SenseTime Group Inc.
商汤集团股份有限公司

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

(Stock Code: 0020)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021

The Board is pleased to announce the consolidated financial results of the Group for the year ended December 31, 2021. The consolidated financial statements for the year ended December 31, 2021 have been audited by the Auditor in accordance with the International Standards on Auditing. In addition, the results have also been reviewed by the Audit Committee.

KEY HIGHLIGHTS

Financial Summary

	Year Ended December 31				
	2021		2020		**Year-over-year change**
	Amount	**As a percentage of revenue**	Amount	As a percentage of revenue	
	(RMB in thousands, except for percentages)				
Revenue	**4,700,263**	**100.0**	3,446,165	100.0	36.4%
Gross Profit	**3,277,638**	**69.7**	2,432,084	70.6	34.8%
Loss for the year	**(17,177,050)**	**(365.4)**	(12,158,347)	(352.8)	41.3%
Non-IFRS Measures:					
Adjusted EBITDA	**(878,970)**	**(18.7)**	(531,849)	(15.4)	65.3%
Adjusted net loss	**(1,418,348)**	**(30.2)**	(878,438)	(25.5)	61.5%

Operating Metrics

	Year ended December 31		Year-over-year change
	2021	2020	
Number of customers in Smart Business	**922**	848	8.7%
Number of customers in Smart Life	**257**	236	8.9%
Number of customers in Smart Auto	**34**	25	36.0%

	As at December 31		Year-over-year change
	2021	2020	
Number of cities served in Smart City	**140**	94	48.9%

BUSINESS REVIEW AND OUTLOOK

Overall Performance

In 2021, fueled by China's national mandate to accelerate AI infrastructure and our technology breakthroughs in making AI applications more accessible to all, we achieved satisfying results; our total revenue reached RMB4.70 billion, an increase of 36.4% year-on-year from RMB3.45 billion in 2020, with our full year gross profit margin standing at 69.7%. To better serve our customers and further extend our technology leadership, R&D investment is core to our strategy. We have made a cumulative investment of over RMB8 billion in R&D over the past four years, and in 2021, excluding share-based compensation expenses, our R&D investment was RMB3.06 billion, accounting for 65.1% of revenue. Our effort to upgrade our AI infrastructure resulted in world's largest computer vision model[1] with the most parameters, which in turn drives the mass production of commercial AI models at competitive costs. We have also successfully translated our cutting-edge research into high value, patented applications. As of the end of 2021, we had 11,494 global patent assets, an 96% increase compared to 2020, among which, 78% were invention patents. Our operating expenses indicators were continuously optimized, excluding share-based compensation expenses and listing expenses, our administrative expenses as a percentage of revenue decreased from 29.6% in 2020 to 25.1% in 2021, while selling expenses as a percentage of revenue decreased from 14.6% in 2020 to 13.5% in 2021. We have maintained steady financial performance overall, with a total balance of cash at banks and in hand RMB21.52 billion as at the end of 2021. Adjusted net loss for 2021 was RMB1.42 billion.

Business Highlights

2021 marked the first year of the 14th Five-Year Plan. Traditional industries have embraced digital transformation with increased vigor for AI technology. With the favorable policy guidance and steady inflow of capital investment, the China AI industry has been blooming. In particular, under The Digital Economy Development Plan in the 14th Five-Year Plan, it proposes that by 2025, the digital economy shall enter a phase of comprehensive expansion and application, digital economy would further contribute to 10% of total GDP. According to Frost & Sullivan, China's AI software market will reach RMB167.1 billion in 2025. As a leading AI software enterprise in China with proprietary technology breakthroughs, our efforts have been widely recognized by thousands of private enterprises and government customers alike. According to the "China Artificial Intelligence Market Report for the First Half of 2021" published by IDC, SenseTime once again ranked #1 in market share of computer vision application in China. According to the "2021 China Computer Vision Market Report" issued by Frost & Sullivan, SenseTime ranked #1 in terms of the computer vision leaders cohort, and took lead in both "growth index" and "innovation index".

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[1]   According to the Frost & Sullivan report, the main contents of the report are included in the Prospectus.

In 2021, China has entered a new economic growth phase fueled by data as a key input as means of production. SenseTime has foreseen this trend and proactively planned ahead, thus resulting in SenseCore, our universal AI infrastructure that drives the industrialization of AI model innovation and production. SenseCore is the brainchild of our 4,274 R&D team, which accounts for 70% of our employee. As a new type of smart infrastructure integrating computing power, general algorithm and development platforms, SenseCore provides training for state-of-the-art AI base models as well as scenario specific models *en mass*. The significant reduction of model production costs lead to a much broader base application of AI, empowering all industries. SenseCore symbolizes the forward-looking judgment of the technology route, which includes large-scale supercomputing, self-developed deep learning framework, AI chips, AI sensors, large-scale data processing and encryption technologies, all of which epitomize the essence of SenseTime R&D. SenseCore also delivers world-leading AI computing power. As of the end of 2021, the total computing power of our 23 supercomputing clusters was 1.17 exaflops. This combined with the new generation AIDC in Lingang, Shanghai, opened in January 2022 which has a designed peak computing power of 3.74 exaflops, together we can complete training state-of-the-art AI model with the world's largest number of parameters within a single day. As at the end of 2021, SenseCore produced more than 34,000 commercial models, an increase of 152% from 13,000 a year ago. SenseCore also enhanced the productivity of our R&D team, the average team member produced 5.94 models in 2021, an increase of 72% compared to 3.45 models in 2020, which is even more stellar when one compares with 0.44 model in 2019, implying an increase of 13 folds. With the support of SenseCore, we accelerated and cemented our leading position in four major segments, Smart Business, Smart City, Smart Life and Smart Auto. We have empowered billions of IoT devices in automobiles, mobile phones, urban and commercial spaces, running more than one trillion AI inferences every day, achieving our vision of connecting the physical world with the digital world. Going forward, our model performance and production capacity will continue to improve as we continue to upgrade SenseCore and access more data to suit more scenarios. Lower model production costs and larger model production capacity enable us to empower customers in a more affordable and in-depth manner, ensuring SenseTime's long-term business competitiveness and growth momentum alike.

Smart Business

2021 marked the acceleration of integration of digital technology and the underlying economy, as a result, digital transformation has become a strategic goal for many enterprises, leading to robust Smart Business segment. Our customers, most of which are leaders in their own respective industries, have chosen to use our SenseFoundry-Enterprise platform, which embeds more than 13,000 AI models in one-stop to build various AI applications, allowing digitalized and automated production activities, space operation and process management protocol. In 2021, revenue from Smart Business segment reached RMB1.96 billion, an increase of 31.8% year on year. We served 922 customers during the year, an increase of 8.7% year on year, revenue per customer also increased by 21.3%. Among these customers, more than 200 are either Fortune 500 companies or listed companies, spanning industries from utility management, manufacturing, infrastructure operation and maintenance, logistics, transportation, park management, retail, real estate management to telecommunications. Our key customers include market leaders such as State Grid, Southern Grid, Beijing-Shanghai High-speed Railway, China Telecom, SoftBank Group and Alibaba Cloud, etc. We ranked #1 in market share of computer vision software for enterprise applications in China.

In the previous internet revolution, large amount of online data has spawned the popularization of "search engine" and "recommendation system", enabling labelling, structuring, analytics of these data, and resulting in effective access to information. In fact the access to information is so efficient that people can easily spend hours on various mobile applications. By comparison, our daily activities in the physical world generate even more data than those on the internet, and hence the digitization of the physical world requires even more powerful AI-driven search and recommendation engines to convert these data into valuable information so as to develop data-driven intelligent decision-making capabilities and improve the production and operation efficiency of enterprises. SenseFoundry-Enterprise was born with this in mind, through the large-scale deployment of computer vision-based perception, identification, decision making, augmented reality and interactive AI algorithms, SenseFoundry-Enterprise serves as the "search engine" and "recommendation system" of enterprises, and has become a new digital infrastructure prerequisite for enterprise digital transformation, empowering its users and creating new productivity that every enterprise can utilize and benefit from.

Smart City

We believe that future cities will be fully digitalized and "smart". i.e., large and complex operation and management decisions will be fully empowered by AI. SenseFoundry is our answer to this vision, this is a future-oriented digital management platform that we designed alongside managers of first tier cities. SenseFoundry is similar to SenseFoundry-Enterprise, which tackles structural analysis of massive data in physical space. By continuously expanding and deep diving into more industries and scenarios, the system enhances and upgrades its AI capabilities constantly. We help city managers to achieve efficient urban governance by covering scenarios such as transportation, emergency response, epidemic prevention, disaster recovery and environmental protection etc. In 2021, with the initiation of "centralized management through one network" programme and other urban governance modernization mandate, the number of cities covered by our SenseFoundry has increased significantly, becoming the preferred platform for digital upgrading of many cities. As of the end of 2021, SenseFoundry was deployed in 140 cities, an increase of 48.9% compared to the

end of 2020, including 15 mega cities with over ten million population such as Shanghai and Shenzhen, as well as 4 overseas cities. With the increase in both coverage and penetration rate of SenseFoundry in more cities, increasing city data and application scenarios are available, it enables us to produce and launch more long-tail AI applications, which is key to city management. As of end of 2021, number of AI models installed in SenseFoundry increased to 22,425, representing an increase of 156% compared to the end of 2020. Revenue from Smart City segment reached RMB2.14 billion, representing an increase of 56.5% year-on-year. We ranked #1 in the market share of computer vision software for smart cities in China[2].

Smart Life

Our Smart Life segment empowers consumer-facing enterprises with AI capabilities. Our clients include mobile phone manufacturers, various APP developers, game developers and medical institutions, etc. In 2021, revenue from our Smart Life segment reached RMB415 million. Initially we entered to this consumer-facing market by providing AI SDKs to smart phone manufacturers and APP developers. More than 1.5 billion smart phones have installed our SDKs, and all top-notch smart phone manufacturers in China are our customers. Functions such as face unlock, super-resolution, night view enhancement and smart albums have now become the standard configuration of smart phones. We are convinced that AI software embedded hardware will become the key trend in this business and the integration of AI software with sensors and ISP chips will further create massive market. We started to convert to the "AI software embedded hardware" strategy two years ago and continued to transform our business model in 2021. Now we have a three-pronged strategy consisting of AI sensors, AI ISP chips and SDK, which not only allows us to build higher entry barriers, but also drives our business model to transform from SDK licensing fee to the IP licensing fee of AI sensors and sales of ISP chips, the latter two are stickier. We collaborated with a global leading semiconductor company to successfully delivered four AI sensors in 2021, leading the way for enhancement of AI image quality, lower power consumption and stronger privacy protection when processing images and videos taken by smart phones. Our first core IP was adopted by a leading mobile phone manufacturer. The R&D of our ISP chips designed for AI sensors is also progressing smoothly, and we aim to go to market in 2022. The advantages of our AI software, combined with the strengths of our partners in semiconductor, will bring a new generation of innovative products to the global mobile phone and IoT market, breathing new momentum into our Smart Life segment.

Another important component of Smart Life is SenseMARS, our Metaverse-enabling platform. 2021 was considered the inception year of Metaverse, which called for broader application of AI technology. We have key modules in place on our SenseMARS platform, including AI generated content, 3D reconstruction, digital humans and avatar, etc, all of which enable easier and faster development of Metaverse applications. More than 200 mobile applications and mobile games have adopted our SenseMARS to build Metaverse applications, and more than 60 shopping malls, museums and airports have developed AR interactive applications based on SenseMARS to better serve and engage their customers. SenseMARS aims to become the go-to Metaverse-enabling platform in the industry, to bring new experiences to consumers, to witness the birth of new Metaverse killer apps on the platform.

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[2] According to the Frost & Sullivan Report, the main contents of which are set out in the Prospectus.

Smart Auto

The Smart Auto industry in the digital era has broad market prospects. The automobile industry is facing unprecedented evolution. AI has become a core factor affecting automobile's branding, pricing and consumer awareness. As early as 2017, SenseTime established a long-term strategic cooperation with Honda, becoming the first AI enterprise in Asia to cooperate with a top 5 automobile company globally to develop autonomous driving technology, which enabled us to accumulate extensive experience in the field of Smart Auto. According to the Global Smart Auto Patent Rankings published by IPRDaily in 2021, SenseTime ranked tenth globally. In 2021, revenue from Smart Auto segment amounted to RMB184 million, representing a year-on-year increase of 16.3%. In 2021, SenseTime launched SenseAuto as our Smart Auto Platform to push forward full-suite product commercialization in ADAS, smart cabin, vehicle-to-road connect, L4-level autonomous driving and Robobus. In 2021, we signed contracts with more than 30 automobile companies, including leading domestic and overseas brands. We have been selected as the supplier to pre-install our ADAS and smart cabin products for more than 23 million automobiles across over 60 vehicle models in the next five years, which will bring us scalable business growth.

Autonomous driving technology remains to be our long-term R&D priority. Our technology is based on the effective utilization of vehicle data, trained by SenseCore with industry-leading computing power and algorithm iteration efficiency. Working with our partners, we efficiently screen on-demand return of vehicle data, continuously reduce the cost of data acquisition and processing, and achieve faster technology iteration with the help of huge computing power. We are confident that we will continue to lead the advancement of autonomous driving technology in China. We have also established a vehicle-to-road connect platform to connect the perception of road sensors to the vehicle end, thus allowing autonomous vehicles to have more comprehensive perception capabilities and improve the driving ability in complex traffic scenarios. The ultimate goal of smart auto is smart transportation with multidimensional data connection, which will enable wider value creation for transportation management, logistics, mobility services, etc.

SenseCore and Integrated R&D

Our research and development goal is to continuously produce the most advanced AI models for every industry, and continuously reduce the model production costs. The technical barriers to produce advanced AI models have been increasing year by year due to the exponential increase in scale of the parameters in AI models, training data consumption and computing power consumption. Thanks to our proprietary SenseCore AI infrastructure and our design capabilities of large models, as well as the data resources and abundant application scenarios in China, SenseTime has built unique technological barriers in the field of AI R&D.

We continue to open-source our technologies to empower the academic and industrial ecosystem. Following the upgrade of OpenMMLab, the AI algorithm open-source platform, we further open-source OpenPPL, the high-performance deep learning inferencing engine, and OpenGVLab, the general vision open-source platform. Together with Shanghai Artificial Intelligence Laboratory and other institutions, we jointly released OpenDILab, the decision-making intelligence open-source platform, and "INTERN", a new generation of general vision technology system. As of the end of 2021, the cumulative downloads by developers on the OpenMMLab exceeded one million, and more than 47,000 stars were obtained on GitHub, with users from 110 countries and regions around the world. It has become one of the most popular computer vision algorithm libraries in the field of deep learning worldwide. "INTERN", the new generation of general vision technology system released in November 2021, has achieved significant elevation in accuracy and data usage efficiency compared with the state-of-the-art general vision model published so far (i.e., CLIP released by OpenAI in 2021). Based on the same training data sets, the average error rates of "INTERN" on the 26 data sets for classification, object detection, semantic segmentation and depth estimation have reduced by 40.2%, 47.3%, 34.8% and 9.4%, respectively. "INTERN" is particularly remarkable in the improvement of data efficiency: it only requires 1/10 of training data to outperform the accuracy of CLIP trained with the whole data set.

In the spirit of open science, we actively share our research with the world. During 2015-2021, SenseTime published more than 560 papers in top-tier academic conferences, e.g. CVPR, ICCV and ECCV, leading in the computer vision field globally.

In 2021, SenseCore made significant progress in adapting to domestic GPU chips, allowing training of AI models based on domestic chips. We have recorded parallel training speed that exceeds the performance of NVIDIA V100 when training common AI models, laying the technical foundation for full-stack training. We have jointly initiated the Artificial Intelligence Computing Power Industry Alliance (AICPIA) with more than 30 leading semiconductor companies, universities and national standards institutions in China, in order to promote the development and sharing of AI computing power. We have also formed a joint lab with the Institute of Standardization of the Ministry of Industry and Information Technology (MIIT) for AI computing and chip evaluation.

In 2021, our self-developed AI inference chip STPU S100-0AC was successfully applied in our SenseFoundry-Enterprise and SenseFoundry products, and became the core component of our standard product offering. Compared to general-purpose GPUs, our STPU powered intelligent processing card can increase the number of processed video streams by three times at the same cost. Our integrated products, such as STPU chips and STPU intelligent processing cards, bring more cost-effective smart computing solutions to our Smart Business and Smart City customers. By the end of 2021, we have shipped more than 16,000 units of STPU S100-0AC chips. At the same time, our development on AI training chips progressed steadily, which will drive a critical upgrade for SenseCore as the chips in design will achieve better training performance for our next generation of ultra-large base models.

STRATEGIC OUTLOOK

AI-as-a-Service based on SenseCore

In 2022, we plan to further open our SenseCore capabilities to the market. We expect massive market demand for AI computing services, as the digitalization of cities and enterprises expands and the development of Metaverse and autonomous driving accelerates. Since the traditional cloud computing services can no longer effectively meet the demand for AI computing, the market has high demand for our SenseCore capabilities. We have already validated the commercial value from SenseCore when we tested out our AI-as-a-Service business model on several large customers in Smart City and Smart Auto. In January 2022, our next generation AI Data Centre (AIDC) in Lingang, Shanghai was officially launched. The AIDC was awarded the title of "Shanghai AI Integration and Empowerment Center" by the Shanghai Municipal Commission of Economy and Information Technology. It will provide AI-as-a-Service to a wide range of industries, scientific research institutions and city managers, and as a result improve AI productivity and penetration rate, thus accelerating the digital transformation of all industries. The successful launch of Shanghai Lingang AIDC marks an important achievement of our long-term strategy in building the universal AI infrastructure. It will not only become the foundation for deeper integration of AI with the economy, daily life and governance and driving sustainable productivity growth, but also accelerate AI technology breakthrough and promote domestic computing chips by cultivating a prosperous AI ecosystem. We are committed to building a world-leading AI computing center and leading the development of AI industry by providing sustainable and inclusive AI computing power to the society.

Establishment of Intelligent Automotive Group and Digital World Group

In the first quarter of 2022, we upgraded our organizational structure, setting up the Intelligent Automotive Group. We will step up our efforts in the development of Smart Auto business, stay committed to building our SenseAuto as the most influential AI-empowering platform and leading the intelligent transformation of the automobile industry. We have also established the Digital World Group to fully integrate our advantages in AI perception, AR and MR technologies, computing power and customer ecology, aiming to build an industry-leading Metaverse-enabling platform. We will provide a number of key technological engines for Metaverse, including 3D reconstruction engine, digital humans and avatar engine, AI-driven content generation engine and a game AI-bot engine, so that all kinds of industries can easily build Metaverse. With the convergence of social network, AI content generation, smart hardware and other ecosystems and the rapidly advancing capabilities of AI, our Digital World Group will close the value loop in terms of enhancing personal experience, facilitating remote collaboration, stimulating creativity and supporting title validation.

Looking ahead, we are confident and looking forward to the development of China's digital economy. In ten years, AI will bring profound changes to how we work, live and govern. We are confident in maintaining our long-term competitive edges. We will continue high growth rate in 2022, and optimize operational efficiency while maintaining the industry-leading level of R&D investment. We believe that AI will take human civilization to the next level, but it also requires talents, long-term capital, encouraging policy, and social consensus. As the leading AI company in China, SenseTime strives to pioneer the development of AI and fulfill the mission of "to create a better AI-empowered future through innovation".

MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021 COMPARED TO YEAR ENDED DECEMBER 31, 2020

The following table sets forth the comparative figures for the years ended December 31, 2021 and 2020:

| | Year ended December 31 | |
| | **2021** | 2020 |
	RMB'000	*RMB'000*
Revenue	**4,700,263**	3,446,165
Cost of sales	**(1,422,625)**	(1,014,081)
Gross profit	**3,277,638**	2,432,084
Selling expenses	**(681,584)**	(536,521)
Administrative expenses	**(2,298,362)**	(1,589,519)
Research and development expenses	**(3,614,140)**	(2,453,874)
Net impairment losses on financial assets	**(517,608)**	(522,046)
Other income	**504,280**	352,784
Other (losses)/gains – net	**(399,958)**	505,314
Operating loss	**(3,729,734)**	(1,811,778)
Finance income	**187,716**	174,902
Finance cost	**(33,758)**	(112,509)
Finance income – net	**153,958**	62,393
Share of losses of investments accounted for using the equity method	**(40,231)**	(6,055)
Fair value losses of preferred shares and other financial liabilities	**(13,525,537)**	(10,563,577)
Loss before income tax	**(17,141,544)**	(12,319,017)
Income tax (expenses)/credit	**(35,506)**	160,670
Loss for the year	**(17,177,050)**	(12,158,347)
Loss is attributable to:		
Equity holders of the Company	**(17,140,086)**	(12,158,193)
Non-controlling interests	**(36,964)**	(154)
	(17,177,050)	(12,158,347)
Non-IFRS measures:		
Adjusted EBITDA	**(878,970)**	(531,849)
Adjusted net losses	**(1,418,348)**	(878,438)

Revenue

Our revenue increased by 36.4% to RMB4,700.3 million in 2021, compared to RMB3,446.2 million in 2020, primarily due to the growth in Smart City and Smart Business. The following table sets out a breakdown of our revenue by revenue streams in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31			
	2021		2020	
	RMB		RMB	
	million	**%**	million	%
Smart Business	**1,957.9**	**41.7**	1,485.0	43.1
Smart City	**2,142.8**	**45.6**	1,368.9	39.7
Smart Life	**415.4**	**8.8**	433.9	12.6
Smart Auto	**184.2**	**3.9**	158.4	4.6
Total	**4,700.3**	**100.0**	3,446.2	100.0

Our Smart Business revenue increased by 31.8% to RMB1,957.9 million in 2021, compared to RMB1,485.0 million in 2020. The increase was primarily due to (i) the expansion in our customer base for Smart Business with the number of customers increasing from 848 in 2020 to 922 in 2021, (ii) upgrade of our SenseFoundry-Enterprise platform for our existing industry verticals, such as commercial space management and residential property management, and the creation of new functions including those that can interface with our future Metaverse offerings; and (iii) increasing revenue from customers in infrastructure and transportation industries, as we developed our software platforms suitable for these industry verticals' launch customers.

Our Smart City revenue increased by 56.5% to RMB2,142.8 million in 2021, compared to RMB1,368.9 million in 2020, primarily due to (i) our expansion in domestic city coverage and stronger market penetration, largely driven by the recovery and increase in demand for our city management software platforms with COVID-19 pandemic generally under control in Mainland China; the cumulative number of cities served increased from 94 at the end of 2020 to 140 at the end of 2021, and (ii) our offering expansion and functional upgrades to meet end customers' growing demand for more comprehensive and sophisticated city management tools.

Cost of sales

Our cost of sales increased by 40.3% from RMB1,014.1 million in 2020 to RMB1,422.6 million in 2021. The following table sets out a breakdown of our cost of sales by nature in absolute amounts and as percentages of our cost of sales for the periods indicated:

| | **Year ended December 31** | | | |
| | **2021** | | 2020 | |
	RMB million	**%**	RMB million	%
Hardware costs and subcontracting service fees	**1,265.4**	**89.0**	909.5	89.7
Server operation and cloud-based service fees	**1.5**	**0.1**	1.4	0.1
Employee benefit expenses	**80.1**	**5.6**	57.0	5.6
Other expenses	**75.6**	**5.3**	46.2	4.6
Total	**1,422.6**	**100.0**	1,014.1	100.0

The increase in cost of sales was primarily attributable to the increase in hardware costs and subcontracting service fees, which generally grew in line with the growth of our revenue.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 34.8% from RMB2,432.1 million in 2020 to RMB3,277.6 million in 2021. Our gross margin remained relatively stable in 2021.

Research and Development Expenses

Our research and development expenses increased by 47.3% from RMB2,453.9 million in 2020 to RMB3,614.1 million in 2021, primarily due to an increase in employee benefit expenses, which was due to (i) the expansion of our research and development team; and (ii) an increase in the share-based compensation expenses to our R&D employees.

Selling Expenses

Our selling expenses increased by 27.0% from RMB536.5 million in 2020 to RMB681.6 million in 2021, primarily due to an increase in employee benefit expenses. Without regard to the effect of share-based compensation expenses, selling expenses as a percentage of our revenue would have decreased from 14.6% in 2020 to 13.5% in 2021.

Administrative Expenses

Our administrative expenses increased by 44.6% from RMB1,589.5 million in 2020 to RMB2,298.4 million in 2021, primarily due to an increase in the employee benefit expenses as a result of (i) an increase in share-based compensation expenses to our management team and administrative staff, (ii) the expansion of our administrative team to support our growing business, and (iii) listing expenses incurred in 2021 in connection with the initial public offering. Without regard to the effect of share-based compensation expenses and listing expenses, administrative expenses as a percentage of our revenue would have decreased from 29.6% in 2020 to 25.1% in 2021.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets decreased by 0.8% from RMB522.0 million in 2020 to RMB517.6 million in 2021 primarily due to decreased impairment provision for trade and other receivables.

Other Income

Our other income increased by 42.9% from RMB352.8 million in 2020 to RMB504.3 million in 2021 primarily due to an increase in government grants.

Other (Losses)/Gains, Net

We had net other losses of RMB400.0 million in 2021 compared to net other gains of RMB505.3 million in 2020, primarily due to fair value losses on financial assets at fair value through profit or loss amounting to RMB514.7 million, partially offset by net foreign exchange gains of RMB132.4 million.

Finance Income, Net

Net finance income increased from RMB62.4 million in 2020 to RMB154.0 million in 2021, primarily due to a decrease in interest expenses as a result of decreased borrowings.

Fair Value Losses of Preferred Shares and Other Financial Liabilities

Fair value losses of preferred shares and other financial liabilities increased from RMB10,563.6 million in 2020 to RMB13,525.5 million in 2021 resulting from changes in the valuation of our Company. As our initial public offering completed in the end of 2021, we do not expect to recognize any further loss or gain on fair value of preferred shares issued by the Company in 2022.

Income tax (expenses)/credit

We had income tax expenses of RMB35.5 million in 2021, compared to income tax credit of RMB160.7 million in 2020 primarily due to an increase in deferred tax liabilities.

Loss for the Year

As a result of the foregoing, we had a loss of RMB17,177.1 million in 2021 primarily due to our R&D efforts and fair value losses of preferred shares, compared to a loss of RMB12,158.3 million in 2020. As our initial public offering completed in the end of 2021, we do not expect to recognize any further loss or gain on fair value of preferred shares issued by the Company in 2022.

Non-IFRS Measures

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

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

| | Year ended December 31 | |
| | **2021** | 2020 |
	RMB million	*RMB million*
Loss before income tax	**(17,141.5)**	(12,319.0)
Add:		
Finance income, net	**(154.0)**	(62.4)
Depreciation and amortization	**657.8**	569.7
EBITDA	**(16,637.7)**	(11,811.7)
Add:		
Fair value losses of preferred shares and other financial liabilities	**13,525.5**	10,563.6
Share-based compensation expenses	**1,583.9**	887.0
Fair value (gains)/losses on financial assets at fair value through profit or loss[1]	**514.7**	(170.7)
Listing fee[1]	**134.6**	–
Adjusted EBITDA	**(879.0)**	(531.8)

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

| | Year ended December 31 | |
| | 2021 | 2020 |
	RMB million	*RMB million*
Net losses for the year	**(17,177.1)**	(12,158.3)
Add:		
Fair value losses of preferred shares and other financial liabilities	**13,525.5**	10,563.6
Share-based compensation expenses	**1,583.9**	887.0
Fair value (gains)/losses on financial assets at fair value through profit or loss[1]	**514.7**	(170.7)
Listing fee[1]	**134.6**	–
Adjusted net losses	**(1,418.4)**	(878.4)

Note:

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

Trade, Other Receivables and Prepayments

Our trade, other receivables and prepayments increased from RMB4,583.5 million as of December 31, 2020 to RMB5,775.9 million as of December 31, 2021. The increase was mainly attributable to an increase in trade receivables, partially offset by a decrease in other receivables.

Trade Receivables

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

| | As at December 31 | |
| | 2021 | 2020 |
	RMB million	*RMB million*
Trade receivables		
– Due from related parties	**46.0**	186.7
– Due from third parties	**6,018.1**	3,561.7
Provision for impairment	**(980.4)**	(609.8)
Total	**5,083.7**	3,138.6

Our net trade receivables increased by 62.0% from RMB3,138.6 million as of December 31, 2020 to RMB5,083.7 million as of December 31, 2021. Such increasing trend was generally in line with the growth of our business. Our provision for impairment of trade receivables as % of gross trade receivables has remained largely stable, decreasingly from 16.3% as of December 31, 2020 to 16.2% as of December 31, 2021.

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

	As at December 31	
	2021	2020
	RMB million	RMB million
Up to 6 months	2,659.6	2,078.0
6 months to 1 year	1,048.8	232.0
1 to 2 years	1,402.8	1,152.1
2 to 3 years	852.1	259.0
More than 3 years	100.8	27.3
	6.064.1	3,748.4

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

	Year ended December 31	
	2021	2020
Trade receivables turnover days[1]	319	293

Note:

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

We had relatively long and increasing trade receivables turnover days, primarily because a significant portion of our revenue is derived from Smart City, which typically features a long payment cycle as required by their internal financial management and payment approval processes. Revenue from Smart City as a percentage of our total revenue increased from 39.7% in 2020 to 45.6% in 2021.

Other Receivables

Our other receivables decreased significantly from RMB1,073.8 million as of December 31, 2020 to RMB329.2 million as of December 31, 2021. The decrease was mainly attributable to reduced payments on behalf of customers.

LIQUIDITY AND FINANCIAL RESOURCES

We had historically funded our cash requirements principally from capital contribution from shareholders. We had cash and cash equivalents of RMB16,529.5 million and term deposits of RMB4,990.8 million as of December 31, 2021, compared to the balance of RMB11,427.9 million and RMB5,890.2 million as of December 31, 2020.

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

	Year ended December 31	
	2021	2020
	RMB million	*RMB million*
Net cash used in operating activities	**(2,485.4)**	(1,228.8)
Net cash used in investing activities	**(1,548.1)**	(7,070.5)
Net cash generated from financing activities	**9,378.5**	13,185.7
Net increase in cash and cash equivalents	**5,345.0**	4,886.4
Cash and cash equivalents at the beginning of the year	**11,427.9**	6,672.9
Exchange loss on cash and cash equivalents	**(243.3)**	(131.4)
Cash and cash equivalents at the end of the year	**16,529.5**	11,427.9

Net Cash Used in Operating Activities

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

For the year ended December 31, 2021, net cash used in operating activities was RMB2,485.4 million, which was primarily attributable to our loss before income tax, as adjusted by (i) depreciation and amortization, share-based compensation, provision for impairment of financial assets and fair value changes on financial investments at fair value through profit or loss, and (ii) changes in working capital, which primarily comprised an increase in trade and other receivables.

Net Cash Used in Investing Activities

For the year ended December 31, 2021, net cash used in investing activities was RMB1,548.1 million, which was mainly attributable to purchase of property, plant and equipment, intangible assets, and acquisition of investments in financial assets at fair value through profit and loss, partially offset by net decrease in investments in term deposits.

Net Cash Generated from Financing Activities

For the year ended December 31, 2021, net cash generated from financing activities was RMB9,378.5 million, which was mainly attributable to proceeds from issuance of preferred shares and net proceeds from issuance of ordinary shares relating to the initial public offering, partially offset by repayments of amount due to preferred shareholders, representing the deposits previously received from certain preferred shareholders in accordance with relevant share purchase agreements.

Borrowings

As of December 31, 2020 and December 31, 2021, we had total borrowings of RMB1,016.6 million and RMB339.9 million, respectively.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

| | Note | **Year ended 31 December** | |
| | | **2021** | 2020 |
		RMB'000	RMB'000
Revenue	4	**4,700,263**	3,446,165
Cost of sales	5	**(1,422,625)**	(1,014,081)
Gross profit		**3,277,638**	2,432,084
Selling expenses	5	**(681,584)**	(536,521)
Administrative expenses	5	**(2,298,362)**	(1,589,519)
Research and development expenses	5	**(3,614,140)**	(2,453,874)
Net impairment losses on financial assets		**(517,608)**	(522,046)
Other income		**504,280**	352,784
Other (losses)/gains – net	6	**(399,958)**	505,314
Operating loss		**(3,729,734)**	(1,811,778)
Finance income		**187,716**	174,902
Finance cost		**(33,758)**	(112,509)
Finance income – net		**153,958**	62,393
Share of losses of investments accounted for using the equity method		**(40,231)**	(6,055)
Fair value losses of preferred shares and other financial liabilities		**(13,525,537)**	(10,563,577)
Loss before income tax		**(17,141,544)**	(12,319,017)
Income tax (expense)/credit	7	**(35,506)**	160,670
Loss for the year		**(17,177,050)**	(12,158,347)
Loss is attributable to:			
Equity holders of the Company		**(17,140,086)**	(12,158,193)
Non-controlling interests		**(36,964)**	(154)
		(17,177,050)	(12,158,347)
Loss per share for loss attributable to equity holders of the Company			
Basic and diluted loss per share (RMB)	8	**(1.74)**	(1.33)

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

| | Year ended 31 December | |
| | 2021 | 2020 |
	RMB'000	RMB'000
Loss for the year	**(17,177,050)**	(12,158,347)
Other comprehensive income		
Item that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**201,501**	234,945
Items that will not be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**684,637**	1,203,301
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	**(128,297)**	(498,299)
Other comprehensive income for the year, net of taxes	**757,841**	939,947
Total comprehensive loss for the year	**(16,419,209)**	(11,218,400)
Total comprehensive loss for the year is attributable to:		
Equity holders of the Company	**(16,382,245)**	(11,218,246)
Non-controlling interests	**(36,964)**	(154)
	(16,419,209)	(11,218,400)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021

		As at 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	*10*	**2,909,263**	1,906,479
Right-of-use assets		**432,164**	335,948
Intangible assets		**224,586**	108,032
Contract assets		**20,335**	2,729
Investments accounted for using the equity method		**26,930**	70,325
Deferred income tax assets		**457,199**	450,283
Financial assets at fair value through profit or loss	*12*	**4,310,970**	3,738,568
Long-term receivables		**306,860**	127,502
Other non-current assets		**171,795**	12,705
		8,860,102	6,752,571
Current assets			
Inventories		**496,144**	715,521
Contract assets		**19,023**	22,464
Trade, other receivables and prepayments	*11*	**5,775,885**	4,583,548
Amount due from preferred shareholders		**–**	8,593,109
Financial assets at fair value through profit or loss	*12*	**272,549**	–
Restricted cash		**319**	493,364
Term deposits		**4,990,791**	5,890,189
Cash and cash equivalents		**16,529,506**	11,427,871
		28,084,217	31,726,066
Total assets		**36,944,319**	38,478,637
Equity			
Equity/(deficits) attributable to equity holders of the Company			
Share capital		**5**	2
Other reserves		**70,077,626**	(432,856)
Currency translation reserves		**1,964,093**	1,077,955
Accumulated losses		**(40,149,213)**	(21,713,334)
		31,892,511	(21,068,233)
Non-controlling interests		**94,573**	135,693
Total equity/(deficits)		**31,987,084**	(20,932,540)

	Note	As at 31 December	
		2021	2020
		RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Borrowings	14	**339,505**	423,000
Lease liabilities		**228,802**	184,113
Deferred income tax liabilities		**43,316**	7,608
Contract liabilities		**37,550**	9,341
Deferred revenue		**140,251**	349,532
Preferred share and other financial liabilities		**1,072,583**	48,288,049
Long-term payables		**44,955**	66,148
Put option liability		**255,028**	260,996
		2,161,990	49,588,787
Current liabilities			
Borrowings	14	**383**	593,561
Trade and other payables	13	**2,290,258**	1,724,456
Amount due to preferred shareholders		**–**	5,206,029
Lease liabilities		**155,495**	109,524
Contract liabilities		**172,131**	244,052
Deferred revenue		**171,130**	–
Current income tax liabilities		**5,848**	33,155
Preferred share and other financial liabilities		**–**	1,911,613
		2,795,245	9,822,390
Total liabilities		**4,957,235**	59,411,177
Total equity/(deficits) and liabilities		**36,944,319**	38,478,637
Net current assets		**25,288,972**	21,903,676
Total assets less current liabilities		**34,149,074**	28,656,247

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Equity/(deficits) attributable to equity holders of the Company					Non-controlling interests RMB'000	Total equity/ (deficits) RMB'000
	Share capital RMB'000	Other reserves RMB'000	Currency translation reserves RMB'000	Accumulated losses RMB'000	Total RMB'000		
As at 1 January 2021	2	(432,856)	1,077,955	(21,713,334)	(21,068,233)	135,693	(20,932,540)
Comprehensive loss							
Loss for the year	–	–	–	(17,140,086)	(17,140,086)	(36,964)	(17,177,050)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	–	(128,297)	–	–	(128,297)	–	(128,297)
Exchange differences on translation of foreign operations	–	–	886,138	–	886,138	–	886,138
Total comprehensive loss	–	(128,297)	886,138	(17,140,086)	(16,382,245)	(36,964)	(16,419,209)
Transactions with equity holders							
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	*	4,610,673	–	–	4,610,673	–	4,610,673
Issuance of ordinary shares for share-based compensation plan	*	(*)	–	–	–	–	–
Conversion of convertible redeemable preferred shares to Class B ordinary shares	3	64,374,173	–	(1,296,414)	63,077,762	–	63,077,762
Exercise of restricted shares and share options	–	73,409	–	–	73,409	–	73,409
Capital contribution by controlling shareholder	–	10,365	–	–	10,365	–	10,365
Consideration paid to the then equity holders for acquisition of subsidiaries under common control	–	(13,766)	–	–	(13,766)	–	(13,766)
Share-based compensation	–	1,583,925	–	–	1,583,925	–	1,583,925
Transactions with non-controlling shareholders	–	–	–	–	–	(8,983)	(8,983)
Warrant granted to a third party which was recognised as an equity instrument	–	–	–	–	–	4,827	4,827
Others	–	–	–	621	621	–	621
Total transactions with equity holders	3	70,638,779	–	(1,295,793)	69,342,989	(4,156)	69,338,833
As at 31 December 2021	5	70,077,626	1,964,093	(40,149,213)	31,892,511	94,573	31,987,084

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

	Share capital RMB'000	Other reserves RMB'000	Currency translation reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total deficits RMB'000
					Deficits attributable to equity holders of the Company		
As at 1 January 2020	2	(873,184)	(360,291)	(9,556,673)	(10,790,146)	135,847	(10,654,299)
Comprehensive loss							
Loss for the year	–	–	–	(12,158,193)	(12,158,193)	(154)	(12,158,347)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	–	(498,299)	–	–	(498,299)	–	(498,299)
Exchange differences on translation of foreign operations	–	–	1,438,246	–	1,438,246	–	1,438,246
Total comprehensive loss	–	(498,299)	1,438,246	(12,158,193)	(11,218,246)	(154)	(11,218,400)
Transactions with equity holders							
Exercise of restricted shares and share options	–	12,480	–	–	12,480	–	12,480
Loans waived by controlling shareholder	–	39,104	–	–	39,104	–	39,104
Share-based compensation	–	887,043	–	–	887,043	–	887,043
Others	–	–	–	1,532	1,532	–	1,532
Total transactions with equity holders	–	938,627	–	1,532	940,159	–	940,159
As at 31 December 2020	2	(432,856)	1,077,955	(21,713,334)	(21,068,233)	135,693	(20,932,540)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash used in operations	**(2,447,650)**	(1,215,698)
Income tax paid	**(37,791)**	(13,115)
Net cash used in operating activities	**(2,485,441)**	(1,228,813)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,073,109)**	(1,209,757)
Purchase of intangible assets	**(192,404)**	(28,083)
Purchase of land use right	**–**	(67,674)
Proceeds from disposal of property, plant and equipment	**8,402**	1,630
Acquisition of investments accounted for using the equity method	**(1,000)**	(17,500)
Dividend and interest received from financial assets at fair value through profit and loss	**6,154**	–
Acquisition of investments in financial assets at fair value through profit and loss	**(1,319,018)**	(957,580)
Disposal of investments in financial assets at fair value through profit and loss	**90,083**	65,834
Net decrease/(increase) in investments in term deposits	**942,362**	(5,012,586)
Interest received from banks	**131,219**	234,682
Net cash out for the settlement of foreign exchange forward contract	**–**	(72,666)
Acquisition of structured deposits	**(15,429,000)**	(6,933,000)
Disposal of structured deposits	**15,235,034**	6,966,061
Repayments of loans granted to third parties and related parties	**53,203**	167
Loans granted to third parties and related parties	**–**	(40,000)
Net cash used in investing activities	**(1,548,074)**	(7,070,472)

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*

Cash flows from financing activities

	2021	2020
Net proceeds from issuance of ordinary shares relating to the initial public offering by deduction of the underwriting commission	**4,643,021**	–
Proceeds from borrowings	**363,147**	1,129,235
Repayments of borrowings	**(1,038,467)**	(3,440,580)
Interest paid	**(20,130)**	(124,031)
Principal elements of lease payments	**(127,488)**	(128,261)
Interests elements of lease payments	**(13,841)**	(16,830)
Proceeds from amount due to preferred shareholders	**–**	5,179,444
Repayments of amount due to preferred shareholders	**(5,206,029)**	(65,505)
Payment of purchase of non-controlling interests	**(8,983)**	–
Proceeds from issuance of preferred share liabilities by the Company	**9,202,353**	6,846,992
Proceeds from issuance of preferred shares by a subsidiary	**988,234**	–
Repurchase of warrant liability	**(17,045)**	–
Net changes in restricted cash for the issuance of bank borrowings and note payables	**493,045**	3,791,260
Capital injection by limited partners of investment fund controlled by the Group	**85,000**	–
Consideration paid to the then equity holders for acquisition of subsidiaries under common control	**(13,766)**	–
Payment of the listing expenses which was deducted from equity	**(4,729)**	–
Loans provided by controlling shareholder	**–**	13,918
Proceeds from exercise of restricted shares and share options	**43,795**	–
Capital contribution by controlling shareholder	**10,365**	–
Net cash generated from financing activities	**9,378,482**	13,185,642
Net increase in cash and cash equivalents	**5,344,967**	4,886,357
Cash and cash equivalents at beginning of year	**11,427,871**	6,672,914
Effect of foreign exchange rates changes	**(243,332)**	(131,400)
Cash and cash equivalents at end of year	**16,529,506**	11,427,871

NOTES TO THE FINANCIAL STATEMENTS

1   GENERAL INFORMATION

SenseTime Group Inc. (the "**Company**") was incorporated in the Cayman Islands on 15 October 2014 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is ICS Corporate Services (Cayman) Limited, 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands.

The Company is an investment holding company. The principal activities of the Group are the sale of advanced artificial intelligence ("**AI**") software, sale of AI software-embedded hardware and related services as well as research and development activities in relation to AI technology mainly in China, Northeast Asia, Southeast Asia and other geographical areas.

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

The ultimate holding company of the Company is Amind Inc., the ultimate controlling shareholder of the Group is Professor Tang Xiao'ou (湯曉鷗教授).

On 30 December 2021, the Company has successful listed on the Main Board of the Stock Exchange of Hong Kong Limited and made an offering of 1,500,000,000 Class B ordinary shares (excluding any Class B ordinary shares issued pursuant to the exercise of the over-allotment option) at a price at Hong Kong Dollar 3.85 per share. The gross proceeds received by the Company was approximately HKD5,775,000,000 (equivalent to approximately RMB4,715,461,000). All convertible redeemable preferred shares were converted into Class B ordinary shares upon completion of the initial public offering ("**IPO**") on 30 December 2021.

2   BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards issued by International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

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

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) Amendment to standards adopted by the Group

The following amendment to standards has been adopted by the Group for the first time for the financial year beginning on 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – phase 2

The adoption of this amended standard does not have significant impact on the consolidated financial statements of the Group.

(b) New standards and interpretations not yet adopted

The followings are new standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

	Effective for accounting periods beginning on or after
IFRS 17 Insurance Contracts	1 January 2023
IAS 16 (Amendment) 'Property, Plant and Equipment – Proceeds Before Intended Use'	1 January 2022
IFRS 3 (Amendment) 'Reference to the Conceptual Framework'	1 January 2022
IAS 37 (Amendment) 'Onerous Contracts – Cost of Fulfilling a Contract'	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IAS 1 (Amendment) 'Classification of Liabilities as Current or Non-current'	1 January 2023
IAS 1 and IFRS Practice Statement 2 (Amendment) – Disclosure of Accounting Policies	1 January 2023
IAS 8 (Amendment) – Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction Tax	1 January 2023
IFRS 17 and IFRS 9 (Amendment) – Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1 January 2023
Amendment to IFRS 10 and IAS 28 regarding sales or contribution assets between an investor and its associate or joint venture	To be determined

4 SEGMENT INFORMATION

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

(a) Revenue by geographical

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in four principal geographical areas of the world. The following table shows the Group's total consolidated revenue by location of the customers for the year ended 31 December 2021:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Mainland China	**4,147,620**	2,684,040
Northeast Asia	**365,759**	443,692
Southeast Asia	**56,944**	192,194
Others*	**129,940**	126,239
	4,700,263	3,446,165

* Other geographical areas mainly represented Hong Kong China 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 31 December 2021, broken down by the location of the assets, is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Mainland China	**3,310,770**	2,187,159
Northeast Asia	**74,633**	60,151
Southeast Asia	**62,392**	31,696
Others	**118,218**	71,453
	3,566,013	2,350,459

(c) **Information about major customers**

The major customers which contributed more than 10% of total revenue of the Group for the year ended 31 December 2021 are listed as below:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Percentage of revenue from the major customers to the total revenue of the Group		
Customer A	**11.68%**	*
Customer B	**10.73%**	11.94%

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

(d) **Disaggregation of revenue**

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue		
– recognised point in time	**4,364,889**	3,158,469
– recognised over time	**335,374**	287,696
	4,700,263	3,446,165

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 31 December	
	2021	2020
	RMB'000	RMB'000
Employee benefit expenses	**4,577,655**	2,962,482
Hardware costs and project subcontracting service fees	**1,265,429**	909,491
Depreciation and amortisation	**657,830**	569,652
Professional service and other consulting fees	**659,612**	575,098
Marketing, conference and travelling expenses	**183,710**	139,390
Server operation and cloud based service fees	**201,730**	149,776
Data labelling fees	**53,362**	59,195
Utilities, property management and administrative expenses	**105,525**	110,408
Research and development tools and consumables	**52,140**	29,543
Auditor's remuneration		
– Audit services	**11,626**	4,445
– Non-audit services	**4,230**	–
Listing expenses	**134,579**	–
Other expenses	**109,283**	84,515
	8,016,711	5,593,995

6 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Fair value (losses)/gains on financial assets at fair value through profit or loss *(Note 12)*	**(514,661)**	170,711
Fair value losses on foreign exchange forward contracts	**–**	(72,666)
Realisation of gains from downstream transactions from associates	**151**	151
Donations *(i)*	**(8,909)**	(3,657)
Net foreign exchange gains	**132,435**	407,520
Losses on disposal of property, plant and equipment	**(5,189)**	(1,609)
Others	**(3,785)**	4,864
	(399,958)	505,314

(i) Donations mainly represent the donations made to certain colleges and universities in mainland China and Hong Kong China.

7 INCOME TAX EXPENSE/(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 31 December 2021 (2020: 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 1 January 2019 for income derived from qualifying activities. No Singapore profits tax was provided for as there was no estimated assessable profit that was subject to Singapore profits tax for the year ended 31 December 2021 (2020: 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 31 December 2021 (2020: 23.2%).

(vi) Malaysia

Malaysia income tax rate is 24% for the year ended 31 December 2021 (2020: 24%). In the case that the paid-up capital is Malaysian Ringgit ("**MYR**") 2.5 million or less, and the gross income from business is not more than MYR50 million, the income tax rate on the first MYR0.6 million chargeable income is 17% and the part in excess of MYR0.6 million is 24%.

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

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

Beijing SenseTime, Shenzhen SenseTime, Shanghai SenseTime and SenseTime Lingang were qualified as "High and New Technology Enterprises" ("**HNTEs**") under the relevant PRC laws and regulations. Accordingly, these entities were entitled to a preferential income tax rate of 15% in 2021. This status is subject to a requirement that Beijing SenseTime, Shenzhen SenseTime, Shanghai SenseTime and SenseTime Lingang reapply for HNTEs status every three year.

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

(viii) PRC Withholding Tax ("WHT")

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

No deferred income tax liability on WHT was accrued as at the end of each reporting period because the subsidiaries of the Group were loss making in these years or periods.

| | Year ended 31 December | |
| | **2021** | 2020 |
	RMB'000	RMB'000
Current income tax	**7,269**	26,036
Deferred income tax	**28,237**	(186,706)
Income tax expense/(credit)	**35,506**	(160,670)

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 31 December	
	2021	2020
	RMB'000	RMB'000
Loss before tax	**(17,141,544)**	(12,319,017)
Tax calculated at statutory tax rates applicable to each group entity	**(462,494)**	(256,288)
Tax effects of:		
Super deduction for research and development expenses *(a)*	**(188,591)**	(209,410)
Income not subject to tax	**(44,453)**	(94,461)
Associates and joint ventures' results reported net of tax	**6,408**	364
Expenses not deductible for tax purpose *(b)*	**275,399**	173,795
Changes in income tax rate as a result of qualifying for HNTEs *(c)*	**109,899**	–
Tax losses for which no deferred income tax asset was recognised *(d)*	**260,721**	158,462
Other temporary difference for which no deferred income tax asset was recognised	**46,927**	62,450
Accrued withholding tax	**6,244**	8,395
Under provision of income tax final settlement difference of previous year	**4,716**	706
Over provision of income tax final settlement difference of previous year	**(96)**	(4,773)
Utilisation of previously unrecognised tax losses and temporary differences	**–**	(216)
Reversal of previously recognised deferred tax assets for tax losses	**18,872**	442
Others	**1,954**	(136)
Tax expense/(credit)	**35,506**	(160,670)

(a) Super deduction for research and development expenses

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("**Super Deduction**").

(b) Expenses not deductible for tax purpose

Expenses not deductible for tax purpose includes share-based compensation expenses, business entertainment expenses exceeding threshold, employee commercial insurance expenses, non-deductible donations etc.

(c) Changes in income tax rate as a result of qualifying for HNTEs

Shanghai SenseTime was qualified for HNTEs from 2021, accordingly, deferred tax assets arising from Shanghai SenseTime was recognised at a preferential income tax rate of 15%.

(d) **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 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 31 December 2021, the Group did not recognise deferred income tax assets of RMB727,698,000 (2020: RMB471,308,000). The expiration dates of unused tax losses for which no deferred tax asset has been recognised are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
2022	**364**	364
2023	**8,162**	11,780
2024	**87,797**	87,797
2025	**177,775**	200,639
2026	**614,259**	65,372
2027	**49,395**	49,395
2028	**418,653**	416,029
2029	**963,974**	963,974
2030	**688,746**	688,746
2031	**571,523**	–
Indefinitely	**668,920**	471,282
	4,249,568	2,955,378

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 31 December 2021:

	Year ended 31 December	
	2021	2020
Loss attributable to equity holders of the Company (RMB'000)	**(17,140,086)**	(12,158,193)
Weighted average number of ordinary shares in issue (thousand)	**9,871,265**	9,123,174
Basic loss per share (expressed in RMB per share)	**(1.74)**	(1.33)

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 four categories of dilutive potential ordinary shares: preferred shares issued by the Company and a subsidiary of the Company, warrant liability, restricted share units and share options. As the Group incurred losses for the year ended 31 December 2021, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the year ended 31 December 2021 is the same as basic loss per share (2020: same as basic loss per share).

9 DIVIDENDS

No dividend had been declared or paid by the Company during the year ended 31 December 2021 (2020: nil).

No final dividend has been recommended by the Board for the year ended 31 December 2021.

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Leasehold improvement RMB'000	Large-scale electronic equipment RMB'000	Computers and related equipment RMB'000	Office equipment and furniture RMB'000	Transportation equipment and vehicles RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2021									
Cost	961,217	197,328	869,086	341,562	41,677	27,140	4,819	132,364	2,575,193
Accumulated depreciation	(45,093)	(101,026)	(340,947)	(164,284)	(10,602)	(6,270)	(492)	–	(668,714)
Net book amount	916,124	96,302	528,139	177,278	31,075	20,870	4,327	132,364	1,906,479
Year ended 31 December 2021									
Opening net book amount	916,124	96,302	528,139	177,278	31,075	20,870	4,327	132,364	1,906,479
Additions	–	20,865	615,334	98,659	2,448	11,685	9,048	721,290	1,479,329
Internal transfer	15,334	14,128	262	6,064	471	6,041	4,920	(47,220)	–
Disposals	(137)	–	(3,977)	(8,895)	(212)	(93)	(277)	–	(13,591)
Depreciation charge	(44,720)	(64,120)	(221,655)	(110,795)	(5,026)	(8,885)	(1,873)	–	(457,074)
Currency translation differences	(2,005)	(190)	(489)	(1,485)	(1,013)	(120)	–	(578)	(5,880)
Closing net book amount	884,596	66,985	917,614	160,826	27,743	29,498	16,145	805,856	2,909,263
At 31 December 2021									
Cost	974,306	216,957	1,476,998	424,198	42,977	44,509	19,451	805,856	4,005,252
Accumulated depreciation	(89,710)	(149,972)	(559,384)	(263,372)	(15,234)	(15,011)	(3,306)	–	(1,095,989)
Net book amount	884,596	66,985	917,614	160,826	27,743	29,498	16,145	805,856	2,909,263

	Buildings and facilities RMB'000	Leasehold improvement RMB'000	Large-scale electronic equipment RMB'000	Computers and related equipment RMB'000	Office equipment and furniture RMB'000	Transportation equipment and vehicles RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2020									
Cost	953,078	133,557	738,506	310,966	31,317	13,162	3,331	29,027	2,212,944
Accumulated depreciation	(104)	(46,036)	(189,401)	(77,500)	(4,156)	(1,620)	(208)	–	(319,025)
Net book amount	952,974	87,521	549,105	233,466	27,161	11,542	3,123	29,027	1,893,919
Year ended 31 December 2020									
Opening net book amount	952,974	87,521	549,105	233,466	27,161	11,542	3,123	29,027	1,893,919
Additions	3,953	28,761	137,871	48,760	11,875	13,450	1,676	143,694	390,040
Internal transfer	4,572	35,745	–	–	33	–	–	(40,350)	–
Disposals	(92)	–	(1,394)	(934)	(693)	(22)	(104)	–	(3,239)
Depreciation charge	(45,029)	(54,991)	(155,971)	(103,487)	(7,094)	(4,094)	(290)	–	(370,956)
Currency translation differences	(254)	(734)	(1,472)	(527)	(207)	(6)	(78)	(7)	(3,285)
Closing net book amount	916,124	96,302	528,139	177,278	31,075	20,870	4,327	132,364	1,906,479
At 31 December 2020									
Cost	961,217	197,328	869,086	341,562	41,677	27,140	4,819	132,364	2,575,193
Accumulated depreciation	(45,093)	(101,026)	(340,947)	(164,284)	(10,602)	(6,270)	(492)	–	(668,714)
Net book amount	916,124	96,302	528,139	177,278	31,075	20,870	4,327	132,364	1,906,479

(a)　As at 31 December 2021, certain buildings with a carrying amount of RMB854,796,000 (31 December 2020: RMB899,661,000) were pledged as collaterals for the Group's borrowings (Note 14).

(b)　During the year ended 31 December 2021, the amounts of depreciation expense charged to research and development expenses, administrative expenses and selling expenses are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation of property, plant and equipment		
– Research and development expenses	**307,357**	241,453
– Administrative expenses	**127,489**	113,853
– Selling expenses	**22,228**	15,650
Depreciation expenses charged to profit or loss	**457,074**	370,956

11 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Notes receivables *(i)*	**147,687**	209,513
Provision for impairment	**(49,115)**	(2,127)
	98,572	207,386
Trade receivables *(ii)*		
– Due from related parties	**46,021**	186,743
– Due from third parties	**6,018,126**	3,561,703
Gross trade receivables	**6,064,147**	3,748,446
Provision for impairment	**(980,402)**	(609,786)
	5,083,745	3,138,660
Other receivables *(iii)*		
– Refundable deposits *(a)*	**101,783**	60,314
– Loans to third parties *(b)*	**–**	38,838
– Loans to related parties *(b)*	**666**	14,093
– Payments on behalf of customers *(c)*	**511,095**	1,098,364
– Others *(d)*	**65,306**	107,120
Gross other receivables	**678,850**	1,318,729
Provision for impairment *(e)*	**(349,615)**	(244,903)
	329,235	1,073,826
Prepayments	**105,355**	119,374
Input VAT to be deducted	**158,978**	44,302
Total trade, other receivables and prepayments	**5,775,885**	4,583,548

As at 31 December 2021, the fair value of trade and other receivables of the Group, except for the prepayments and input VAT to be deducted which are not financial assets, approximated their carrying amounts.

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
RMB	**6,739,321**	5,142,749
HKD	**47,525**	34,596
JPY	**24,040**	25,749
SGD	**131,866**	114,795
USD	**158,566**	85,170
Others	**53,699**	37,305
	7,155,017	5,440,364

(i)   Notes receivables

The aging of most notes receivables is within 180 days, which is within the Group's credit terms. As at 31 December 2021, certain notes receivables were fully impaired due to remote possibility of recovery.

(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 31 December	
	2021	2020
	RMB'000	*RMB'000*
Up to 6 months	**2,659,645**	2,078,068
6 months to 1 year	**1,048,809**	231,988
1 to 2 years	**1,402,755**	1,152,067
2 to 3 years	**852,127**	258,975
More than 3 years	**100,811**	27,348
	6,064,147	3,748,446

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.

(iii) Other receivables

(a) *Refundable deposits*

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

(b) *Loans to third parties and related parties*

The loans to third parties and related parties represent the loans granted loans to third parties and related parties for their general business operations by the Group previously. These loans were repayable on demand. Majority of the outstanding balances have been settled during the year ended 31 December 2021.

(c) *Payments on behalf of customers*

Payments on behalf of customers represent receivables arising from the sales transactions the Group acting as an agent. The Group assessed whether revenue should be reporting on a gross or net basis for each sales transaction. For certain sales transactions where the Group acts as agent during the year ended 31 December 2021, 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 exercisement 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 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current assets		
Debt investments (a)		
– Unlisted	**3,331,613**	2,453,104
– Fund	**334,065**	291,501
Equity investments (b)		
– Listed	**431,917**	783,216
– Unlisted	**213,375**	208,675
Derivative – Put option liability	**–**	2,072
	4,310,970	3,738,568
Current assets		
Structured deposits (c)	**272,549**	–
	4,583,519	3,738,568

(a) Debt investments

The movement of the debt investments is analysed as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of the year	**2,744,605**	2,656,696
Additions	**1,289,866**	150,848
Disposals	**(32,256)**	(2,600)
Interest received	**–**	(63,234)
Transfer to equity investments (i)	**(193,341)**	–
Fair value changes	**(96,463)**	139,949
Currency translation differences	**(46,733)**	(137,054)
At end of the year	**3,665,678**	2,744,605

(i) One of the companies invested by the Group was listed on the New York Stock Exchange in 2021, the preferred shares held by the Group was converted into ordinary shares, accordingly the investment was transferred from debt investment to equity investment.

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

(b)   Equity investments

The movement of the equity investments is analysed as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	_RMB'000_
At beginning of the year	**991,891**	244,710
Additions	**29,152**	806,732
Transfer from debt investments	**193,341**	–
Disposals	**(57,827)**	–
Fair value changes	**(494,709)**	(4,637)
Currency translation differences	**(16,556)**	(54,914)
At end of the year	**645,292**	991,891

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 with maturity of less than 1 year.

The movement of the wealth management products is analysed as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	_RMB'000_
At beginning of the year	**–**	–
Additions	**15,429,000**	6,933,000
Disposals	**(15,235,034)**	(6,966,061)
Fair value changes	**78,583**	33,061
At end of the year	**272,549**	–

(d) Amounts recognised in the consolidated income statement

During the year ended 31 December 2021, the following (losses)/gains were recognised in the consolidated income statement:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Fair value (losses)/gains on investments in:		
Debt investments	**(96,463)**	139,949
Equity investments	**(494,709)**	(4,637)
Derivative	**(2,072)**	2,338
Structured deposits	**78,583**	33,061
	(514,661)	170,711

13 TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Notes payables	**–**	82,830
Trade payables		
– Third parties	**468,020**	532,857
– Related parties	**2,381**	1,155
Other payables		
– Third parties	**424,263**	572,560
– Related parties	**1,125**	15,765
Payables on purchase of property, plant and equipment, intangible assets	**565,595**	41,049
Payables for listing expenses	**122,939**	–
Accrued taxes other than income tax	**226,011**	123,925
Staff salaries and welfare payables	**449,089**	318,173
VAT payables related to contract liabilities	**5,284**	18,583
Accrued warranty expenses	**25,551**	17,559
	2,290,258	1,724,456

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

(ii) Aging analysis of the trade payables based on purchase date at the end of 31 December 2021 are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Up to 6 months	**392,277**	475,091
6 months to 1 year	**25,249**	12,446
1 to 2 years	**32,526**	46,475
More than 2 years	**20,349**	–
	470,401	534,012

14 BORROWINGS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-Current		
Bank borrowing – secured	**339,505**	441,000
Less: current portion of non-current borrowings	**–**	(18,000)
	339,505	423,000
Current		
Short-term borrowing – unsecured	**–**	573,967
Current portion of non-current borrowings	**–**	18,000
Interest payable	**383**	1,594
	383	593,561
Total	**339,888**	1,016,561

As at 31 December 2021, the Group had a bank loan with carrying amount of RMB339,888,000 which was pledged by equity interest of Shanghai Yuqin and joint liability guarantee from Shanghai Yuqin and Shanghai SenseTime. In addition, certain buildings (Note 10) and land use right with a carrying amount of RMB854,796,000 and RMB65,869,000 respectively were also pledged as collaterals for the Group's borrowings.

As at 31 December 2020, the Group had a bank loan with carrying amount of RMB441,000,000 which were pledged by certain buildings with a carrying amount of RMB899,661,000 (Note 10).

The Group's borrowings are denominated in:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
– RMB	**339,888**	1,008,483
– SGD	**–**	4,455
– USD	**–**	3,623
	339,888	1,016,561

At 31 December 2021, the Group's borrowings were repayable as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
6 months or less	**–**	394,940
Between 6 and 12 months	**–**	197,027
Between 1 and 2 years	**–**	27,000
Between 2 and 5 years	**33,951**	118,000
Over 5 years	**305,554**	278,000
Total	**339,505**	1,014,967

The fair values of non-current borrowings as at 31 December 2021 were disclosed as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current borrowings	**348,310**	435,822

15 EVENTS AFTER THE BALANCE SHEET DATE

(a) From 1 January 2022 to the date of this report, the Group signed investment contracts with certain technology companies to acquire minority equity interests in these companies. The total investment amount will be up to RMB617,207,000.

(b) On 26 January 2022, the over-allotment option of an aggregate of 225,000,000 new Class B ordinary shares has been fully exercised by the underwriters of the global offering. This will lead to an increase of share capital and other reserves by RMB36 and RMB692,807,000, respectively.

(c) On 28 January 2022, the Group entered into an agreement with certain third party and its parent company. Pursuant to the agreement, the Group agreed to purchase an office property in Shanghai at the expected cash consideration of RMB3,328,283,000.

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 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, 2021, the Group had 6,113 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 million.

As at December 31, 2021, the Group had not utilized any portion of the net proceeds, and will utilize the net proceeds in accordance with the intended purposes and expected timeframe as stated in the Prospectus. Please refer to "Future Plans and Use of Proceeds" in the Prospectus for details.

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

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

EVENTS AFTER THE REPORTING PERIOD

Save (i) for the exercise of over-allotment option as announced in the announcement of the Company dated January 23, 2022; (ii) for the discloseable transaction in relation to the acquisition of property by the Group as disclosed in the announcement of the Company dated January 30, 2022 and (iii) as otherwise disclosed in this announcement, there was no other significant events that may affect the Group since the end of the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of its 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.

The Class B Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date. During the Relevant Period, the Company has complied with the corporate governance requirements under the Corporate Governance Code set out in Appendix 14 to the Listing Rules save for code provision A.2.1 (now rearranged as C.2.1) as discussed below.

Pursuant to code provision A.2.1 (now rearranged as 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.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2021.

ANNUAL GENERAL MEETING

The AGM will be held on June 24, 2022. 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 21, 2022 to June 24, 2022 (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 shall 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 20, 2022.

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 since the Listing Date 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, 2021 as set out in 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 the non-executive director, Ms. Fan Yuanyuan, and two independent non-executive directors, Mr. Lyn Frank Yee Chon and Mr. Li Wei) 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 and internal control 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, 2021 will be published on the aforesaid websites of the Stock Exchange and the Company and will be despatched to the Company's 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, 2021 to be held on June 24, 2022 or any adjournment thereof
"AIDC"	artificial intelligence computing center
"AR"	augmented reality, AI technology that overlays digital content and information onto the physical world
"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. (商湯集團股份有限公司), an exempted company incorporated under the laws of Cayman Islands with limited liability, the issued Class B Shares of which are listed on the Main Board of the Stock Exchange (stock code: 0020)
"CVPR"	Conference on Computer Vision and Pattern Recognition, an annual research conference sponsored by the Institute of Electrical and Electronics Engineers
"Director(s)"	director(s) of the Company

"ECCV"	European Conference on Computer Vision, a biennial research conference
"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
"ICCV"	International Conference on Computer Vision, a biennial research conference sponsored by the Institute of Electrical and Electronics Engineers
"IFRS"	International Financial Reporting Standards
"ISP"	image signal processor
"JPY"	Japanese Yen, the lawful currency of Japan
"Listing Date"	December 30, 2021
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MIIT"	Ministry of Industry and Information Technology of the PRC
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 of the Listing Rules
"MR"	mixed reality, the merging of real and virtual worlds to produce new environments and visualizations, where physical and digital objects co-exist and interact in real time
"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
"Relevant Period"	the period from the Listing Date to the end of the Reporting Period
"Reporting Period"	the year ended December 31, 2021

"RMB"	Renminbi, the lawful currency of the PRC
"SDK"	software development kit, a set of software development tools in one installable package that can be used to create and develop applications
"SenseCore"	our proprietary universal AI infrastructure, that underpins the mass production of our AI models and their application to various scenarios, comprising AI infrastructure and resources at the algorithm level and computing power level
"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
"STPU"	SenseTime tensor processing unit, our first specialized AI chip
"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 25, 2022

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

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