading position of "SenseNova" Large Model Series. The total computing power of our AI infrastructure — SenseCore has achieved breakthrough growth, reaching 12,000 petaFLOPS with 45,000 GPUs under operation. Our new "Model-as-a-Service" (MaaS) business model allows customers to easily fine-tune and call various generative AI capabilities on our infrastructure without having to build and manage the underlying infrastructure. This leadership position in AI infrastructure and large model services has driven generative AI revenue to exceed RMB1,183.7 million, representing a significant 199.9% yoy growth. This segment now accounts for 34.8% of the Group's revenue, up from 10.4% in 2022. SenseAuto, our smart car business, also demonstrated robust growth, achieving revenue of RMB383.7 million, a 31.1% increase yoy. Its contribution to the Group's total revenue increased from 7.7% in 2022 to 11.3% in 2023. Meanwhile, the Traditional AI business, such as Smart City, experienced a 41.1% yoy decline to RMB1,838.4 million in 2023 in light of the Group's strategic pivot towards other segments, with their share of the Group's total revenue decreasing from 81.9% in 2022 to 53.9% in 2023. Notably, the proportion of Smart City revenue has dropped to below 10%, significantly reducing our reliance on this sector. In 2023, total revenue of the Group was RMB3,405.8 million, representing a 10.6% decrease yoy. Gross profit stood at RMB1,500.8 million, with a gross profit margin of 44.1%. Collection of trade receivables amounted to RMB3,885 million, up 48.5% yoy. SenseTime's efforts to improve operational efficiency have yielded positive results. Total operating expenses for R&D, administration and sales fell by 10.6% yoy to RMB5,795.4 million. In addition, capital expenditures (excluding one-time investment in office building) decreased by 20%. The Group's EBITDA (loss) was RMB5,449.6 million, a 2.2% reduction yoy. Net loss amounted to RMB6,494.7 million.

In 2023, SenseTime successfully transitioned its generative AI large models from the R&D stage to commercial applications, achieving revenue exceeding RMB1 billion in this field. Generative AI represents not only a transformative technological innovation for SenseTime, but it is also becoming a core business segment, signifying our upgrade from perception and decision intelligence in the AI 1.0 era to generative intelligence in the AI 2.0 era. The growth of our generative AI business is attributable to the following key advantages:

- First of all, Sensetime's decade-long effort in perceptual and decision intelligence, as well as rich reserve for multi-modal data processing, has strengthened our basic understanding of the physical world and multi-modal capabilities.

- Secondly, our large synergy from computing infrastructure to large models. On the one hand, our large model can continue to improve its performance with the infrastructure of more than 10,000 GPUs under the Scaling Law; on the other hand, with our deep understanding in building large models, we are able to design infrastructure with foresight and efficiency and achieve industry-leading scheduling flexibility of SenseCore.

- Thirdly, our experience in edge deployment. Since 2015, we have cooperated with almost all the leading Android phone manufacturers and major car companies in the world, and implanted our perception and decision intelligence into more than 2 billion mobile phones and millions of cars to optimize edge inferencing. In the era of generative AI, we are also the fastest to launch edge-based small models with industry-leading performance and inference speed, making way for new applications.

- Finally, our AI to B capabilities. We have extensive experience in many 2B scenarios, and possess deep expertise and capabilities for serving enterprise customers. We are able to respond quickly to our customers' needs and provide the most cost-effective generative AI solutions.

Following the business restructuring in 2023, we have reclassified business revenue streams as Generative AI, Traditional AI and Smart Auto, which corresponds to model training, fine-tuning and inferencing services business under Generative AI; non-generative AI business under the traditional Smart City, Smart Business and Smart Life sector; and the original Smart Auto business. Under this new structure, the Group prioritizes the development of Generative AI, while maintaining its leadership in Traditional AI and Smart Auto businesses, so as to optimize operational efficiency.

PERFORMANCE OF EACH BUSINESS SEGMENT

Generative AI

In 2023, our Generative AI business achieved significant growth. Our "SenseNova" Large Model was one of the eight large models in China initially registered under the Interim Measures for the Management of Generative Artificial Intelligence Services (《生成式人工智能服務管理暫行辦法》), allowing us to serve a broad range of public and enterprise customers. Our Generative AI business is the fastest new business to reach the 1 billion RMB revenue mark from scratch since our establishment 10 years ago. SenseTime offers industry-leading AI infrastructure and a full array of model options to our customers, whose demand for model training, fine-tuning, and inference is exploding. More than 70% of these customers are new to SenseTime within the past 12 months, and for the remaining 30% of its existing customers, average revenue per customer increased by about 50%. Our customers come from a variety of sectors, including the three major telecom operators, financial institutions such as China Merchants Bank, Haitong Securities, internet companies such as Jingdong, Xiaomi, China Literature and academic institutions such as Tsinghua University, Shanghai Jiao Tong University.

Our training services empower the full lifecycle production of large models with up to trillions of parameters, with added support for multi-modal and Mix of Experts models. Our AIDC in Shanghai Lingang, which opened as early as 2022, is already a "role model" for the construction of domestic AIDCs. The computing power network managed by us has realized unified scheduling across the nation, and new computing nodes have been added in Shanghai, Shenzhen, Guangzhou, Fuzhou, Jinan and Chongqing, with the total operating computing power reaching 12,000P and the number of GPUs reaching 45,000. In 2024, we expect to expand the national network computing power nodes to a wider area, unleashing the power of "new quality productive forces".

For large model training services, the scale of GPU network, acceleration efficiency and stability of GPUs of the infrastructure are among the three most critical performance indicators. We have achieved super-large cluster interconnection of up to 10,000 GPUs, reaping 90% acceleration efficiency. In terms of training stability, our infrastructure can support continuous training for more than 30 days without disruption, and the diagnostic recovery time in case of a disruption has been shortened to half an hour.

Regarding the large model inference service, we have also achieved industry-leading inference optimization, with cost-effectiveness of the inference service increased by 3 times in a single year, providing customers with the most cost-effective large-scale flexible inference service in the industry.

Over the past year, we offered a more diversified selection of chips for training and inference to customers with SenseCore. We expanded our offerings to include mainstream domestic chips such as Huawei Ascend and Cambricon to support training, fine-tuning and inference of large models with domestic technology and hardware.

The key to this is the DeepLink open computing platform co-developed by SenseTime. DeepLink is a leading domestic parallel computing platform aiming to bridge the gap between domestic chips and deep learning software frameworks. DeepLink provides more than 300 standard operator interfaces; virtually supports all AI large model computing needs that CUDA supports, with coverage rate of 99.5%. With DeepLink, domestic chips can be easily adapted to mainstream large-scale model training frameworks and algorithm libraries, such as PyTorch, DeepSpeed and other common open source training frameworks, as well as open source algorithm libraries such as OpenMMLab, OpenDILab and OpenGVLab launched by SenseTime, enhancing the performance of domestic chips.

We have also built industry-leading small models for edge devices, including language models and text-to-image models, which offer comparable performance to large models but are compact enough to run on laptops or mobile devices.

We have witnessed the growth in usage by leading industry players such as Xiaomi, China Literature and Weibo, as well as the emergence of AI startups such as HiDream.AI, Lanzhou Technology, and Tiamat, leveraging the capabilities of SenseCore. For example, SenseNova's code generation and function calling capabilities have also achieved remarkable success in empowering digital office applications, particularly demonstrating significant technical advantages as demonstrated in the Copilot application for Kingsoft Office WPS. The model ranked first in the SuperClue code evaluation and surpassed GPT-4.

From a commercial perspective, we are seeing more client collaborations that are larger in scale and strategically more significant. Currently, we have dozens of customers with orders exceeding RMB10 million. Consumer-end usage of SenseNova has shown a nearly 120-fold increase.

In the 2023 "China AI Development Platform Market Report" published by Frost & Sullivan, SenseTime ranked first in the country in the comprehensive score of growth index and innovation index. The results not only demonstrated SenseTime's leading position in generative AI, but also served as international recognition of our innovation capabilities and market expansion speed.

SenseNova's large model capabilities upgrade

SenseTime's "SenseNova" Large Model Series showcases the integration of leading technological innovation and commercial applications. Guided by the Scaling Law, large models are undergoing a golden age of technological innovation and performance advancement. At this critical stage, our two main objectives are to keep pace with global leading technology players, and to promote the rapid implementation of commercial applications to achieve value creation. The current capabilities of generative AI models are far from the upper limit. The capabilities of SenseNova significantly improve every three months, leading to corresponding upgrades in their enterprises applications.

Throughout 2023, "SenseNova" Large Model Series has undergone important technological upgrades, each of which has placed us at the forefront of the industry, demonstrating our profound technical foundation:

– In April 2023, we launched SenseNova 1.0, marking the release of one of the first large language models and also featuring a variety of generative AI models such as Mirage text-to-image and 3D content generation.

– In July and August 2023, we quickly iterated SenseNova 2.0 and 3.0 to achieve significant improvements in language capabilities through improved training data quality. SenseNova has become the first domestic large model that surpassed GPT-3.5-turbo, and also one of the first large models to register under the Interim Measures that allows official launch to end users.

– In February 2024, we launched SenseNova 4.0 that achieved performance on par with GPT-4 in coding, data analysis, and medical question answering. At the same time, we also open-sourced the base model of InternLM2-7B and 20B, surpassing the performance of Meta's Llama2 and Google's Gemma at the same parameter level. After 4 iterations, SenseNova-Mirage was also upgraded to tens of billions of parameters, achieving a tenfold increase in inference speed, becoming the most useful text-to-image product in China. On this basis, we further developed a large text-to-video model that achieved cinematic image quality.

– We are working on SenseNova 5.0, which is expected to be released in April and will fully match GPT-4-turbo. SenseNova 5.0 will achieve a million-word context length while also strengthening its multi-modal capabilities that will fully match GPT4V.

All in all, the continuous iteration and optimization of SenseNova large model not only reflected the Company's technological pursuit and innovation in artificial intelligence, but also demonstrated its determination and ability to transform cutting-edge technology into practical application of value.

Commercial application of SenseNova Large Model Series

SenseNova Large Model Series has established its outstanding application value and leading position in multiple industries, especially in the following key areas:

1. Finance: We have significantly improved the model's data processing and question-answering capabilities by refining the model's retrieval-augmented generation (RAG) technology. Using RAG technology, financial data is efficiently mapped into a vector database, which strengthens the model's financial knowledge base and effectively reduces the incidence of erroneous information generation (commonly known as the "hallucination" phenomenon). This breakthrough enables the model to accurately respond to professional financial inquiries. As a result, many established banks, including Bank of China, China Merchants Bank, Industrial and Commercial Bank of China, and Bank of Shanghai, have adopted the SenseNova large model to build their "digital employees" and "digital customer services" systems to provide a more intelligent customer service experience.

2. Healthcare: We have leveraged massive medical knowledge and imaging data to cultivate a "SenseChat-DaYi" model with strong multi-modal capabilities. This model provides professional medical knowledge question and answer services and has the ability to recognize a variety of medical images such as CT, MR and pathology. In the MedBench professional pharmacist examination evaluation, "SenseChat-DaYi" won the second place for its excellent comprehensive ability, which was comparable to the overall performance of GPT-4 and surpassed it in specific subdivisions. Currently, "SenseChat-DaYi" has been applied in institutions such as Xinhua Hospital of Shanghai Jiao Tong University School of Medicine, Ruijin Hospital and the First Affiliated Hospital of Zhengzhou University, significantly improving the quality and efficiency of medical services.

3. Enterprise Copilot Assistants: Our technical prowess in Excel processing and other data analysis leads the industry, and has been adopted by leading companies like Kingsoft Office, Haitong Securities and China Merchants Group. In the SuperClue code evaluation, the performance of SenseNova large model ranked first, outperforming GPT-4 on data analysis test of up to thousands of questions. The Company has launched Coding Copilot and Office Copilot for free trial. Coding Copilot significantly improving developers' programming efficiency, while Office Copilot is able to automatically process Excel and other documents, perform various data analysis tasks, and generate intuitive visual charts, which greatly improves the efficiency of office workers.

4. Anthropomorphic Interaction: SenseNova large model focuses on improving the model's character shaping and long-term dialogue memory capabilities. As a result of these enhancements, the model is able to create dialogue content that matches the image, style, personality and cognitive framework of a specific character. Anthropomorphic chat applications supported by SenseNova large model stands out in the domestic market and has become the industry leader with its strong user royalty, with customer-built 2C chat applications achieving next-day retention rates comparable to character.AI (exceeding 60%) and a maximum of over 2,000 rounds of conversation from a single user.

5. Smart Device: We believe that 2024 will be the year of explosive growth for edge-based large model applications. Building on years of experience in Smart Devices, SenseTime has constructed industry-leading small models of various specifications. For example, our 7B model outperforms Meta's Llama2 and Google's Gemma. In 2023, Tetras.AI, one of our subsidiaries, demonstrated generative AI edge models on both Qualcomm and MediaTek product launch events. Our 7B-level small model has achieved an industry-leading inference speed of 16 tokens/second on Qualcomm's latest chip. These edge-based models are crucial for AI phones, which are able to understand user commands and call on various applications on the phone to complete complex tasks. SenseTime has partnered with mobile phone companies such as Xiaomi and Honor to jointly develop these innovative features.

Traditional AI

After the business reorganization in 2023, we grouped our traditional non-generative AI businesses of Smart City, Smart Business and Smart Life into Traditional AI. Given the rapid growth of the Generative AI business, combined with the strategic pivot from our Smart City business, the share of traditional AI business in the Group's total revenue decreased from 81.9% in 2022 to 53.9% in 2023. The drop in the share of revenue from Smart City business from about 30% to less than 10% have significantly reduced the Group's reliance on Smart City business. During the past year, the main objective of our Traditional AI business was to improve quality of cash flow. We have navigated the entire process of AI, from breaking through industrial application benchmark to cost reduction and penetration, in Smart City and Smart Business. This has allowed us to accumulate large customer base and efficiency improvement experience, laying a solid foundation for the rapid application and promotion of generative AI technology in these scenarios.

For our smart devices business, amid the overall decline of the global mobile phone market, our products have shown remarkable resilience. We continued to secure mass production orders for our AI sensors, AI SDK software and AI ISP chips, and such products have been installed on hundreds of millions of smartphones. To date, we have already empowered more than 2 billion smartphones with our technologies, providing huge potential for our on-device generative AI business.

Smart Auto

The strategic positioning of SenseAuto is to become a core supplier of automotive intelligence in the era of artificial general intelligence, relying on SenseTime's strong infrastructure and R&D capabilities in the field of large models. In 2023, our Smart Auto business "SenseAuto" realized revenue of RMB383.7 million, representing an increase of 31.1% over the previous year. SenseAuto Pilot and SenseAuto Cabin, two core areas of our business, have both achieved continuous growth. In respect of our mass production volume, our SenseAuto solutions were delivered to 1.29 million vehicles during the year, representing a significant yoy increase of 163%. In respect of economic benefits, the gross profit per vehicle of SenseAuto Cabin increased by 30%. So far, SenseAuto solutions have been delivered to a total of 1.95 million smart vehicles in aggregate, covering more than 90 car models, which has strengthened SenseAuto's leading position in the industry in terms of mass production progress. Additionally, we received confirmation letters as the designated supplier for over 16 million additional vehicles and expanded to 41 new car models.

Our deliveries in the Smart Pilot have achieved a remarkable breakthrough. In 2023, we successfully achieved mass production of the high-speed NOA (Navigate on Autopilot) function for GAC Aion LX Plus, Hozon Neta S, GAC Hyper GT amongst others, and will deliver our solutions to more models. Our NOA functions have been widely recognized and praised by users. We will also achieve mass production of urban NOA functions in 2024, and strive to maintain our leading position in mass production progress of autonomous driving solutions in China market. With large models, our autonomous driving technology has made significant achievements, among which UniAD (Unified Autonomous Driving), released in 2022, marks the industry's first publicly released end-to-end automated driving large model solution, has won the Best Paper Award at the 2023 Conference on Computer Vision and Pattern Recognition (CVPR), and has been deployed in real automotives. UniAD demonstrated state-of-the-art performance in all task evaluations on the nuScenes dataset, significantly outperforming other models in prediction and planning. In the second half of the year, we released DriveMLM, an innovation that uses multimodal large language models (LLM) to optimize the planning and control module of autonomous driving, which significantly improved the controllability and interpretability of the model, and achieved leading driving scores in CARLA simulator environment.

We have also made significant progress in Smart Cabin. In 2023, we launch a matrix comprising four major smart cabin products: driver monitoring system (DMS), operations management system (OMS), near-field sensing system and cabin brain, aiming to enhance drivers' riding experience in all aspects. By combining cutting-edge generative AI technologies such as large language models, text-to-image models, multimodal models and generalist agents, we have launched 11 industry-leading new smart cabin features. These innovative functions, such as role-play interaction, touch-free painting, creative audio and video, and smart selection of news, have been widely used in mass-produced models of many mainstream automobile manufacturers. Our large-model product suites of SenseAuto Cabin won the Lingxuan Award 2023.

ENVIRONMENT, SOCIETY AND GOVERNANCE

Environmental Protection

SenseTime has established a series of environmental sustainability goals in 2021, including achieving carbon peak by 2025, striving for operational carbon neutrality by 2030, and achieving net-zero emissions by 2050. The Company is committed to achieving these goals through our ongoing AI computing center energy-saving transformation project and actively adopts low-carbon development practices.

During the reporting period, SenseTime's AIDC in Shanghai Lingang continued to optimize energy efficiency by improving the cooling control strategy of the data center, and successfully achieved an annual average power usage efficiency (PUE) of less than 1.3. This was an outstanding achievement in the industry and exceeds the industry average.

SenseTime not only promotes energy conservation and emission reduction within the Group, but also plays a leading role in the industry. Leveraging on its rich experience in the management and operation of AI computing centers, the Company jointly released the "New Generation Artificial Intelligence Infrastructure White Paper" with the China Academy of Information and Communications Technology (中國信息通信研究院), the China Intelligent Computing Industry Alliance (中國智慧算力產業聯盟) and other important partners. This white paper provides valuable guidance and reference for the development of AI computing infrastructure in the AI 2.0 era, marking the Company's important contribution in promoting the industry's transformation to a greener and smarter industry.

Product Ethics and Safety

In order to provide responsible products and services to our customers and the market, we are committed to providing AI technology that meets ethical standards. In terms of preventing potential ethical issues and risks of generative AI, we have built a safe and reliable large model governance system that covers three key levels: data processing, model construction, and content generation, forming a comprehensive "safety net". In addition, we actively share our advanced experience with the industry and launched an AI governance infrastructure called SenseTrust during the reporting period to promote the reliability and trustworthiness of large model development, training and its applications:

- At the data level, SenseTrust provides a series of governance tools, including data desensitization, data detoxification, data compliance review and bias assessment.

- At the model level, SenseTrust provides standardized evaluation capabilities for models through its proprietary model examination series platform.

- At the application level, relying on our expertise in the fields of data protection, digital forensics and forgery detection, we have gradually developed a comprehensive solution that integrates generation, counterfeiting and source tracing functions.

At the same time, SenseTime and the China Academy of Information and Communications Technology jointly released the "Research Report on Large Model Trustworthiness", which systematically analyses and explains the development risks and governance suggestions of large AI models. The said report provides an important direction for the development of trustworthy large AI models. It also provides a framework for the construction of large model risk management system.

SenseTime has obtained multiple certifications, including ISO 27001 Information Security Management System Certificate, ISO 29151 Personal Identity Data Protection Management System Certificate, ISO 27701 Privacy Information Management System Certificate and BS 10012 Personal Information Management System Certification. These certifications mark our commitment and capabilities in the field of information security. During the reporting period, SenseTime's SenseAuto products obtained China's first ISO/SAE 21434 Automotive Network Security Product Certificate and TISAX AL3 Trusted Information Security Assessment Certificate, which further strengthened our capabilities in information security protection.

Compliance Management and Business Ethics

At SenseTime, we attach great importance to our core values of compliant operations and business ethics. We have established and maintained a scientific, reasonable and efficient management system and regime to ensure strict execution in the Company. We adhere to the principle of "zero tolerance" for any form of fraud, bribery and conflicts of interest, and work together with our partners to build an honest and fair business environment. In order to further strengthen the compliance culture, we regularly conduct compliance inspections and business ethics awareness training for internal employees. In addition, we established fair reporting channels for all stakeholders, encouraging transparency and public participation, to ensure our business actions are appropriately monitored and open to constructive feedback. Through these measures, we not only promote a corporate culture based on integrity, but also build a solid foundation for the long-term sustainable development of SenseTime. We truly believe that operating with integrity is not only a legal and moral requirement, but also the key to success of a corporation.

STRATEGIC OUTLOOK

Our strategic goals for 2024 specifically include:

- **Maintaining leading edge in technology**: We will further leverage the huge synergetic advantages brought by "AI Infrastructure + Large Models", continue to expand the scale of computing power, strengthen the service capabilities of AI infrastructure and large models. We will continue to iterate the capability of SenseNova large models to maintain its leading position in the industry. At the same time, we commit to enhancing the inferencing efficiency of large models based on "Moore's Law". With the cloud-device connection and other innovative optimization strategies, we can quickly reduce the model inferencing costs, thereby broadening the scope of future applications;

- **Driving business growth**. We will accelerate the commercialization and market penetration of generative AI, and provide customers with generative AI solutions with the best value. At the same time, we will maintain the steady growth of traditional AI businesses to improve the quality of cash flow.

- **Profitability for our core business**. We will continue to optimize the Group's operating efficiency by incubating and spinning off non-core businesses and adopting other strategies, and focus our resources on generative AI business to improve cash flow and reduce losses.

On our journey towards artificial general intelligence (AGI), the Scaling Law plays a crucial role. The breakthroughs brought by AI Infrastructure and Large Models we have witnessed over the past year only mark the beginning of this journey. The capabilities of generative AI models at present have not yet fully unleashed their potential, and we expect that the capabilities of these models will continue to increase and will be used in higher level applications by enterprise. Looking ahead to 2024, we expect to see:

- with the expansion of computing power and data scale, the performance of SenseNova large models will be further improved, and can promote the development of chips with high-computing density and high energy-efficiency;

- effective utilization of multimodal data to create a cross-modal world model;

- further improvement in the reliability and complex inferencing of large models, which will gradually penetrate into the production field and bring revolutionary changes in productivity;

- on-device large models entering an explosive period, reshaping the form of user interaction on AI smartphones and other smart devices.

With the huge collaboration advantages brought by AI Infrastructure and Large Models, cloud-device collaboration capabilities, and rich commercialization experience across scenarios enjoyed by SenseTime, we are confident in our long-term growth. Inspite of certain challenges during the transition period, we are determined to adopt a steady and visionary strategy to ensure that we can secure a leading position amid the competition in the AI 2.0 era, and achieve long-term leapfrog development.

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2023 compared to Year ended December 31, 2022

The following table sets forth the comparative figures for the Year ended December 31, 2023 and 2022:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Revenue	**3,405,842**	3,808,510
Cost of sales	**(1,905,055)**	(1,266,243)
Gross profit	**1,500,787**	2,542,267
Selling expenses	**(818,731)**	(900,787)
Administrative expenses	**(1,510,855)**	(1,567,739)
Research and development expenses	**(3,465,766)**	(4,014,337)
Net impairment losses on financial assets and contract assets	**(1,835,246)**	(1,667,671)
Other income	**291,500**	447,255
Other losses – net	**(808,244)**	(1,367,311)
Operating loss	**(6,646,555)**	(6,528,323)
Finance income	**341,977**	260,546
Finance cost	**(146,661)**	(55,438)
Finance income – net	**195,316**	205,108
Share of losses of investments accounted for using the equity method	**(20,813)**	(2,357)
Fair value losses of preferred shares	**(32,110)**	(7,240)
Loss before income tax	**(6,504,162)**	(6,332,812)
Income tax credit	**9,492**	239,822
Loss for the year	**(6,494,670)**	(6,092,990)
Loss is attributable to:		
Equity holders of the Company	**(6,440,159)**	(6,044,796)
Non-controlling interests	**(54,511)**	(48,194)
	(6,494,670)	(6,092,990)
Non-IFRS measures:		
Adjusted EBITDA	**(4,369,023)**	(4,213,444)
Adjusted net losses	**(5,414,139)**	(4,736,199)

Revenue

Our revenue decreased by 10.6% to RMB3,405.8 million in 2023, compared to RMB3,808.5 million in 2022, primarily due to the decrease in Traditional AI revenues, partially offset by the increase in Generative AI and Smart Auto revenues. The following table sets out a breakdown of our revenue streams in absolute amounts and as percentages of our total revenue for the years indicated:

	Year ended December 31,			
	2023		2022	
	RMB million	*%*	*RMB million*	*%*
Generative AI	**1,183.7**	**34.8**	394.7	10.4
Traditional AI	**1,838.4**	**53.9**	3,121.1	81.9
Smart Auto	**383.7**	**11.3**	292.7	7.7
Total	**3,405.8**	**100.0**	3,808.5	100.0

Our Generative AI revenue increased by 199.9% to RMB1,183.7 million in 2023, compared to RMB394.7 million in 2022, as the demand for generative AI model training, fine-tuning, and reasoning has experienced exponential growth. We have also begun to commercialize our Generative AI related application products, supported by our AI infrastructure and "SenseNova" large model.

Our Traditional AI revenue decreased by 41.1% to RMB1,838.4 million in 2023, compared to RMB3,121.1 million in 2022. As we continue to shift our focus to Generative AI and actively shrink our Smart City business, the share of revenue from Smart City business has declined significantly from 30% to less than 10%, significantly reducing the Company's reliance on Smart City business.

Our Smart Auto revenue increased by 31.1% to RMB383.7 million in 2023, compared to RMB292.7 million in 2022. We have experienced significant increase on ADAS related revenue. However, revenue from R&D services to a global auto OEM decreased, as this auto OEM shifts focus to potentially collaborate with us more on pre-installed products in the future.

Cost of sales

Our cost of sales increased by 50.5% from RMB1,266.2 million in 2022 to RMB1,905.1 million in 2023. The following table sets out a breakdown of our cost of sales by nature in absolute amounts and as percentages of our cost of sales for the years indicated:

	Year ended December 31,			
	2023		2022	
	RMB million	*%*	*RMB million*	*%*
Hardware costs and subcontracting service fees	**1,537.9**	**80.8**	1,118.9	88.4
AIDC operation costs	**63.7**	**3.3**	13.8	1.1
Employee benefit expenses	**82.8**	**4.3**	72.1	5.7
Depreciation and amortization	**188.2**	**9.9**	39.4	3.1
Other expenses	**32.5**	**1.7**	22.0	1.7
Total	**1,905.1**	**100.0**	1,266.2	100.0

The increase in cost of sales was primarily attributable to the increase in hardware costs and subcontracting service fees due to customers' emerging demand, and AIDC-related depreciation and amortization due to the expansion of Generative AI services.

Gross Profit and Gross Margin

Our gross profit decreased by 41.0% from RMB2,542.3 million in 2022 to RMB1,500.8 million in 2023, as a result of cost of sales increase and revenue decline. Our gross margin decreased from 66.8% in 2022 to 44.1% in 2023, mainly due to higher hardware and AIDC-related costs as percentage of revenue, as driven by customer demand in 2023.

Research and Development Expenses

Our research and development expenses decreased by 13.7% from RMB4,014.3 million in 2022 to RMB3,465.8 million in 2023, primarily due to (i) a decrease in employee benefit expenses, and (ii) a decrease in server operation and cloud based service fees as we shift our GPU usage from third parties to our own AIDC.

Selling Expenses

Our selling expenses decreased by 9.1% from RMB900.8 million in 2022 to RMB818.7 million in 2023, primarily due to decrease in employee benefit expenses.

Administrative Expenses

Our administrative expenses decreased by 3.6% from RMB1,567.7 million in 2022 to RMB1,510.9 million in 2023, primarily due to a decrease in employee benefit expenses, partially offset by an increase of depreciation from new office space purchased in 2022.

Net Impairment Losses on Financial Assets and Contract Assets

Our net impairment losses on financial assets increased by 10.0% from RMB1,667.7 million in 2022 to RMB1,835.2 million in 2023 primarily due to increased impairment provision for trade receivables.

Other Income

Our other income decreased by 34.8% from RMB447.3 million in 2022 to RMB291.5 million in 2023 primarily due to a decrease in government grants.

Other Losses – Net

We had net other losses of RMB808.2 million in 2023 compared to net other losses of RMB1,367.3 million in 2022. The net other losses in 2023 primarily consist of fair value losses on financial assets at fair value through profit or loss amounting to RMB724.4 million and net foreign exchange loss of RMB67.8 million. The fair value losses on financial assets at fair value through profit or loss resulted from the decline of our investment portfolios' valuation, which largely reflected the overall challenging market conditions for technology-related assets during 2023.

Finance Income – Net

Net finance income remained relatively stable in 2023 compared to that in 2022, decreasing slightly from RMB205.1 million to RMB195.3 million.

Fair Value Losses of Preferred Shares

Fair value losses of preferred shares increased from RMB7.2 million in 2022 to RMB32.1 million in 2023 resulting from changes in the fair value of preferred shares issued by a subsidiary of the Company.

Income tax credit

We had income tax credit of RMB9.5 million in 2023, compared to income tax credit of RMB239.8 million in 2022 primarily due to a decrease in tax losses, for which deferred income tax assets were recognised.

Loss for the year

As a result of the foregoing, we had a loss of RMB6,494.7 million in 2023, compared with a loss of RMB6,093.0 million in 2022. Significant savings in operating expense in 2023 are not sufficient to offset the decline in gross profit.

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 year to year 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 years to EBITDA/adjusted EBITDA for the years indicated:

	Year ended December 31,	
	2023	2022
	RMB million	*RMB million*
Loss before income tax	**(6,504.2)**	(6,332.8)
Add:		
Finance income, net	**(195.3)**	(205.1)
Depreciation and amortization	**1,249.9**	967.7
EBITDA	**(5,449.6)**	(5,570.2)
Add:		
Fair value losses of preferred shares and other financial liabilities	**32.1**	7.2
Share-based compensation expenses	**324.0**	464.5
Fair value losses on financial assets at fair value through profit or loss	**724.4**	885.1
Adjusted EBITDA	**(4,369.0)**	(4,213.4)

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

	Year ended December 31,	
	2023	2022
	RMB million	*RMB million*
Net losses for the year	**(6,494.7)**	(6,093.0)
Add:		
Fair value losses of preferred shares	**32.1**	7.2
Share-based compensation expenses	**324.0**	464.5
Fair value losses on financial assets at fair value through profit or loss	**724.4**	885.1
Adjusted net losses	**(5,414.1)**	(4,736.2)

Trade, Other Receivables and Prepayments

Our trade, other receivables and prepayments, which primarily comprise trade receivables, decreased from RMB6,071.7 million as of December 31, 2022 to RMB5,159.3 million as of December 31, 2023.

Trade Receivables

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

	Year ended December 31,	
	2023	2022
	RMB million	*RMB million*
Trade receivables		
– Due from related parties	**3.0**	47.4
– Due from third parties	**7,909.0**	7,748.9
Provision for impairment	**(4,191.4)**	(2,578.5)
Total	**3,720.6**	5,217.8

Our net trade receivables decreased as of December 31, 2023, compared to that as of December 31, 2022.

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

	Year ended December 31,	
	2023	2022
	RMB million	*RMB million*
Up to 6 months	**1,039.7**	1,995.6
6 months to 1 year	**242.9**	746.1
1 to 2 years	**1,891.9**	3,244.9
2 to 3 years	**3,195.9**	1,180.0
More than 3 years	**1,541.6**	629.7
	7,912.0	7,796.3

As of December 31, 2023, the aging of our gross trade receivables has worsened, compared to that as of December 31, 2022. A significant portion of our historical revenue was derived from smart city related business, which typically features a long payment cycle as required by their internal financial management and payment approval processes. Although our overall cash collection amount has improved year over year during 2023, cash collections for relatively long outstanding receivables remain challenging, as some of our customers, especially those from or are exposed to the public sector, face temporary budget constraints and uncertain macroeconomic environment.

LIQUIDITY AND FINANCIAL RESOURCES

We have historically funded our cash requirements principally from capital contribution from shareholders. We had cash and cash equivalents of RMB9,423.5 million and term deposits of RMB1,099.9 million as of December 31, 2023, compared to the balance of RMB7,962.8 million and RMB6,212.9 million as of December 31, 2022.

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

	Year ended December 31,	
	2023	2022
	RMB million	*RMB million*
Net cash used in operating activities	**(3,234.3)**	(3,084.5)
Net cash generated from/(used in) investing activities	**3,458.4**	(9,298.2)
Net cash generated from financing activities	**1,083.6**	3,329.1
Net increase/(decrease) in cash and cash equivalents	**1,307.7**	(9,053.6)
Cash and cash equivalents at the beginning of the year	**7,962.8**	16,529.5
Exchange changes on cash and cash equivalents	**153.0**	486.9
Cash and cash equivalents at the end of the year	**9,423.5**	7,962.8

Net Cash Used in Operating Activities

Net cash used in operating activities represents the cash used in our operations plus the income tax paid. Cash used in our operations primarily comprises our loss before income tax adjusted by non-cash items and changes in working capital.

For the year ended December 31, 2023, net cash used in operating activities was RMB3,234.3 million, which was primarily attributable to our loss before income tax, as adjusted by depreciation and amortization, fair value losses on financial assets at fair value through profit or loss and provision for impairment of financial assets and contract assets.

Net Cash Generated from/(Used in) Investing Activities

For the year ended December 31, 2023, net cash generated from investing activities was RMB3,458.4 million, which was mainly attributable to net decrease in investments in term deposits, partially offset by purchase of property, plant and equipment, and acquisition of debt and equity investments. Cash used in acquisition of debt and equity investments has decreased significantly compared with 2022, as we continue to increase investing discipline.

Net Cash Generated from Financing Activities

For the year ended December 31, 2023, net cash generated from financing activities was RMB1,083.6 million, which was mainly attributable to net proceeds from borrowings.

Borrowings

As of December 31, 2022 and December 31, 2023, we had total borrowings of RMB3,228.6 million and RMB4,473.1 million, respectively. Repayment analysis and the currency denomination of bank borrowings of the Group as at December 31, 2023 are set out in Note 14 to the consolidated financial statements.

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

Exposure to Exchange Rate Fluctuation

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

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

Employees, Training and Remuneration Policies

As at December 31, 2023, the Group had 4,531 employees. The number of employees employed by the Group varies from time to time depending on needs.

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

Use of Proceeds

The Class B Shares of the Company were listed on the Main Board of the Stock Exchange on December 30, 2021. The net proceeds received by the Company from the Global Offering (as defined in the Prospectus), including the full exercise of the over-allotment option, were approximately HK$6,351.0 million. Please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus for details of the intended use of proceeds.

As of December 31, 2023, approximately HK$6,306.2 million of the net proceeds had been utilised by the Group in accordance with the intended purposes and expected timeframe stated in the Prospectus, and the unutilised net proceeds was held by way of bank deposits.

For the reasons set out in the paragraph headed "Reasons for Extending the Expected Timeline for Use of Proceeds" below, the Board has resolved to extend the expected timeline of the use of the unutilised net proceeds for the same intended purpose (i.e. expansion of our business). Details of the use of proceeds and the updated expected timeline for utilisation of the unutilised net proceeds are set out below:

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, 2022 *(Approximately HK$ million)*	Actual use of net proceeds during the Reporting Year *(Approximately HK$ million)*	Net proceeds unused as of December 31, 2023 *(Approximately HK$ million)*	Updated expected timeline for fully utilising the net proceeds from the Global Offering
(i) Enhancing our research and development capabilities	60.0	3,810.6	209.3	209.3	–	N.A.
(ii) Expansion of our business	15.0	952.7	694.5	649.7	44.8	by December 2024 (Note)
(iii) Pursuing strategic investment and acquisition opportunities	15.0	952.7	–	–	–	N.A.
(iv) Working capital and general corporate purposes	10.0	635.0	–	–	–	N.A.
Total	**100.0**	**6,351.0**	**903.8**	**859.0**	**44.8**	

Note: as stated in the Prospectus, it was expected that the Group would fully utilise such net proceeds within two to three years from the listing of its Class B Shares on the Stock Exchange. In line with such intended timeline, it was originally contemplated that such net proceeds would be fully utilised on or before December 31, 2023 as stated in the results announcements of the Company for the six months ended June 30, 2022 and 2023 and for the year ended December 31, 2022. The updated expected timeline for utilisation of the unutilised net proceeds above remains generally in line with the expected timeline as set out in the Prospectus and is based on the Group's best estimation and is subject to change based on future development of market conditions.

Reasons for Extending the Expected Timeline for the Use of Proceeds

Taking into account the external business environment in the past few years, the Company expects that additional time will be required to explore suitable business opportunities for the expansion of the business of the Group, including but not limited to investments in emerging business opportunities and increasing the adoption and penetration of the Group's product and service offerings, exploring commercialization opportunities for our software platforms, and expanding our sales force and marketing spending to continue to strengthen the client engagement capabilities of the Group.

The Board considers that the extension of the expected timeline for full utilisation of the unutilised net proceeds will not have any material adverse impact on the existing business and operations of the Group and is in the interest of the Company and the Shareholders as a whole. Save as disclosed in this announcement, there is no other change to the plan for the unutilised net proceeds.

The Board will continuously assess the plan for the use of the unutilised net proceeds and to reconsider such plan where necessary and appropriate in light of the prevailing market conditions and the business needs of the Group.

The utilization of the net proceeds has been converted from RMB into HKD at an exchange rate of RMB0.81912 to HKD1.00 (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 of December 31, 2023, our gearing ratio was –14.8%, which represented a net cash position. Our gearing ratio is calculated as net debt divided by total capital at the end of each financial year. Net debt equals to our total borrowings, lease liabilities and preferred share and other financial liabilities less our cash and cash equivalents. Total capital is calculated as total equity plus net debt.

Contingent Liabilities

As of December 31, 2023, we did not have any material contingent liabilities.

Significant Investments held

As of December 31, 2023, we did not hold any significant investments in the equity interest of other companies.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For the year ended December 31, 2023, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Pledge of Assets

As of December 31, 2023, we pledged certain buildings and land use rights with carrying amount of RMB4,336.0 million and restricted guarantee deposits amounting to RMB324.0 million for borrowings.

Future Plans for Material Investments and Capital Assets

As of December 31, 2023, we have no specific future plan for material investments and acquisition of capital assets. The Group will continue to identify new investment opportunities in companies with principal businesses related to the Group's core business with a view to create synergies with the Group's existing core business and improve the Group's service and products to its customers.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023

		Year ended December 31,	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	*3(a), 4(b)*	**3,405,842**	3,808,510
Cost of sales	*5*	**(1,905,055)**	(1,266,243)
Gross profit		**1,500,787**	2,542,267
Selling expenses	*5*	**(818,731)**	(900,787)
Administrative expenses	*5*	**(1,510,855)**	(1,567,739)
Research and development expenses	*5*	**(3,465,766)**	(4,014,337)
Net impairment losses on financial assets and contract assets		**(1,835,246)**	(1,667,671)
Other income		**291,500**	447,255
Other losses– net	*6*	**(808,244)**	(1,367,311)
Operating loss		**(6,646,555)**	(6,528,323)
Finance income		**341,977**	260,546
Finance cost		**(146,661)**	(55,438)
Finance income– net		**195,316**	205,108
Share of losses of investments accounted for using the equity method		**(20,813)**	(2,357)
Fair value losses of preferred share		**(32,110)**	(7,240)
Loss before income tax		**(6,504,162)**	(6,332,812)
Income tax credit	*7*	**9,492**	239,822
Loss for the year		**(6,494,670)**	(6,092,990)
Loss is attributable to:			
Equity holders of the Company		**(6,440,159)**	(6,044,796)
Non-controlling interests		**(54,511)**	(48,194)
		(6,494,670)	(6,092,990)
Loss per share for loss attributable to equity holders of the Company			
Basic and diluted loss per share (RMB)	*8*	**(0.20)**	(0.19)

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Loss for the year	**(6,494,670)**	(6,092,990)
Other comprehensive income		
Item that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(516,492)**	(1,568,202)
Items that will not be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**734,548**	3,516,694
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	**(3,747)**	(3,155)
Other comprehensive income for the year, net of taxes	**214,309**	1,945,337
Total comprehensive loss for the year	**(6,280,361)**	(4,147,653)
Total comprehensive loss for the year is attributable to:		
Equity holders of the Company	**(6,232,073)**	(4,096,716)
Non-controlling interests	**(48,288)**	(50,937)
	(6,280,361)	(4,147,653)

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2023

		As at December 31,	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	*10*	**7,378,707**	6,999,010
Right-of-use assets		**349,554**	315,094
Intangible assets		**325,675**	332,887
Contract assets	*4(d)*	**10,802**	22,999
Investments accounted for using the equity method		**135,235**	54,241
Deferred income tax assets		**725,440**	689,697
Restricted cash		**153,986**	271,392
Financial assets at fair value through profit or loss	*12*	**6,527,475**	6,676,533
Long-term receivables		**87,251**	357,952
Other non-current assets		**253,425**	183,009
		15,947,550	15,902,814
Current assets			
Inventories		**506,128**	617,110
Contract assets	*4(d)*	**19,785**	27,231
Trade, other receivables and prepayments	*11*	**5,159,278**	6,071,675
Financial assets at fair value through profit or loss	*12*	**521,805**	632,124
Restricted cash		**210,085**	348
Term deposits		**1,099,898**	6,212,878
Cash and cash equivalents		**9,423,495**	7,962,813
		16,940,474	21,524,179
Total assets		**32,888,024**	37,426,993
Equity			
Equity attributable to equity holders of the Company			
Share capital		**5**	5
Other reserves		**71,666,422**	71,248,900
Currency translation reserves		**4,127,161**	3,915,328
Accumulated losses		**(52,634,168)**	(46,194,009)
		23,159,420	28,970,224
Non-controlling interests		**(3,947)**	43,636
Total equity		**23,155,473**	29,013,860

	Note	As at December 31, 2023 RMB'000	2022 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	*14*	**4,278,686**	2,907,153
Lease liabilities		**145,290**	105,228
Deferred income tax liabilities		**10,383**	9,593
Contract liabilities	*4(e)*	**24,650**	74,553
Deferred revenue		**305,664**	307,593
Preferred share and other financial liabilities		**1,675,276**	1,395,814
Long-term payables	*13(b)*	**5,294**	11,611
Put option liability		**–**	278,584
		6,445,243	5,090,129
Current liabilities			
Borrowings	*14*	**194,429**	321,461
Trade and other payables	*13(a)*	**2,262,133**	2,472,581
Lease liabilities		**146,410**	183,002
Contract liabilities	*4(e)*	**265,959**	207,571
Deferred revenue		**113,368**	120,635
Current income tax liabilities		**21,701**	17,754
Put option liability		**283,308**	–
		3,287,308	3,323,004
Total liabilities		**9,732,551**	8,413,133
Total equity and liabilities		**32,888,024**	37,426,993
Net current assets		**13,653,166**	18,201,175
Total assets less current liabilities		**29,600,716**	34,103,989

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Equity attributable to equity holders of the Company						
	Share capital *RMB'000*	Other reserves *RMB'000*	Currency translation reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at January 1, 2023	5	71,248,900	3,915,328	(46,194,009)	28,970,224	43,636	29,013,860
Comprehensive loss							
Loss for the year	–	–	–	(6,440,159)	(6,440,159)	(54,511)	(6,494,670)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	–	(3,747)	–	–	(3,747)	–	(3,747)
Exchange differences on translation of foreign operations	–	–	211,833	–	211,833	6,223	218,056
Total comprehensive loss	–	(3,747)	211,833	(6,440,159)	(6,232,073)	(48,288)	(6,280,361)
Transactions with equity holders							
Exercise of share options	–	100,285	–	–	100,285	–	100,285
Transactions with non-controlling interests	–	(3,011)	–	–	(3,011)	705	(2,306)
Share-based compensation	–	323,995	–	–	323,995	–	323,995
Total transactions with equity holders	–	421,269	–	–	421,269	705	421,974
As at December 31, 2023	5	71,666,422	4,127,161	(52,634,168)	23,159,420	(3,947)	23,155,473

	Equity attributable to equity holders of the Company						
	Share capital *RMB'000*	Other reserves *RMB'000*	Currency translation reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at January 1, 2022	5	70,077,626	1,964,093	(40,149,213)	31,892,511	94,573	31,987,084
Comprehensive loss							
Loss for the year	–	–	–	(6,044,796)	(6,044,796)	(48,194)	(6,092,990)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	–	(3,155)	–	–	(3,155)	–	(3,155)
Exchange differences on translation of foreign operations	–	–	1,951,235	–	1,951,235	(2,743)	1,948,492
Total comprehensive loss	–	(3,155)	1,951,235	(6,044,796)	(4,096,716)	(50,937)	(4,147,653)
Transactions with equity holders							
Exercise of restricted shares and share options	–	86,395	–	–	86,395	–	86,395
Exercise of over-allotment option	*	692,807	–	–	692,807	–	692,807
Repurchase of ordinary shares	(*)	(69,246)	–	–	(69,246)	–	(69,246)
Share-based compensation	–	464,473	–	–	464,473	–	464,473
Total transactions with equity holders	–	1,174,429	–	–	1,174,429	–	1,174,429
As at December 31, 2022	5	71,248,900	3,915,328	(46,194,009)	28,970,224	43,636	29,013,860

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

		Year ended December 31,	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Cash used in operations		**(3,212,329)**	(3,073,538)
Income tax paid		**(21,931)**	(10,945)
Net cash used in operating activities		**(3,234,260)**	(3,084,483)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,356,449)**	(4,890,289)
Purchase of intangible assets		**(161,421)**	(276,838)
Proceeds from disposal of property, plant and equipment		**12,121**	4,514
Increase in investments accounted for using the equity method		**(101,759)**	(31,500)
Dividend and interest received from financial assets at fair value through profit and loss		**12,697**	18,307
Acquisition of debt and equity investments	*12*	**(591,971)**	(3,465,067)
Disposal of debt and equity investments	*12*	**49,082**	386,038
Net decrease/(increase) in investments in term deposits		**5,098,149**	(890,896)
Interest received from banks		**356,068**	200,961
Acquisition of structured deposits	*12*	**(4,875,000)**	(5,763,000)
The intention money paid for purchase of an office property		**–**	(200,000)
The intention money returned for purchase of an office property		**–**	200,000
Disposal of structured deposits	*12*	**5,016,856**	5,424,590
Loans granted to a related party		**–**	(15,037)
Net cash generated from/(used in) investing activities		**3,458,373**	(9,298,217)

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Cash flows from financing activities		
Proceeds from borrowings	**1,644,677**	2,969,496
Repayments of borrowings	**(402,068)**	(83,300)
Interest paid	**(130,561)**	(43,424)
Principal elements of lease payments	**(182,017)**	(151,177)
Interest elements of lease payments	**(13,989)**	(16,859)
Payment of purchase of non-controlling interests	**(2,306)**	–
Capital injection by limited partners of investment fund controlled by the Group	**214,571**	204,000
Increase in restricted cash for the issuance of bank borrowings	**(78,641)**	(365,425)
Decrease in restricted cash for the issuance of bank borrowings	**2,937**	108,438
Net proceeds from exercise of over-allotment option	**–**	692,807
Payment of the listing expenses which was deducted from equity	**–**	(2,562)
Repurchase of ordinary shares	**–**	(69,246)
Proceeds from exercise of restricted shares and share options	**30,980**	86,395
Net cash generated from financing activities	**1,083,583**	3,329,143
Net increase/(decrease) in cash and cash equivalents	**1,307,696**	(9,053,557)
Cash and cash equivalents at beginning of year	**7,962,813**	16,529,506
Effect of foreign exchange rates changes	**152,986**	486,864
Cash and cash equivalents at end of year	**9,423,495**	7,962,813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

SenseTime Group Inc. (the "**Company**") was incorporated in the Cayman Islands on October 15, 2014 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Tricor Services (Cayman Islands) Limited, of Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "**Group**"), including the structured entities (collectively, the "**Group**"), are the sale of advanced artificial intelligence ("**AI**") software, sale of AI software platform and related services, sale of software-embedded hardware and related services, AIDC service as well as research and development activities in relation to AI technology mainly in the People's Republic of China (the "**PRC**"), Northeast Asia, Southeast Asia and other geographical areas.

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

The Group did not have ultimate holding company and controlling shareholder since December 15, 2023.

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

These consolidated financial statements are presented in thousands of Renminbi ("**RMB'000**"), unless otherwise stated. These consolidated financial statements were approved for issue by the Board of Directors on March 26, 2024.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards (IFRS) and interpretations issued by IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities which measured at fair value.

2.2 Changes in accounting policy and disclosures

(a) New and amendments to standards adopted by the Group

A number of new and amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies as a result of adopting these standards except IAS 12 (Amendments).

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on January 1, 2023:

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

Except for the impact disclosed above in relation to the adoption of amendments to IAS12, there is no material impact on the Group.

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

(i) right-of-use assets and lease liabilities, and

(ii) decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments as of December 31, 2022 was not material and hence no adjustment was made to the beginning retained earnings, or another component of equity.

(b) ***Amendments to standards not yet adopted***

The followings amendments to standards have not come into effect for the financial year beginning January 1, 2023 and have not been early adopted by the Group in preparing the consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial information of the Group.

	Effective for accounting periods beginning on or after
IAS 1 (Amendment) – Classification of Liabilities as Current or Non-current	January 1, 2024
IFRS 16 (Amendment) – Leases Liability in a Sale and Leaseback	January 1, 2024
IAS 1 (Amendment) – Non-current Liabilities with Covenants	January 1, 2024
IFRS 7 and IAS 7 (Amendment) – Supplier Finance Arrangements	January 1, 2024
IAS 21 (Amendment) – Lack of Exchangeability	January 1, 2025
IFRS 10 and IAS 28 (Amendments) – Sales or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined

(c) ***Change in accounting policy on offsetting arrangement in long service payment scheme in Hong Kong***

In June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which will be effective from May 1, 2025 (the "**Transition Date**"). Under the Amendment Ordinance, any accrued benefits attributable to the employer's mandatory contributions under mandatory provident fund scheme ("**MPF Benefits**") of an entity would no longer be eligible to offset against its obligations on long service payment ("**LSP**") for the portion of the LSP accrued on or after the Transition Date. There is also a change in the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

Prior to January 1, 2023, the Group applied practical expedient in IAS 19 paragraph 93(b) (the "**practical expedient**") to account for the offsetable MPF Benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" (the "**Guidance**") which provides clarified and detailed guidance on the accounting considerations relating to the abolition of the offsetting mechanism. The Guidance clarified that following the enactment of the Amendment Ordinance, LSP is no longer a 'simple type of contributory plans' to which the practical expedient had been intended to apply.

By following the Guidance, the Group has therefore changed its accounting policy and ceased to apply the practical expedient and reattribute the deemed employee contributions on a straight-line basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with IAS 19 paragraph 93(a). The cumulative effect of recognising these adjustments as of December 31, 2022 or for the year ended was not material and hence no adjustment was made to the beginning retained earnings, or another component of equity.

3 SEGMENT INFORMATION

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

(a) Revenue by geographical

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Mainland China	**2,907,390**	3,168,880
Northeast Asia	**343,040**	521,866
Southeast Asia	**66,062**	21,904
Others*	**89,350**	95,860
	3,405,842	3,808,510

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

(b) Non-current assets by geographical

The total of the non-current assets including property, plant and equipment, right-of-use assets and intangible assets as at December 31, 2023, broken down by the location of the assets, is as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Mainland China	**7,900,623**	7,498,318
Northeast Asia	**72,276**	66,301
Southeast Asia	**14,437**	27,054
Others*	**66,600**	55,318
	8,053,936	7,646,991

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

4 REVENUE

(a) Information about major customers

There is no major customer which contributed more than 10% of total revenue of the Group for the year ended December 31, 2023 (year ended December 31, 2022: There is one major customer which contributed 15.20% of total revenue).

(b) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Revenue		
– recognised point in time	**2,823,288**	3,543,301
– recognised over time	**582,554**	265,209
	3,405,842	3,808,510

(c) During the year ended December 31, 2023, the Group determines revenue should be reported on a gross or net basis based on principle/agent assessment and revenue are primarily reported on a gross basis.

(d) Contract assets

The Group has recognised the following contract assets with customers:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Current assets	**23,875**	28,012
Loss allowance	**(4,090)**	(781)
	19,785	27,231
Non-current assets	**13,035**	26,396
Loss allowance	**(2,233)**	(3,397)
	10,802	22,999
	30,587	50,230

(e) Contract liabilities

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Current		
Deferred service fee income	**31,934**	50,879
Advances from customers	**234,025**	156,692
	265,959	207,571
Non-current		
Deferred service fee income	**24,650**	74,553

The addition of contract liabilities was mainly due to the increase of cash payments made upfront by the Group's customers under sales contract. The following table shows how much of the revenue, which was included in the contract liability balance at the beginning of the year, recognised during the year ended December 31, 2023 relates to carried-forward contract liabilities:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that were included in the contract liabilities at the beginning of the year	**108,720**	118,647

Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from long-term contracts:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied	**56,584**	187,190

Management expects that 56% (2022: 28%) of the transaction price allocated to unsatisfied performance obligations as of December 31, 2023 will be recognised as revenue during the next year. The remaining 44% (2022: 72%) will be recognised over one year.

All other contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5 EXPENSES BY NATURE

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

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Employee benefit expenses	**3,507,229**	4,012,452
Hardware costs and project subcontracting service fees	**1,537,925**	1,118,932
Depreciation and amortisation *(Note 10)*	**1,249,924**	967,685
Professional service and other consulting fees	**634,984**	800,666
Marketing, conference and travelling expenses	**254,375**	247,663
Utilities, property management and administrative expenses	**188,564**	168,912
Server operation and cloud-based service fees	**123,392**	250,985
Taxes and surcharges	**56,214**	29,140
Data labelling fees	**53,718**	59,895
Research and development tools and consumables	**37,305**	42,509
Auditor's remuneration		
– Audit services	**15,290**	15,365
– Non-audit services	**698**	4,100
Other expenses	**40,789**	30,802
	7,700,407	7,749,106

6 OTHER LOSSES – NET

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Fair value losses on financial assets at fair value through profit or loss *(Note 12)*	**(724,426)**	(885,078)
Changes on net asset value of investment funds attributable to limited partners	**(10,363)**	(17,188)
Donations	**(902)**	(12,703)
Net foreign exchange losses	**(67,838)**	(453,432)
Losses on disposal of property, plant and equipment	**(4,499)**	(1,390)
(Losses)/gains on early termination of leasing contracts	**(2,372)**	3,296
Others	**2,156**	(816)
	(808,244)	(1,367,311)

7 INCOME TAX CREDIT

(i) Cayman Islands

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

(ii) British Virgin Islands

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

(iii) Hong Kong

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the year ended December 31, 2023 (2022: 16.5%).

(iv) Singapore

Singapore income tax rate is 17%. A concessionary rate of 5% was granted by Singapore Economic Development Board for a period of 5 years starting from January 1, 2019 for income derived from qualifying activities. No Singapore profits tax was provided for as there was no estimated assessable profit that was subject to Singapore profits tax for the year ended December 31, 2023 (2022: 17%, 5%).

(v) Japan

Enterprises incorporated in Japan are subject to income tax rate at the state level of 23.2% for the year ended December 31, 2023 (2022: 23.2%).

(vi) Malaysia

Malaysia income tax rate is 24% for the year ended December 31, 2023 (2022: 24%). In the case that the paid-up capital is Malaysian Ringgit ("**MYR**") 2.5 million or less, and the gross income from business is not more than MYR50 million, the income tax rate on the first MYR0.6 million chargeable income is 17% and the part in excess of MYR0.6 million is 24%. (2022:17%,24%)

(vii) Saudi Arabia

Enterprises incorporated in Saudi Arabia are subject to income tax rate of 20% for the year ended December 31, 2023 (2022: 20%).

(viii) PRC corporate income tax ("CIT")

The income tax provision of the Group in respect of its operations in the mainland China was subject to statutory tax rate of 25% on the assessable profits, based on the existing legislation, interpretations and practices in respect thereof.

Beijing SenseTime, Shenzhen SenseTime, Shanghai SenseTime, SenseTime Development, Tetras. AI Shenzhen and Shanghai SenseAuto were qualified as "High and New Technology Enterprises" ("**HNTEs**") under the relevant PRC laws and regulations. Accordingly, these entities were entitled to a preferential income tax rate of 15% in 2023. This status is subject to a requirement that Beijing SenseTime, Shenzhen SenseTime, Shanghai SenseTime, SenseTime Development, Tetras.AI Shenzhen and Shanghai SenseAuto reapply for HNTEs status every three years.

Shenzhen SenseTime, SenseTime Development, Tetras.AI Shenzhen and Shanghai SenseAuto were registered in such special zones and were entitled to a preferential income tax rate of 15% by the local government.

(ix) PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

During the year ended December 31, 2023, no deferred income tax liability on WHT was accrued as at the end of each reporting period because the subsidiaries of the Group were accumulated losses making in these periods (2022: nil).

The Group shall be subject to withholding tax in respect of the taxable income derived from the provision of technical services between the subsidiaries across the countries, the applicable tax rate is 25% applied with a deemed profit rate according to the PRC tax regulation.

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Current income tax	**(25,878)**	(22,714)
Deferred income tax	**35,370**	262,536
Income tax credit	**9,492**	239,822

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the consolidated entities as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Loss before tax	**(6,504,162)**	(6,332,812)
Tax calculated at statutory tax rates applicable to each group entity	**1,012,381**	998,577
Tax effects of:		
Super deduction for research and development expenses *(a)*	**216,850**	218,342
Income not subject to tax	**–**	25,357
Associates and joint ventures' results reported net of tax	**(4,006)**	(368)
Expenses not deductible for tax purpose *(b)*	**(49,940)**	(177,044)
Tax losses for which no deferred income tax asset was recognised *(c)*	**(722,622)**	(564,294)
Other temporary difference for which no deferred income tax asset was recognised	**(140,006)**	(164,624)
Accrued withholding tax	**(27,241)**	(15,806)
Reversal of previously recognised deferred tax assets for tax losses and temporary differences	**(276,439)**	(76,739)
Others	**515**	(3,579)
Tax credit	**9,492**	239,822

(a) Super deduction for research and development expenses

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, for the period from January 1, 2022 to September 30, 2022, enterprises engaging in qualified research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year; for the period from October 1, 2022 to December 31, 2022, enterprises engaging in qualified research and development activities are entitled to claim 200% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year; for the period from January 1, 2023 to December 31, 2023, enterprises engaging in qualified research and development activities are entitled to claim 200% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("**Super Deduction**").

(b) Expenses not deductible for tax purpose

Expenses not deductible for tax purpose include share base payment expenses, business entertainment expenses exceeding threshold, employee commercial insurance expenses, non-deductible donations etc.

(c) Tax losses for which no deferred income tax assets was recognised

The Group only recognised deferred income tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilize those tax losses. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. As at December 31, 2023, the Group did not recognise deferred income tax assets of RMB2,360,896,000 (2022: RMB1,357,648,000). The expiration dates of unused tax losses for which no deferred tax asset has been recognised are as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
2024	**87,797**	87,797
2025	**182,591**	339,949
2026	**614,929**	919,258
2027	**1,153,087**	1,940,533
2028	**1,787,016**	416,029
2029	**1,207,191**	963,974
2030	**1,211,519**	688,746
2031	**1,365,475**	587,216
2032	**2,322,636**	841,191
2033	**2,158,600**	–
Indefinitely	**1,384,363**	911,467
	13,475,204	7,696,160

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 year ended December 31, 2023:

	Year ended December 31,	
	2023	2022
Loss attributable to equity holders of the Company (RMB'000)	**(6,440,159)**	(6,044,796)
Weighted average number of ordinary shares in issue (thousand)	**32,222,681**	31,932,411
Basic loss per share (expressed in RMB per share)	**(0.20)**	(0.19)

Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: preferred shares issued by a subsidiary of the Company, restricted share units ("**RSUs**") and share options. As the Group incurred losses for the year ended December 31, 2023, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the year ended December 31, 2023 is the same as basic loss per share of the respective year (2022: same as basic loss per share of the respective year).

9 DIVIDENDS

No dividend had been declared or paid by the Company during the year ended December 31, 2023 (2022: nil).

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities (a)	Property improvement	Large-scale electronic equipment	Computers and related equipment	Office equipment and furniture	Transportation equipment and vehicles	Other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023									
Cost	4,561,346	236,224	2,733,558	603,069	61,054	56,438	34,945	439,678	8,726,312
Accumulated depreciation	(146,898)	(192,468)	(961,027)	(372,693)	(23,577)	(25,149)	(5,490)	–	(1,727,302)
Net book amount	4,414,448	43,756	1,772,531	230,376	37,477	31,289	29,455	439,678	6,999,010
Year ended December 31, 2023									
Opening net book amount	4,414,448	43,756	1,772,531	230,376	37,477	31,289	29,455	439,678	6,999,010
Additions	119	1,439	1,042,455	122,917	18,077	1,463	7,015	105,331	1,298,816
Internal transfer	6,525	174,319	231,812	180	9	5,522	–	(418,367)	–
Disposals	–	(14)	(2,933)	(6,671)	(1,651)	(1,079)	(4,626)	–	(16,974)
Depreciation charge	(130,252)	(59,428)	(560,833)	(121,101)	(12,522)	(11,669)	(4,358)	–	(900,163)
Currency translation differences	(775)	98	200	(418)	(325)	(232)	(555)	25	(1,982)
Closing net book amount	4,290,065	160,170	2,483,232	225,283	41,065	25,294	26,931	126,667	7,378,707
At December 31, 2023									
Cost	4,567,174	412,066	3,986,353	702,503	75,904	60,317	36,727	126,667	9,967,711
Accumulated depreciation	(277,109)	(251,896)	(1,503,121)	(477,220)	(34,839)	(35,023)	(9,796)	–	(2,589,004)
Net book amount	4,290,065	160,170	2,483,232	225,283	41,065	25,294	26,931	126,667	7,378,707

	Buildings and facilities (a) *RMB'000*	Property improvement *RMB'000*	Large-scale electronic equipment *RMB'000*	Computers and related equipment *RMB'000*	Office equipment and furniture *RMB'000*	Transportation equipment and vehicles *RMB'000*	Other equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At January 1, 2022									
Cost	974,306	216,957	1,476,998	424,198	42,977	44,509	19,451	805,856	4,005,252
Accumulated depreciation	(89,710)	(149,972)	(559,384)	(263,372)	(15,234)	(15,011)	(3,306)	–	(1,095,989)
Net book amount	884,596	66,985	917,614	160,826	27,743	29,498	16,145	805,856	2,909,263
Year ended December 31, 2022									
Opening net book amount	884,596	66,985	917,614	160,826	27,743	29,498	16,145	805,856	2,909,263
Additions	3,267,334	8,209	952,362	187,851	18,260	8,416	8,373	290,359	4,741,164
Internal transfer	321,781	10,315	305,575	2,587	804	3,947	10,108	(655,117)	–
Disposals	(1,446)	(77)	(985)	(554)	(439)	(2)	(1,043)	(1,358)	(5,904)
Depreciation charge	(56,751)	(42,496)	(403,305)	(120,129)	(8,623)	(10,217)	(3,370)	–	(644,891)
Currency translation differences	(1,066)	820	1,270	(205)	(268)	(353)	(758)	(62)	(622)
Closing net book amount	4,414,448	43,756	1,772,531	230,376	37,477	31,289	29,455	439,678	6,999,010
At December 31, 2022									
Cost	4,561,346	236,224	2,733,558	603,069	61,054	56,438	34,945	439,678	8,726,312
Accumulated depreciation	(146,898)	(192,468)	(961,027)	(372,693)	(23,577)	(25,149)	(5,490)	–	(1,727,302)
Net book amount	4,414,448	43,756	1,772,531	230,376	37,477	31,289	29,455	439,678	6,999,010

(a) As at December 31, 2023, certain buildings with carrying amount of RMB4,272,828,000 (December 31, 2022: RMB4,376,326,000) were pledged as collaterals for the Group's borrowings (Note 14).

(b) Depreciation charges were expensed off in the following categories in the consolidated income statements:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
– Cost of sales	**184,580**	39,409
– Selling expenses	**20,263**	20,338
– Administrative expenses	**191,724**	126,389
– Research and development expenses	**503,596**	458,755
	900,163	644,891

(c) Impairment assessment for property, plant and equipment, right-of-use assets and intangible assets

According to IAS 36 "Impairment of assets", when any indicators of impairment are identified, property, plant and equipment are reviewed for impairment based on each cash generating unit ("**CGU**"). The CGU defined of the Group is an individual entity. As at December 31, 2023, certain CGUs of the Group continue to incur net losses as the Group was still in the stage of expanding its business and operations in the rapidly growing AI software market, and are continuously investing in research and development. The Group considered these CGUs had impairment indicators and therefore performed impairment test on them.

For the purpose of impairment review, the carrying amount of these CGUs were compared to the corresponding recoverable amount, which were based predominantly on value-in-use. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a four-year to eight-year period. Management considers the length of the forecast period is appropriate because it generally takes longer for an AI technology company to reach a stable growth state, compared to companies in other industries, especially considering the fact that the AI technology industry in China is an emerging industry with fast growth in the coming years and the Group is still in the stage of expanding its business and operations in the rapidly growing AI software market. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. Management engaged an independent external valuer to assess the recoverable amount of each of the CGUs respectively and leveraged management's extensive experiences in the AI industry and provided forecast based on past performance and their expectation of future business plans and market developments. As a result, no impairment loss on these CGUs is required to be recognised for the year ended December 31, 2023 (2022: nil).

The following table sets out the key assumptions adopted by management in the impairment assessment:

	As at December 31,	
	2023	2022
Gross margin rate (%)	**37% to 99%**	45% to 97%
Annual revenue growth rate (%)	**2% to 68%**	0% to 151%
Pre-tax discount rate (%)	**17% to 19%**	16% to 19%

The budgeted gross margin rate and budgeted annual revenue growth rate used in the impairment testing were determined by management based on past performance and its expectation for market development. Discount rates reflect market assessments of the time value and the specific risks relating to the industry. These estimates and judgments may be affected by unexpected changes in the future market or economic conditions. The directors of the Company have considered the reasonably possible changes to the key assumptions as adopted in the impairment assessments and considered will not result in any impairment charge to be recognised.

11 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Notes receivables *(i)*	**62,236**	80,673
Provision for impairment	**(49,021)**	(49,031)
	13,215	31,642
Trade receivables *(ii)*		
– Due from related parties	**2,992**	47,405
– Due from third parties	**7,909,027**	7,748,873
Gross trade receivables	**7,912,019**	7,796,278
Provision for impairment	**(4,191,392)**	(2,578,516)
	3,720,627	5,217,762
Other receivables *(iii)*		
– Refundable deposits *(a)*	**46,639**	63,407
– Loans to related parties *(b)*	**666**	15,959
– Payments on behalf of customers *(c)*	**438,988**	429,475
– Others *(d)*	**74,865**	73,237
Gross other receivables	**561,158**	582,078
Provision for impairment *(e)*	**(394,223)**	(370,941)
	166,935	211,137
Prepayments	**578,734**	107,587
Input VAT to be deducted	**679,767**	503,547
Total trade, other receivables and prepayments	**5,159,278**	6,071,675

As at December 31, 2023, the fair value of trade and other receivables of the Group, except for the prepayments and input VAT to be deducted which are not financial assets, approximated their carrying amounts.

The carrying amounts of the Group's notes receivables, trade, other receivables, prepayments and input VAT to be deducted, excluding provision for impairment, are denominated in the following currencies:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
RMB	**9,182,932**	8,514,755
USD	**282,200**	107,890
SGD	**102,307**	139,142
MYR	**80,080**	13,394
HKD	**77,060**	230,942
JPY	**37,902**	5,583
SAR	**22,795**	53,778
Others	**8,638**	4,679
	9,793,914	9,070,163

(i) Notes receivables

The aging analysis of the notes receivables based on date of revenue recognition is as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Bank's notes receivables		
– Up to 6 months	**13,236**	31,673
Commercial notes receivables		
– 6 months to 1 year	**–**	–
– Over 1 year	**49,000**	49,000
	62,236	80,673

(ii) Trade receivables

The credit terms given to trade customers are determined on an individual basis with normal credit period mainly around 90 to 270 days. The aging analysis of the trade receivables based on date of revenue recognition is as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Up to 6 months	**1,039,742**	1,995,560
6 months to 1 year	**242,863**	746,068
1 to 2 years	**1,891,876**	3,244,937
2 to 3 years	**3,195,901**	1,179,960
More than 3 years	**1,541,637**	629,753
	7,912,019	7,796,278

Due to the short-term nature of the current receivables, their carrying amounts are considered to be approximately the same as their fair values.

The Group does not hold any collateral as security over these debtors.

Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance for trade receivables as at December 31, 2023 are determined as follows:

As at December 31, 2023, the loss allowance of individually impaired trade receivables is determined as follows:

Individual	**Trade receivables** *RMB'000*	**Expected credit loss rate** *%*	**Loss allowance** *RMB'000*	**Reason**
Trade receivables	**959,677**	**69.18%**	**(663,922)**	**The likelihood of recovery**

As at December 31, 2023, the loss allowance of collectively impaired trade receivables is determined as follows:

At December 31, 2023	**Up to 6 months**	**6 months to 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**Over 4 years**	**Total**
Expected credit loss rate	14.53%	27.90%	43.18%	58.38%	75.54%	100.00%	N.A.
Gross carrying amount – trade receivables (RMB'000)	1,039,635	242,753	1,715,868	2,804,371	895,657	254,058	6,952,342
Loss allowance (RMB'000)	(151,044)	(67,720)	(740,980)	(1,637,059)	(676,609)	(254,058)	(3,527,470)

As at December 31, 2022, the loss allowance of individually impaired trade receivables is determined as follows:

Individual	Trade receivables *RMB'000*	Expected credit loss rate *%*	Loss allowance *RMB'000*	Reason
Trade receivables	579,695	18.02%	(104,489)	The likelihood of recovery

As at December 31, 2022, the loss allowance of collectively impaired trade receivables is determined as follows:

At December 31, 2022	Up to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Total
Expected credit loss rate	11.21%	22.62%	37.40%	53.31%	76.55%	100.00%	N.A.
Gross carrying amount – trade receivables (RMB'000)	1,994,466	657,758	2,996,192	977,549	557,577	33,041	7,216,583
Loss allowance (RMB'000)	(223,548)	(148,785)	(1,120,672)	(521,129)	(426,852)	(33,041)	(2,474,027)

(iii) Other receivables

(a) Refundable deposits

Refundable deposits consist primarily of security deposits for rental and projects.

(b) Loans to related parties

The loans to related parties represent the loans granted to related parties for their general business operations by the Group previously. These loans were repayable on demand.

(c) Payments on behalf of customers

Payments on behalf of customers represent receivables arising from the sales transactions the Group acting as an agent. The Group assessed whether revenue should be reported on a gross or net basis for each sales transaction. For certain sales transactions where the Group acts as agent during the year ended December 31, 2023, revenue is recorded on a net basis and the receivables arising from these transactions were recorded in other receivables.

(d) Others

Others primarily include staff advance and receivables due from staff for the exercise of restricted shares and share options.

(e) Impairment and risk exposure

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences incorporating forward-looking information. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classified the following financial assets at fair value through profit or loss (FVPL):

– Debt investments that do not qualify for measurement at either amortised cost or FVOCI;

– Equity investments that are held for trading; and

– Equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Financial assets mandatorily measured at FVPL include the following:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Non-current assets		
Debt investments *(a)*		
– Unlisted	**3,486,248**	3,690,089
– Investments in bonds	**1,636,209**	1,523,159
– Fund	**643,921**	585,512
Equity investments *(b)*		
– Listed	**412,342**	631,337
– Unlisted	**348,755**	246,436
	6,527,475	6,676,533
Current assets		
Structured deposits *(c)*	**521,805**	632,124
	7,049,280	7,308,657

(a) Debt investments

The movement of the debt investments is analysed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
At beginning of the year	**5,798,760**	3,665,678
Additions	**472,857**	2,802,090
Disposals	**(5,627)**	(108,892)
Fair value changes	**(555,787)**	(750,966)
Currency translation differences	**56,175**	190,850
At end of the year	**5,766,378**	5,798,760

The Group made investments in various industry companies in the form of convertible redeemable preferred share, 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. The fair values of the unlisted debt investments are measured using a valuation technique with unobservable inputs.

(b) Equity investments

The movement of the equity investments is analysed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
At beginning of the year	**877,773**	645,292
Additions	**122,088**	662,977
Disposals	**(43,455)**	(277,146)
Fair value changes	**(200,176)**	(155,277)
Currency translation differences	**4,867**	1,927
At end of the year	**761,097**	877,773

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 is analysed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
At beginning of the year	**632,124**	272,549
Additions	**4,875,000**	5,763,000
Disposals	**(5,016,856)**	(5,424,590)
Fair value changes	**31,537**	21,165
At end of the year	**521,805**	632,124

(d) Amounts recognised in the consolidated income statement

During the year ended December 31, 2023, the following (losses)/gains were recognised in the consolidated income statement:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Fair value (losses)/gains on investments in:		
Debt investments	**(555,787)**	(750,966)
Equity investments	**(200,176)**	(155,277)
Structured deposits	**31,537**	21,165
	(724,426)	(885,078)

13 TRADE AND OTHER PAYABLES AND LONG-TERM PAYABLES

(a) Trade and other payables

	As at December 31, **2023** *RMB'000*	2022 *RMB'000*
Notes payables	**–**	1,691
Trade payables		
– Third parties	**840,767**	842,792
– Related parties	**790**	4,378
Long-term payables due within 1 year	**16,000**	8,000
Other payables		
– Third parties	**502,520**	566,256
– Related parties	**6,641**	2,148
Payables on purchase of property, plant and equipment and intangible assets	**416,090**	387,521
Accrued taxes other than income tax	**72,087**	223,530
Staff salaries and welfare payables	**366,766**	400,977
VAT payables related to contract liabilities	**31,505**	15,410
Accrued warranty expenses	**8,967**	19,878
	2,262,133	2,472,581

(i) The carrying amounts of trade and other payables are considered to be approximated to their fair values, due to their short-term nature.

(ii) Aging analysis of the trade payables and notes payables based on purchase date at the end of December 31, 2023 are as follows:

	As at December 31, **2023** *RMB'000*	2022 *RMB'000*
Up to 6 months	**599,714**	718,327
6 months to 1 year	**115,885**	76,660
1 to 2 years	**79,267**	19,477
More than 2 years	**46,691**	34,397
	841,557	848,861

(b) Long-term payables

	As at December 31, **2023** *RMB'000*	2022 *RMB'000*
Long-term payables	**5,294**	11,611

Long-term payables represented the obligations to pay for goods and licensed intellectual properties with payments due more than one year. The fair values of long-term payables as at December 31, 2023 were RMB5,190,000 (2022: RMB11,126,000).

14 BORROWINGS

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Non-Current		
Bank borrowing – secured	**3,532,070**	2,909,453
Bank borrowing – guaranteed	**764,346**	–
Less: current portion of non-current borrowings	**(17,730)**	(2,300)
	4,278,686	2,907,153
Current		
Short-term borrowing – guaranteed	**132,760**	316,248
Short-term borrowing – secured	**40,000**	–
Current portion of non-current borrowings	**17,730**	2,300
Interest payable	**3,939**	2,913
	194,429	321,461
Total	**4,473,115**	3,228,614

Secured bank borrowing

As at December 31, 2023, the Group had non-current bank borrowings with carrying amount of RMB259,080,000 which were secured by the Group's restricted deposits of USD43,900,000 (equivalent to RMB323,984,000) (December 31, 2022: bank borrowings with carrying amount of RMB229,700,000 which were secured by the Group's restricted deposits of USD38,600,000 (equivalent to RMB271,392,000)).

As at December 31, 2023, the Group had a non-current bank borrowing with carrying amount of RMB1,608,850,000 (December 31, 2022: RMB1,015,613,000) which was pledged by equity interest of Shanghai Yuqin Information Technology Co., Ltd. ("**Shanghai Yuqin**") and joint liability guarantee from Shanghai Yuqin and Shanghai SenseTime. In addition, certain buildings (Note 10(a)) with a carrying amount of RMB1,074,851,000 and land use right with a carrying amount of RMB63,164,000 (December 31, 2022: buildings (Note 10(a)) with a carrying amount of RMB1,109,380,000 and land use right with a carrying amount of RMB64,517,000) respectively were also pledged as collaterals for this bank borrowing.

As at December 31, 2023, the Group had a non-current bank borrowing with carrying amount of RMB1,664,140,000 which was pledged by certain buildings (Note 10(a)) with a carrying amount of RMB3,197,977,000 as a collateral for the Group's borrowings. (December 31, 2022: bank borrowings with carrying amount of RMB1,664,140,000 which was pledged by certain buildings (Note 10(a)) with a carrying amount of RMB3,266,946,000 as a collateral for the Group's borrowings).

As at December 31, 2023, the Group had a current bank borrowing with carrying amount of RMB40,000,000 which was secured by certain Group's licensed intellectual properties and guaranteed by SenseTime Group Limited.

As at December 31, 2023, the Group had a non-current bank borrowing with carrying amount of RMB143,000,000 for public rental housing, which was guaranteed by a state-owned property developer before the property registration is ready. After that, this borrowing will be guaranteed by Shanghai SenseTime and be pledged by the public rental housing itself as a collateral.

As at December 31, 2023, the Group had non-current bank borrowings with carrying amount of RMB542,346,000 which were guaranteed by SenseTime Group Limited.

As at December 31, 2023, the Group had non-current bank borrowings with carrying amount of RMB79,000,000 which were guaranteed by Beijing SenseTime.

As at December 31, 2023, the Group had current bank borrowings with carrying amount of RMB132,760,000 which were guaranteed by SenseTime Group Limited.

The Group's borrowings are all denominated in RMB.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity date whichever is earlier were as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
6 months or less	**111,500**	199,954
Between 6 and 12 months	**78,990**	118,594
Between 1 and 2 years	**298,810**	6,300
Between 2 and 5 years	**1,673,138**	610,565
Over 5 years	**2,306,738**	2,290,288
	4,469,176	3,225,701

The aggregate principal amounts of bank borrowings and applicable interest rates are as follows:

	As at December 31, 2023		As at December 31, 2022	
	Amount	**Interest rate**	Amount	Interest rate
	RMB'000	***Per annum***	*RMB'000*	*Per annum*
RMB bank borrowings	**4,469,176**	**1.95%–3.80%**	3,225,701	2.50%–3.95%

The Group had complied with all of the financial covenants of its borrowings for the year ended December 31, 2023 (2022: complied with all of the financial covenants of its borrowings).

As at December 31, 2023, the weighted average effective interest rate for borrowings was 3.23% (2022: 3.36%).

The fair values of current borrowings equal to their carrying amount as the discounting impact is not significant.

The fair values of non-current borrowings as at December 31, 2023 were disclosed as follows:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
Non-current borrowings	**4,234,911**	2,801,157

As at December 31, 2023, the Group has the following undrawn bank facilities:

	As at December 31,	
	2023	2022
	RMB'000	*RMB'000*
RMB facilities	**8,153,792**	9,694,749
USD facilities	**108,203**	195,009
	8,261,995	9,889,758

15 EVENTS AFTER THE BALANCE SHEET DATE

For the purposes of facilitating further AIDC operation of the Group in the PRC, on January 29, 2024, Shanghai SenseTime Digital Technology Co., Ltd. (an indirect wholly-owned subsidiary of the Company) entered into a series of contractual arrangements with an operating company and the individual shareholders. The operating company will be principally engaged in the operation of AIDC in China.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period and up to the date of this announcement, 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.

EVENTS AFTER THE REPORTING PERIOD

Save as 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 all applicable code provisions under the Corporate Governance Code set out in Appendix C1 to the Listing Rules, save for code provisions C.2.1 and F.2.2 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.

In addition, code provision F.2.2 of the Corporate Governance Code provides that, amongst others, that the chairman of the Board should attend the annual general meeting. Due to other work engagement of the Group, Dr. Xu Li, the chairman of the Board, was unable to attend the annual general meeting held by the Company on June 23, 2023. The aforementioned annual general meeting was attended by, amongst others, the independent non-executive Directors (who are also the chairmen of the Board committees of the Company) and the external auditors to ensure effective communication with the Shareholders.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2023.

ANNUAL GENERAL MEETING

The AGM will be held on June 26, 2024. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF THE REGISTER OF MEMBERS

For the purposes of determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from June 20, 2024 to June 26, 2024 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on June 19, 2024.

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 and up to the date of this announcement.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive loss and the related notes thereto for the year ended December 31, 2023 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on announcement.

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 consolidated financial statements 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 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement has been published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of the Company at **www.sensetime.com**. The annual report of the Company for the year ended December 31, 2023 will be published on the aforesaid 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:

"AGM"	the annual general meeting for the year ended December 31, 2023 to be held on June 26, 2024 or any adjournment thereof
"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 US$0.000000025 each
"Class B Share(s)"	the class B ordinary shares of the Company with a par value of US$0.000000025 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 codes: 0020 (HKD Counter) and 80020 (RMB Counter))
"Director(s)"	the director(s) of the Company
"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 (within the meaning ascribed thereto under the Listing Rules)
"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 C3 of the Listing Rules
"PRC" or "China"	the People's Republic of China
"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 year ended December 31, 2023
"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

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, March 26, 2024

As at the date of this announcement, the executive Directors are Dr. Xu Li, 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.