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SenseTime Group Inc.

商汤集团股份有限公司

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

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended June 30, 2024. These interim results have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, and reviewed by the Auditor, and by the Audit Committee.

KEY HIGHLIGHTS

Financial Summary

	Six months ended June 30,				Period-over-period change
	2024		2023		
	Amount	As a percentage of revenue	Amount	As a percentage of revenue	
	(Unaudited)				
	<i>(RMB in thousands, except for percentages)</i>				
Revenue	1,739,717	100.0	1,433,122	100.0	21.4%
Gross Profit	766,760	44.1	648,673	45.3	18.2%
Loss for the period	(2,477,212)	(142.4)	(3,142,624)	(219.3)	-21.2%
EBITDA	(2,040,685)	(117.3)	(2,775,083)	(193.6)	-26.5%
Non-IFRS Measures:					
Adjusted EBITDA	(1,889,638)	(108.6)	(2,025,854)	(141.4)	-6.7%
Adjusted net loss	(2,326,165)	(133.7)	(2,393,395)	(167.0)	-2.8%

BUSINESS REVIEW AND PERFORMANCE

OVERALL PERFORMANCE

In the first half of 2024, the Group achieved robust revenue growth. The capabilities of our SenseNova Large Model Series have advanced materially, resulting in a rapid decrease in model inference costs and a notable surge in model usage. Total revenue of the Group in the first half of 2024 reached RMB1,739.7 million, representing a 21.4% year-on-year increase. Of the Group's three businesses, Generative AI revenue reached RMB1,051.2 million, increasing by 255.7% year-on-year and accounting for 60.4% of total revenue of the Group. Smart Auto business revenue reached RMB168.1 million, increasing by 100.4% year-on-year. Traditional AI revenue was RMB520.4 million, representing a 50.6% year-on-year decline. In the meantime, our overseas revenue increased steadily, achieving a 40.1% year-on-year growth and accounting for 18.5% of the Group's revenue. In the first half of 2024, the Group achieved a gross profit of RMB766.8 million, a year-on-year increase of 18.2%, with a gross profit margin of 44.1%. While increasing investment in Large Language Model (LLM)-related research and development, the Group actively optimized operational expenses to reduce losses. Selling expenses declined 21.2% year-on-year to RMB329.2 million, administrative expenses decreased 7.7% year-on-year to RMB734.9 million, and research and development expenses increased 6.1% year-on-year, to RMB1,892.2 million, with the latest total number of research & development staff stood at 3,399. Compared to the same period last year, overall period losses decreased 21.2% to RMB2,477.2 million.

2024 marks the burgeoning year of generative AI, as enterprise clients across industries collaborate with us to shift from traditional computing to intelligent computing, valued at trillions of RMB. Large Language Models and intelligent computing have become new quality productive forces, significantly enhancing efficiency across industries and empowering clients to capture revenue growth opportunities in the generative AI era. Our Generative AI business grew 255.7%, becoming the Group's dominant business, driven by robust demand for large models and AIDC in the Chinese market. Beyond the internet sector, industries such as intelligent hardware, electric vehicles, robotics, healthcare, and finance are actively embracing generative AI technology, creating multiple vertical markets. We are well-positioned to capitalize on the next wave of growth. The SenseNova large model product suites and SenseCore AI cloud service are fully operational, effectively enabling the training of trillion-parameter, multi-modal models and large-scale AI inference. Through a broad network of partners, we provide comprehensive enterprise-level generative AI solutions covering cloud, on-premises data centers, and edge devices. According to recent market reports published by IDC¹, our LLM platform and applications achieved 16% market share, ranking second in the industry. Our AIDC services achieved 15.4% market share, placing us at top three position among peers.

¹ July 2024, IDC Report "China's Intelligent Computing Services Market (2H 2023) Tracking"; August 2024, IDC Report "China's Large Language Model Platform Market Share, 2023: The Year of Large Language Models – Initial Situation"

GENERATIVE AI

In the first half of 2024, our Generative AI business continued its rapid growth trajectory from 2023, achieving revenue of RMB1,051.2 million, a 255.7% year-on-year increase. Generative AI business revenue now contributes over 60.4% to the Group's total revenue. Over 3,000 leading industry companies utilize our large models and AIDC services. SenseTime's strategic goal of transitioning to Generative AI is making significant progress. Our core advantage lies in the deep synergy between "SenseCore AI infrastructure + SenseNova large models," enabling us to rapidly iterate models and reduce inference costs, setting us apart in a fiercely competitive market.

SenseCore AI Infrastructure and AIDC Strengthens Our Market Leadership

In the first half of 2024, the training and inference demands for generative AI continued to show strong growth. We further expanded our AIDC scale and enhanced service capabilities. Our AIDC services achieved economies of scale, with total operational computing power exceeding 20,000 PetaFLOPS, an increase from March 2024 of approximately 12,000. The number of GPUs deployed reached 54,000, solidifying our industry leadership. We possess mature capabilities in designing, constructing, and flexibly scheduling operations for clusters ranging from thousands to tens of thousands of GPUs, enabling the stable and efficient training and inference of multi-modal models with up to 2 trillion parameters. In inference scenarios, our innovative technical architecture has achieved a 4x increase in queries per second (QPS) at the same computing power and electricity cost, while enabling elastic on-demand scaling of inference services, optimizing the overall cost of large-scale AI inference. Furthermore, through innovations like training-inference integration and compute-electricity synergy, we expect to continuously optimize the utilization rate to over 80% for large clusters with more than 10,000 GPUs, which will significantly enhance the investment return of AIDCs.

SenseCore's capabilities are highly recognized by industry clients, including internet companies such as JD.com, Xiaomi, and Kingsoft Office; the three major telecom operators; automakers including Geely; universities such as Tsinghua; and leading LLM start-ups. According to a recent IDC report, our AIDC services rank third in terms of market share. IDC forecasts that the Chinese AIDC services market will continue to grow at a high rate for the next five years, with an estimated compound annual growth rate (CAGR) of 57.3%, reaching a total market size of nearly 200 billion RMB by 2028. Training-side computing power demands are expected to increase more than tenfold, while inference-side computing power demands will surge over 200 times.

SenseCore's capabilities have also received national-level evaluation and certification. After expert review by the China Electronics Technology Standardization Institute, SenseCore achieved the Enhanced Level in the Computing Power Service Capability Maturity Model (CPMM) assessment, which is the first to receive this recognition.

SenseNova Upgrades

SenseNova Large Model Series, a culmination of the company's cutting-edge research and development resources, have been iterated from version 1.0 in late 2022 to version 5.5, released in July 2024, with the support of tens of thousands of GPUs of computing power. In April 2024, the release of "SenseNova 5.0" marked a significant milestone for homegrown LLMs. It became the first model to surpass GPT-4 Turbo in the SuperCLUE benchmark and ranked first among homegrown LLMs in the Auto Arena benchmark conducted by Alibaba DAMO Academy for Chinese language capabilities, also surpassing GPT-4 Turbo. In July 2024, SenseNova was further upgraded to version 5.5, exhibiting approximately a 30% improvement in overall capabilities compared to version 5.0. Its multi-modal capabilities have been comprehensively enhanced, achieving comprehensive performance and real-time interactive experiences comparable to GPT-4o, marking it the first multi-modal real-time interactive large model in China. We have distilled various sizes of models based on "SenseNova 5.5" to provide comprehensive enterprise-level generative AI solutions covering cloud, on-premises data centers, and edge devices. We have also expanded our customer base beyond internet companies to include industries such as intelligent hardware, electric vehicles, robotics, healthcare, and finance. The overall usage of SenseNova increased more than 400% during the reporting period, with a substantial increase in both the number of users and the average usage volume per user.

- Finance: Enterprise clients including Bank of China, China Merchants Bank, Ningbo Bank, Shanghai Bank, and Haitong Securities, leverage our financial LLM capabilities to develop financial vertical applications covering employee assistants, compliance risk control, coding assistants, digital employees, and marketing and sales empowerment.
- Healthcare: Major hospitals such as Ruijin Hospital, Xinhua Hospital, and the First Affiliated Hospital of Zhengzhou University adopt our "SenseChat-Dayi" model, aiming to establish LLMs as the intelligent hub of hospitals. This enables intelligent pre-consultation, drug consultation, post-consultation follow-up, multi-modal data governance, and empowers patients throughout their healthcare journey, as well as facilitating research on specific diseases.
- Enterprise Copilot Assistants: SenseTime's coding copilot and office copilot product has become one of the fastest-growing Copilot products in China. Large enterprise users like China Telecom and Kingsoft Office, along with hundreds of thousands of individual users and developers, have become our users.
- Anthropomorphic Interaction: SenseTime's anthropomorphic LLM powers internet applications like Weibo, China Literature, iQiyi and IdeaFlow, with user stickiness and active user numbers consistently ranking among industry leaders. Daily usage has increased nearly 22 times within the past six months.

- Smart Device: our edge-side models maintain a leading position in terms of inference speed and model capabilities, delivering novel user interaction experiences on various IoT devices like smartphones, automobiles, personal computers, and smart speakers. Inference speed reaches up to 100 tokens per second, serving clients such as Xiaomi and Oppo.

SMART AUTO

SenseAuto positions itself as the leader in smart auto technology for the era of general artificial intelligence. In the first half of 2024, SenseAuto achieved revenue of RMB168.1 million, a year-on-year increase of 100.4%. In terms of mass production delivery, 705,000 new vehicles were delivered in the first half of the year, representing a 80.0% year-on-year increase. The cumulative number of vehicles delivered reached 2.6 million, covering 104 models. In the first half of the year, we received confirmation letters as the designated supplier for 15 new models, with additional volume of approximately 6 million vehicles, including overseas brands such as Volkswagen MQB and Toyota Lexus. Moreover, SenseAuto is involved in overseas projects with several Chinese automakers, enhancing its global influence.

In the field of Smart Pilot, SenseAuto continues to lead the development of mass-produced, end-to-end autonomous driving. Leveraging the abundant computing power of our SenseCore AI infrastructure, high-quality simulation data, and industry-leading LLM performance, the UniAD end-to-end autonomous driving solution delivers a higher ceiling for smart pilot capabilities. At the 2024 Beijing Auto Show, UniAD successfully demonstrated real-world testing, navigating complex real-world road conditions solely through visual perception without high-precision maps. This achievement was lauded by the media as “China’s own Full Self-Driving”. SenseAuto employs world models to synthesize multi-view video data for use in UniAD model training and testing, accelerating the development and iteration of UniAD. In the first half of the year, the SenseAuto-empowered FAW Hongqi EH7 achieved mass production. To date, SenseAuto has delivered Navigate-on-Autopilot (NOA) functions to five models from three automakers: GAC, Hozon, and FAW. In June 2024, the Ministry of Industry and Information Technology (MIIT) announced the nine automakers nationwide that were the first to conduct pilot testing of L3 autonomous driving on public roads. SenseAuto provides L3 smart pilot solutions for two of those nine automakers – GAC and FAW. SenseAuto is also the leading party in the Shanghai Autonomous Driving Large Model Technology Innovation and Application Project initiated by the Shanghai Municipal Commission of Economy and Information Technology. The goal is to develop a self-controllable, mature, and deployable Shanghai autonomous driving large model by 2026, with a mass production scale of tens of thousands of vehicles.

As for Smart Cabin, SenseAuto has established partnerships with over 10 domestic and foreign automakers, including Audi, Volkswagen, Honda, BMW, Xiaomi, SAIC IM Motors, and Geely, to develop LLMs for smart cabin based on the capabilities of “SenseNova” multi-modal LLMs, text-to-image models, and other technologies. SenseAuto has become the first in the industry to deploy the real-time interactive multi-modal LLM “SenseNova 5.5” on vehicles, reducing the first-frame delay to 60 milliseconds, significantly enhancing the real-time experience of in-vehicle human-computer interaction.

In the field of V2X, SenseAuto’s autonomous-driving minibuses are operating on routes in several cities, including Shenzhen Qianhai, Wuxi, Xi’an Xixian, and Shanghai Lingang. The total mileage driven by SenseAuto’s autonomous driving minibuses has exceeded 3 million kilometers.

CORPORATE SOCIAL RESPONSIBILITY

SenseTime is committed to green development and leveraging AI technology to build a sustainable future. Since 2024, SenseTime has taken multiple measures to improve AIDC efficiency and energy efficiency. With its excellent ESG practices, SenseTime has won the “ESG New Benchmark Enterprise Award” from StockStar.

SenseTime is devoted to use AI technologies to benefit the public. In the field of smart healthcare, SenseTime’s around 40 applications have assisted tens of millions of individuals in disease screening and diagnosis and treatment. The Company received the “AI Medical Device Innovation Task Winner” award jointly announced by the MIIT and the State Administration for Market Regulation. The AI intelligent care system designed by SenseTime for Amyotrophic Lateral Sclerosis (ALS) patients, has recently been upgraded with large-scale model capabilities. It now can provide 24-hour non-contact care for patients with limited mobility, or patients with difficulties swallowing and breathing. The upgraded model can observe abnormal situations and send situational alarms, proactively calling for care, and analyzing sleep and abnormality. This provides better support for ALS patients and their families.

Furthermore, SenseTime applied AI technologies to the 2024 Paris Olympics, employing 3D motion capture, track analysis and AI commentators in basketball, ping pong and archery. It significantly enhanced the viewing experience, promoting the development of intelligent sports and building a leading sporting nation.

During the Reporting Period, SenseTime launched the Cantonese version of SenseChat in Hong Kong, and made it permanently free for Hong Kong users via mobile apps and websites, effectively meeting the needs of Cantonese-speaking users and promoting cultural and economic exchanges in the Greater Bay Area, reflecting the inclusiveness of technology.

In terms of AI Ethics & Governance, during the Reporting Period, SenseTime’s “Financial Model Empowered AI Digital Employee – Bridge ‘Digital Divide’” case was successfully selected into the world’s first 40 “AI for Good” cases issued by the International Telecommunications Union (ITU), a United Nations agency. SenseTime has been highly recognized by the international community in its efforts to use AI technology to achieve sustainable development goals.

In terms of employee care and talent development, SenseTime has been awarding the “SenseTime Scholarship” since 2017. Over the past 7 years, the Company has provided financial support to hundreds of outstanding students who have demonstrated academic excellence in the field of Artificial Intelligence. During the reporting period, SenseTime also received the “Forbes 2023 China Best Employer” and “Forbes 2023 China Most Digitally Responsible Employer” awards.

MANAGEMENT DISCUSSION AND ANALYSIS

Six months ended June 30, 2024 compared to six months ended June 30, 2023

The following table sets forth the comparative figures for the six months ended June 30, 2024 and 2023:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	1,739,717	1,433,122
Cost of sales	(972,957)	(784,449)
Gross profit	766,760	648,673
Selling expenses	(329,158)	(417,957)
Administrative expenses	(734,936)	(796,516)
Research and development expenses	(1,892,226)	(1,783,186)
Net impairment losses on financial assets and contract assets	(587,653)	(396,493)
Other income	108,736	152,240
Other losses – net	(53,037)	(754,066)
Operating loss	(2,721,514)	(3,347,305)
Finance income	350,153	168,904
Finance costs	(85,864)	(68,367)
Finance income – net	264,289	100,537
Share of losses of investments accounted for using the equity method	(11,878)	(10,029)
Fair value losses of preferred share	(12,101)	(10,043)
Loss before income tax	(2,481,204)	(3,266,840)
Income tax credit	3,992	124,216
Loss for the period	(2,477,212)	(3,142,624)
Loss is attributable to:		
Equity holders of the Company	(2,456,782)	(3,122,744)
Non-controlling interests	(20,430)	(19,880)
	(2,477,212)	(3,142,624)
Non-IFRS measures:		
Adjusted EBITDA	(1,889,638)	(2,025,854)
Adjusted net losses	(2,326,165)	(2,393,395)

Revenue

Our revenue increased by 21.4% to RMB1,739.7 million in the six months ended June 30, 2024, compared to RMB1,433.1 million in the six months ended June 30, 2023, primarily due to the increase in Generative AI and Smart Auto revenues, partially offset by the decrease in Traditional AI revenues. The following table sets out a breakdown of our revenue streams in absolute amounts and as percentages of our total revenue for the periods indicated:

	Six months ended June 30,		2023	
	2024		2023	
	<i>RMB</i>		<i>RMB</i>	
	<i>million</i>	<i>%</i>	<i>million</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
Generative AI	1,051.2	60.4	295.5	20.6
Smart Auto	168.1	9.7	83.9	5.9
Traditional AI	520.4	29.9	1,053.7	73.5
Total	<u>1,739.7</u>	<u>100.0</u>	<u>1,433.1</u>	<u>100.0</u>

Our Generative AI revenue increased by 255.7% to RMB1,051.2 million in the six months ended June 30, 2024, compared to RMB295.5 million in the six months ended June 30, 2023, as the demand for generative AI model training, fine-tuning, and inference has experienced exponential growth. We have also continued to commercialize our Generative AI related applications in a number of verticals including internet, intelligent hardware, robotics, healthcare, and finance.

Our Smart Auto revenue increased by 100.4% to RMB168.1 million in the six months ended June 30, 2024, compared to RMB83.9 million in the six months ended June 30, 2023, primarily due to increase on product mass production and V2X related services revenue.

Our Traditional AI revenue decreased by 50.6% to RMB520.4 million in the six months ended June 30, 2024, compared to RMB1,053.7 million in the six months ended June 30, 2023, due to our effort in shifting away from Smart City and focusing to Generative AI business. Smart City business' revenue contribution has declined significantly to less than 10% of total revenue. We are also proactively introducing our generative AI capabilities to our traditional AI customers.

Cost of sales

Our cost of sales increased by 24.0% from RMB784.4 million in the six months ended June 30, 2023 to RMB973.0 million in the six months ended June 30, 2024. The following table sets out a breakdown of our cost of sales by nature in absolute amounts and as percentages of our cost of sales for the periods indicated:

	Six months ended June 30,		2023	
	2024			
	<i>RMB</i>	%	<i>RMB</i>	%
	<i>million</i>		<i>million</i>	
	(Unaudited)		(Unaudited)	
Hardware costs and subcontracting service fees	773.2	79.5	643.1	82.0
Depreciation and amortization	106.4	10.9	79.4	10.1
AIDC operation costs	45.5	4.7	20.3	2.6
Employee benefit expenses	30.8	3.2	27.3	3.5
Other expenses	17.1	1.7	14.3	1.8
Total	973.0	100.0	784.4	100.0

The increase in cost of sales was primarily attributable to the increase in hardware costs and subcontracting service fees, whose percentage contribution of total cost of sales has remained largely stable. AIDC-related depreciation and operation costs grew faster than total cost of sales due to our continued expansion of Generative AI-related services.

Gross Profit and Gross Margin

Our gross profit increased by 18.2% from RMB648.7 million in the six months ended June 30, 2023 to RMB766.8 million in the six months ended June 30, 2024, primarily due to the increase of revenue. Our gross margin remained relatively stable, slightly decreasing from 45.3% in the six months ended June 30, 2023 to 44.1% in the six months ended June 30, 2024.

Research and Development Expenses

Our research and development expenses increased by 6.1% from RMB1,783.2 million in the six months ended June 30, 2023 to RMB1,892.2 million in the six months ended June 30, 2024, primarily due to increase of depreciation and amortization, server operation and cloud based service fees which resulted from our increasing investment in training and fine-tuning our foundation models as well as developing Generative AI applications.

Selling Expenses

Our selling expenses decreased by 21.2% from RMB418.0 million in the six months ended June 30, 2023 to RMB329.2 million in the six months ended June 30, 2024, primarily due to decrease in employee benefit expenses.

Administrative Expenses

Our administrative expenses decreased by 7.7% from RMB796.5 million in the six months ended June 30, 2023 to RMB734.9 million in the six months ended June 30, 2024, primarily due to decrease in employee benefit expenses.

Net Impairment Losses on Financial Assets and Contract Assets

Our net impairment losses on financial assets and contract assets increased by 48.2% from RMB396.5 million in the six months ended June 30, 2023 to RMB587.7 million in the six months ended June 30, 2024, primarily due to increased impairment provision for trade receivables.

Other Income

Our other income decreased by 28.6% from RMB152.2 million in the six months ended June 30, 2023 to RMB108.7 million in the six months ended June 30, 2024, primarily due to a decrease in government grants.

Other Losses – Net

Our net other losses decreased from RMB754.1 million in the six months ended June 30, 2023 to RMB53.0 million in the six months ended June 30, 2024, primarily due to (1) decrease in fair value losses on financial assets at fair value through profit or loss, and (2) decrease in net foreign exchange losses.

Finance Income – Net

Net finance income increased by 162.9% from RMB100.5 million in the six months ended June 30, 2023 to RMB264.3 million in the six months ended June 30, 2024 primarily due to gains from remeasurement of put option liabilities.

Fair Value Losses of Preferred Share

Fair value losses of preferred share increased from RMB10.0 million in the six months ended June 30, 2023 to RMB12.1 million in the six months ended June 30, 2024 resulting from changes in the fair value of preferred shares issued by a subsidiary of the Company.

Income tax credit

We had income tax credit of RMB4.0 million in the six months ended June 30, 2024, compared to income tax credit of RMB124.2 million in the six months ended June 30, 2023 primarily due to a decrease in tax losses, for which deferred income tax assets were recognised.

Loss for the period

As a result of the foregoing, we had a loss of RMB2,477.2 million in the six months ended June 30, 2024, which has declined from a loss of RMB3,142.6 million in the six months ended June, 2023.

Non-IFRS Measures

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

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

	Six months ended June 30,	
	2024	2023
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Loss before income tax	(2,481.2)	(3,266.8)
Add:		
Finance income, net	(264.3)	(100.5)
Depreciation and amortization	704.8	592.3
	<hr/>	<hr/>
EBITDA	(2,040.7)	(2,775.0)
Add:		
Fair value losses of preferred share	12.1	10.0
Share-based compensation expenses	125.5	233.9
Fair value losses on financial assets at fair value through profit or loss	10.9	505.3
Professional service fees in connection with equity fundraising	2.6	–
	<hr/>	<hr/>
Adjusted EBITDA	(1,889.6)	(2,025.8)

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:

	Six months ended June 30,	
	2024	2023
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Net losses for the period	(2,477.2)	(3,142.6)
Add:		
Fair value losses of preferred share	12.1	10.0
Share-based compensation expenses	125.5	233.9
Fair value losses on financial assets at fair value through profit or loss	10.9	505.3
Professional service fees in connection with equity fundraising	2.6	–
	<hr/>	<hr/>
Adjusted net losses	(2,326.2)	(2,393.4)

Trade, Other Receivables and Prepayments

Our trade, other receivables and prepayments, which primarily comprise trade receivables, increased from RMB5,159.3 million as of December 31, 2023 to RMB5,355.9 million as of June 30, 2024.

Trade Receivables

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

	As at June 30, 2024	As at December 31, 2023
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	
Trade receivables		
– Due from related parties	3.5	3.0
– Due from third parties	8,321.0	7,909.0
Provision for impairment	(4,790.5)	(4,191.4)
Total	<u>3,533.9</u>	<u>3,720.6</u>

Our trade receivables remained relatively stable as of June 30, 2024, compared to that as of December 31, 2023.

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

	As at June 30, 2024	As at December 31, 2023
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	
Up to 6 months	1,223.6	1,039.7
6 months to 1 year	412.4	242.9
1 to 2 years	1,313.1	1,891.9
2 to 3 years	2,939.7	3,195.9
More than 3 years	2,435.7	1,541.6
	<u>8,324.5</u>	<u>7,912.0</u>

As of June 30, 2024, the aging of our gross trade receivables has worsened, compared to that as of December 31, 2023. A significant portion of our historical revenue was derived from Smart City, which typically features a long payment cycle as required by their internal financial management and payment approval processes. Although our overall cash collection has maintained a relatively healthy momentum since 2023, cash collections for relatively long outstanding receivables remain challenging, as some of our customers, especially those from or are exposed to the public sector.

LIQUIDITY AND FINANCIAL RESOURCES

We had historically funded our cash requirements principally from capital contribution from shareholders. We had cash and cash equivalents of RMB7,626.5 million and term deposits of RMB1,193.4 million as of June 30, 2024, compared to the balance of RMB9,423.5 million and RMB1,099.9 million as of December 31, 2023.

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

	Six months ended June 30,	
	2024	2023
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(3,523.8)	(1,804.8)
Net cash (used in)/generated from investing activities	(1,068.2)	384.7
Net cash generated from financing activities	2,722.7	413.2
Net decrease in cash and cash equivalents	(1,869.3)	(1,006.9)
Cash and cash equivalents at the beginning of the period	9,423.5	7,962.8
Exchange changes on cash and cash equivalents	72.3	197.1
Cash and cash equivalents at the end of the period	7,626.5	7,153.0

Net Cash Used in Operating Activities

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

For the six months ended June 30, 2024, net cash used in operating activities was RMB3,523.8 million, which was primarily attributable to our loss before income tax, as adjusted by (i) depreciation and amortization, fair value losses on financial assets at fair value through profit or loss and provision for impairment of financial assets and contract assets, and (ii) changes in operating assets and liabilities. Net cash used in operating activities increased in the first half of 2024 primarily due to increased prepayments and inventory to further secure computing power for expansion of our Generative AI business.

Net Cash (used in)/Generated from Investing Activities

For the six months ended June 30, 2024, net cash used in investing activities was RMB1,068.2 million, which was mainly attributable to purchase of property, plant and equipment, acquisition of debt and equity investments and net increase in investments in structured and term deposits.

Net Cash Generated from Financing Activities

For the six months ended June 30, 2024, net cash generated from financing activities was RMB2,722.7 million, which was mainly attributable to net proceeds from placing ordinary shares and borrowings.

Borrowings

As of December 31, 2023 and June 30, 2024, we had total borrowings of RMB4,473.1 million and RMB5,287.3 million, respectively. Repayment analysis and the currency denomination of bank borrowings of the Group as at June 30, 2024 are set out in Note 14 to the consolidated financial statements.

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

Exposure to Exchange Rate Fluctuation

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

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

Employees, Training and Remuneration Policies

As at June 30, 2024, the Group had 4,672 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 from the Global Offering

The Class B Shares of the Company were listed on the Main Board of the Stock Exchange on December 30, 2021. The net proceeds received by the Company from the Global Offering (as defined in the Prospectus), including the full exercise of the over-allotment option, were approximately HK\$6,351.0 million. Please refer to the section headed “Future Plans and Use of Proceeds” in the Prospectus and the results announcement for the year ended December 31, 2023 of the Company dated March 26, 2024 for details of the intended use of proceeds and the expected timeframe for utilisation of the proceeds.

As of June 30, 2024, all of the net proceeds had been utilised by the Group in accordance with the intended purposes and expected timeframe stated in the Prospectus.

Intended purposes as set out in the Prospectus	Planned proportion of the net proceeds (%)	Planned use of the net proceeds (Approximately HK\$ million)	Net proceeds unused as of December 31, 2023 (Approximately HK\$ million)	Actual use of net proceeds during the Reporting Period (Approximately HK\$ million)	Net proceeds unused as of June 30, 2024 (Approximately HK\$ million)	Expected timeline for fully utilising the net proceeds from the Global Offering
(i) Enhancing our research and development capabilities	60.0	3,810.6	-	-	-	N.A.
(ii) Expansion of our business	15.0	952.7	44.8	44.8	-	N.A.
(iii) Pursuing strategic investment and acquisition opportunities	15.0	952.7	-	-	-	N.A.
(iv) Working capital and general corporate purposes	10.0	635.0	-	-	-	N.A.
Total	100.0	6,351.0	44.8	44.8	-	

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

Use of Proceeds from Placing of Class B Shares under General Mandate

On June 21, 2024, the Company entered into a placing agreement (the “**Placing Agreement**”) with Guotai Junan Securities (Hong Kong) Limited and Huatai Financial Holdings (Hong Kong) Limited in relation to the placing of 1,673,446,000 new Class B Shares (the “**Placing Shares**”) at HK\$1.20 per Placing Share (the “**Placing Price**”) to not less than six placees who and whose ultimate beneficial owner(s) (where applicable) shall be independent third parties (the “**Placing**”). All the conditions set out in the Placing Agreement were fulfilled and the Placing was completed on June 27, 2024, where a total of 1,673,446,000 Placing Shares, representing approximately 6.06% of the number of the then issued Class B Shares and approximately 4.76% of the number of the then existing issued Shares as enlarged by the allotment and issue of the Placing Shares, have been successfully placed to no fewer than six independent placees at the Placing Price of HK\$1.20 pursuant to the terms and conditions of the Placing Agreement. For details, please refer to the announcements of the Company dated June 21, 2024 and June 27, 2024 respectively.

The net proceeds from the Placing, after deducting the Placing commission and other relevant costs and expenses of the Placing, amounted to approximately HK\$1,995.1 million. The Company intends to use such net proceeds mainly for further enhancing the scale of the Company’s industry leading AI infrastructure – SenseCore, supporting the further development of generative AI including large model research and product development, and for the purpose of general working capital of the Company. As at June 30, 2024, none of such net proceeds had been utilised by the Group. Details of the use of proceeds and the expected timeline for utilisation of the unutilised net proceeds from the Placing are set out below:

Intended purposes of placing net proceeds	Planned proportion of the net proceeds (%)	Planned use of the net proceeds (Approximately HK\$ million)	Actual use of net proceeds during the Reporting Period (Approximately HK\$ million)	Net proceeds unused as of June 30, 2024 (Approximately HK\$ million)	Expected timeline for fully utilising the net proceeds from the Placing
Enhancing the scale of the Company’s industry leading AI infrastructure	35.0	698.3	–	698.3	by December 2024
Supporting the further development of generative AI	30.0	598.5	–	598.5	by December 2024
General working capital (<i>Note</i>)	35.0	698.3	–	698.3	by December 2024
Total	100.0	1,995.1	–	1,995.1	

Note: Such proceeds will be used to satisfy the general working capital needs of the Group, including but not limited to the working capital and expenses for business operations, general research and development costs, general sales and administrative expenses and staff costs.

Gearing Ratio

As at June 30, 2024, our gearing ratio was -0.6% , which represented a net cash position. Our gearing ratio is calculated as net debt divided by total capital at the end of each financial period. Net debt equals to our total borrowings, lease liabilities and preferred share and other financial liabilities less our cash and cash equivalents. Total capital is calculated as total equity plus net debt.

Contingent Liabilities

As of June 30, 2024, we did not have any material contingent liabilities.

Significant Investments Held

As of June 30, 2024, we did not hold any significant investments in the equity interest of other companies.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For the six months ended June 30, 2024, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Pledge of Assets

As of June 30, 2024, we pledged certain buildings and land use rights with carrying amount of RMB4,270.4 million and restricted guarantee deposits amounting to RMB331.3 million for borrowings.

Future Plans for Material Investments and Capital Assets

As of June 30, 2024, we have no specific future plan for material investments and acquisition of capital assets. The Group will continue to identify new investment opportunities in companies with principal businesses related to the Group's core business with a view to create synergies with the Group's existing core business and improve the Group's service and products to its customers.

Events After the Reporting Period

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

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED JUNE 30, 2024

		Six months ended June 30,	
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4(a)	1,739,717	1,433,122
Cost of sales	5	<u>(972,957)</u>	<u>(784,449)</u>
Gross profit		766,760	648,673
Selling expenses	5	(329,158)	(417,957)
Administrative expenses	5	(734,936)	(796,516)
Research and development expenses	5	(1,892,226)	(1,783,186)
Net impairment losses on financial assets and contract assets		(587,653)	(396,493)
Other income		108,736	152,240
Other losses – net	6	<u>(53,037)</u>	<u>(754,066)</u>
Operating loss		(2,721,514)	(3,347,305)
Finance income		350,153	168,904
Finance costs		<u>(85,864)</u>	<u>(68,367)</u>
Finance income – net		264,289	100,537
Share of losses of investments accounted for using the equity method		(11,878)	(10,029)
Fair value losses of preferred share		<u>(12,101)</u>	<u>(10,043)</u>
Loss before income tax		(2,481,204)	(3,266,840)
Income tax credit	7	<u>3,992</u>	<u>124,216</u>
Loss for the period		<u>(2,477,212)</u>	<u>(3,142,624)</u>
Loss is attributable to:			
Equity holders of the Company		(2,456,782)	(3,122,744)
Non-controlling interests		<u>(20,430)</u>	<u>(19,880)</u>
		<u>(2,477,212)</u>	<u>(3,142,624)</u>
Loss per share for loss attributable to equity holders of the Company			
Basic and diluted loss per share (RMB)	8	<u>(0.08)</u>	<u>(0.10)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	(2,477,212)	(3,142,624)
Other comprehensive income		
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(205,147)	(1,095,142)
<i>Item that will not be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	282,142	1,631,358
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	(5,017)	(132)
	<hr/>	<hr/>
Other comprehensive income for the period, net of taxes	71,978	536,084
	<hr/>	<hr/>
Total comprehensive loss for the period	(2,405,234)	(2,606,540)
	<hr/>	<hr/>
Total comprehensive loss for the period is attributable to:		
Equity holders of the Company	(2,381,324)	(2,593,859)
Non-controlling interests	(23,910)	(12,681)
	<hr/>	<hr/>
	(2,405,234)	(2,606,540)
	<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2024

	<i>Notes</i>	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i>
Assets			
Non-current assets			
Property, plant and equipment	10	7,280,503	7,378,707
Right-of-use assets		300,735	349,554
Intangible assets		251,682	325,675
Contract assets		19,735	10,802
Investments accounted for using the equity method		137,832	135,235
Deferred income tax assets		743,733	725,440
Restricted cash		160,785	153,986
Financial assets at fair value through profit or loss	12	6,675,101	6,527,475
Long-term receivables		34,806	87,251
Other non-current assets		715,760	253,425
		<u>16,320,672</u>	<u>15,947,550</u>
Current assets			
Inventories		1,105,190	506,128
Contract assets		15,789	19,785
Trade, other receivables and prepayments	11	5,355,949	5,159,278
Financial assets at fair value through profit or loss	12	724,000	521,805
Restricted cash		208,660	210,085
Term deposits		1,193,410	1,099,898
Cash and cash equivalents		7,626,544	9,423,495
		<u>16,229,542</u>	<u>16,940,474</u>
Total assets		<u>32,550,214</u>	<u>32,888,024</u>
Equity			
Equity attributable to equity holders of the Company			
Share capital		6	5
Other reserves		73,572,739	71,666,422
Currency translation reserves		4,207,636	4,127,161
Accumulated losses		(55,090,950)	(52,634,168)
		<u>22,689,431</u>	<u>23,159,420</u>
Non-controlling interests		<u>15,128</u>	<u>(3,947)</u>
Total equity		<u>22,704,559</u>	<u>23,155,473</u>

	<i>Notes</i>	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Restated)
Liabilities			
Non-current liabilities			
Borrowings	<i>14</i>	4,658,035	4,278,686
Lease liabilities		109,024	145,290
Deferred income tax liabilities		6,209	10,383
Contract liabilities		46,932	24,650
Deferred revenue		248,606	305,664
Other financial liabilities		796,500	530,471
Long-term payables		6,452	5,294
		5,871,758	5,300,438
Current liabilities			
Borrowings	<i>14</i>	629,260	194,429
Trade and other payables	<i>13</i>	1,597,188	2,262,133
Lease liabilities		124,868	146,410
Contract liabilities		302,720	265,959
Deferred revenue		137,266	113,368
Current income tax liabilities		13,492	21,701
Preferred share liabilities		1,169,103	1,144,805
Put option liability		–	283,308
		3,973,897	4,432,113
Total liabilities		9,845,655	9,732,551
Total equity and liabilities		32,550,214	32,888,024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2024

	Equity attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital	Other reserves	Currency translation reserves	Accumulated losses	Total			
Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
(Unaudited)								
As at January 1, 2024	5	71,666,422	4,127,161	(52,634,168)	23,159,420	(3,947)	23,155,473	
Comprehensive loss								
Loss for the period	-	-	-	(2,456,782)	(2,456,782)	(20,430)	(2,477,212)	
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	-	(5,017)	-	-	(5,017)	-	(5,017)	
Exchange differences on translation of foreign operations	-	-	80,475	-	80,475	(3,480)	76,995	
Total comprehensive loss	-	(5,017)	80,475	(2,456,782)	(2,381,324)	(23,910)	(2,405,234)	
Transactions with equity holders								
Placing of ordinary shares	1	1,815,598	-	-	1,815,599	-	1,815,599	
Exercise of share options	-	26,760	-	-	26,760	-	26,760	
Transactions with non-controlling interests	-	(31,585)	-	-	(31,585)	31,585	-	
Recognition of financial instruments with preferred rights at amortised cost	-	(11,400)	-	-	(11,400)	11,400	-	
Purchase of ordinary shares of the Company for share award scheme	-	(13,530)	-	-	(13,530)	-	(13,530)	
Share-based compensation expenses	5	125,491	-	-	125,491	-	125,491	
Total transactions with equity holders	1	1,911,334	-	-	1,911,335	42,985	1,954,320	
As at June 30, 2024	6	73,572,739	4,207,636	(55,090,950)	22,689,431	15,128	22,704,559	

		Equity attributable to equity holders of the Company						
	Notes	Share capital RMB'000	Other reserves RMB'000	Currency translation reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(Unaudited)								
As at January 1, 2023		<u>5</u>	<u>71,248,900</u>	<u>3,915,328</u>	<u>(46,194,009)</u>	<u>28,970,224</u>	<u>43,636</u>	<u>29,013,860</u>
Comprehensive loss								
Loss for the period		-	-	-	(3,122,744)	(3,122,744)	(19,880)	(3,142,624)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss		-	(132)	-	-	(132)	-	(132)
Exchange differences on translation of foreign operations		-	-	529,017	-	529,017	7,199	536,216
Total comprehensive loss		<u>-</u>	<u>(132)</u>	<u>529,017</u>	<u>(3,122,744)</u>	<u>(2,593,859)</u>	<u>(12,681)</u>	<u>(2,606,540)</u>
Transactions with equity holders								
Exercise of share options		-	54,736	-	-	54,736	-	54,736
Share-based compensation expenses		5	233,934	-	-	233,934	-	233,934
Total transactions with equity holders		<u>-</u>	<u>288,670</u>	<u>-</u>	<u>-</u>	<u>288,670</u>	<u>-</u>	<u>288,670</u>
As at June 30, 2023		<u>5</u>	<u>71,537,438</u>	<u>4,444,345</u>	<u>(49,316,753)</u>	<u>26,665,035</u>	<u>30,955</u>	<u>26,695,990</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2024

		Six months ended June 30,	
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Cash used in operations		(3,501,379)	(1,793,363)
Income tax paid		(22,384)	(11,442)
		<hr/>	<hr/>
Net cash used in operating activities		(3,523,763)	(1,804,805)
Cash flows from investing activities			
Purchase of property, plant and equipment		(650,125)	(690,836)
Purchase of intangible assets		(49,524)	(43,872)
Proceeds from disposal of property, plant and equipment		9,209	5,712
Net cash outflow from disposal of subsidiaries	6	(36,044)	–
Increase in investments accounted for using the equity method		(14,460)	(64,349)
Dividend received from financial assets at fair value through profit and loss		2,257	11,579
Acquisition of debt and equity investments	12(a), (b)	(176,865)	(214,992)
Acquisition of structured deposits	12(c)	(1,679,000)	(2,030,000)
Disposal of debt and equity investments	12(a), (b)	26,107	49,082
Disposal of structured deposits	12(c)	1,489,599	1,636,805
Net (increase)/decrease in investments in term deposits		(102,339)	1,625,297
Interest received from banks		113,017	105,410
Loans granted to a related party		–	(5,115)
		<hr/>	<hr/>
Net cash (used in)/generated from investing activities		(1,068,168)	384,721

	Six months ended June 30,	
	2024	2023
<i>Notes</i>	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from financing activities		
Proceeds from borrowings	997,429	764,331
Repayments of borrowings	(183,500)	(200,514)
Interest paid	(79,994)	(61,857)
Principal elements of lease payments	(81,671)	(98,778)
Interests elements of lease payments	(5,221)	(7,422)
Net payment of settlement of put option liabilities	(21,330)	–
Net increase in restricted cash	(803)	(41,611)
Capital injection by limited partners of investment fund controlled by the Group	272,272	45,500
Capital injection by non-controlling shareholder	11,400	–
Proceeds from placing of ordinary shares	1,815,599	–
Purchase of ordinary shares of the Company for share award scheme	(13,530)	–
Proceeds from exercise of share options	12,015	13,550
	<hr/>	<hr/>
Net cash generated from financing activities	2,722,666	413,199
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(1,869,265)	(1,006,885)
Cash and cash equivalents at beginning of period	9,423,495	7,962,813
Effect of foreign exchange rates changes	72,314	197,087
	<hr/>	<hr/>
Cash and cash equivalents at end of period	7,626,544	7,153,015
	<hr/>	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2024

1 GENERAL INFORMATION

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

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

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

The Group did not have ultimate holding company and controlling shareholder.

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

The interim condensed consolidated financial information is presented in thousands of Renminbi (“**RMB’000**”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the board of directors on August 27, 2024.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended June 30, 2024 has been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2023, which have been prepared in accordance with IFRS Accounting Standards (IFRS), as set out in the Company’s annual report dated March 26, 2024 except for the adoption of amended standard as disclosed in Note 3.

3 NEW STANDARDS AND INTERPRETATIONS

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2023, as described in those annual financial statements.

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

(a) New or amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on January 1, 2024:

IAS 1 (Amendments)	Classification of Liabilities as current or non-current
IAS 1 (Amendments)	Non-current liabilities with covenants
IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback
IAS 7 and IFRS 7 (Amendments)	Supplier Finance Arrangements

Since the effective of amendments to IAS 1 “Classification of Liabilities as current or non-current” and the modification made in April 2024, the preferred share liability are classified as current liabilities as at June 30, 2024 and December 31, 2023 respectively. Other than mentioned above, the adoption of these amended standards does not have significant impact on the interim condensed consolidated financial information of the Group.

(b) New standards, amendments and interpretations not yet adopted

The followings new standards and amendments to standards have not come into effect for the financial year beginning January 1, 2025 and have not been early adopted by the Group in preparing the interim condensed consolidated financial statements. According to the preliminary assessment made by the directors of the Group, no significant impact on the financial performance and positions of the Group is expected when they become effective.

		Effective for annual periods Beginning on or after
IAS 21 (Amendments)	Lack of Exchangeability	January 1, 2025
Amendments to IFRS 7 and IFRS 9	Classification and Measurement of Financial Instruments	January 1, 2026
Annual Improvements to IAS 7 (Amendments)	Cost Method	January 1, 2026
Annual Improvements to IAS 9 (Amendments)	Derecognition of Lease Liabilities	January 1, 2026
Annual Improvements to IAS 10 (Amendments)	Determination of a “De Facto Agent”	January 1, 2026
Annual Improvements to IFRS 7 (Amendments)	Disclosure of Deferred Difference between Fair Value and Transaction Price	January 1, 2026
Annual Improvements to IFRS 7 (Amendments)	Gain or Loss on Derecognition	January 1, 2026
Annual Improvements to IFRS 1 (Amendments)	Hedge Accounting by a First-time Adopter	January 1, 2026

		Effective for annual periods Beginning on or after
Annual Improvements to IFRS 7 (Amendments to Guidance on implementing IFRS 7)	Introduction and Credit Risk Disclosures	January 1, 2026
Annual Improvements to IFRS 9 (Amendments)	Transaction Price	January 1, 2026
IFRS 19	Subsidiaries without public accountability: disclosures	January 1, 2027
IFRS 18	Presentation and disclosure in financial statements	January 1, 2027
IFRS 10 and IAS 28 (Amendments)	Sales or Contribution Assets between an Investor and Its Associate or Joint Venture	To be determined

4 SEGMENT INFORMATION

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

(a) Revenue by geographical areas

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in four principal geographical areas of the world. The following table shows the Group's total consolidated revenue by location of the customers during the six months ended June 30, 2024:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	1,418,730	1,203,994
Northeast asia	222,557	185,367
Southeast asia	39,608	11,169
Others*	58,822	32,592
	<u>1,739,717</u>	<u>1,433,122</u>

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

(b) Non-current assets by geographical areas

The total of the non-current assets including property, plant and equipment, right-of-use assets and intangible assets as at June 30, 2024, broken down by the location of the assets, is as follows:

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i>
Mainland China	7,707,098	7,900,623
Northeast Asia	63,916	72,276
Southeast Asia	8,063	14,437
Others	53,843	66,600
	<u>7,832,920</u>	<u>8,053,936</u>

5 EXPENSES BY NATURE

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

	Six months ended June 30, 2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Employee benefit expenses (a)	1,709,503	1,909,104
Hardware costs and project subcontracting service fees	773,156	643,147
Depreciation and amortization	704,808	592,294
Professional service and other consulting fees	293,292	299,305
Server operation and cloud based service fees	176,257	51,673
Marketing, conference and travelling expenses	99,109	118,839
Utilities, property management and administrative expenses	90,955	90,297
Data labelling fees	28,894	24,766
Research and development tools and consumables	15,460	13,733
Taxes and surcharges	11,673	17,704
Other expenses	26,170	21,246
Total	<u>3,929,277</u>	<u>3,782,108</u>

(a) During the six months ended June 30, 2024, employee benefits expenses included the share-based compensation expenses of approximately RMB125,491,000 (for the six months ended June 30, 2023: RMB233,934,000).

6 OTHER LOSSES – NET

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fair value losses on financial assets at fair value through profit or loss (<i>Note 12(d)</i>)	(10,897)	(505,252)
Fair value changes on net asset value of investment funds attributable to limited partners	17,643	(2,020)
Loss on disposal of subsidiaries (<i>i</i>)	(33,236)	–
Net foreign exchange losses	(25,700)	(246,652)
Losses on disposal of property, plant and equipment	(1,712)	(1,725)
Others	865	1,583
	(53,037)	(754,066)

- (i) During the six months ended June 30, 2024, the Group disposed certain subsidiaries with consideration of RMB250,000 and USD3,000,000 (equivalent to RMB21,330,000) respectively, and the excess of net assets carrying amount of RMB54,816,000 of these subsidiaries to the disposal considerations was recognised in other losses.

	Six months ended June 30, 2024 RMB'000 (Unaudited)
Consideration of disposal of subsidiaries	21,580
Carrying amount of net assets of these subsidiaries	(54,816)
	<u>(33,236)</u>
Losses on disposal of subsidiaries	<u>(33,236)</u>
Consideration of disposal of subsidiaries	21,580
Cash held in these subsidiaries	(36,294)
Consideration of put option liability settled on net basis	(21,330)
	<u>(36,044)</u>
Net decrease of cash and cash equivalent on disposal subsidiaries	<u>(36,044)</u>

7 INCOME TAX CREDIT

(i) Cayman Islands

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

(ii) British Virgin Islands

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

(iii) Hong Kong China

Entities incorporated in Hong Kong China are subject to Hong Kong China profits tax at a rate of 16.5% for the periods presented (for the six months ended June 30, 2023: 16.5%).

(iv) Singapore

Entities incorporated in Singapore are subject to income tax at a rate of 17% for the periods presented. No Singapore profits tax was provided for as there was no estimated assessable profit that was subject to Singapore profits tax during the six months ended June 30, 2024 (for the six months ended June 30, 2023: 17%).

(v) Japan

Enterprises incorporated in Japan are subject to income tax rate at the state level of 23.2% during the six months ended June 30, 2024 (for the six months ended June 30, 2023: 23.2%).

(vi) Malaysia

Malaysia income tax rate is 24% during the six months ended June 30, 2024 (for the six months ended June 30, 2023: 24%). In the case that the paid-up capital is Malaysia Ringgit (“MYR”) 2.5 million or less, and the gross income from business is not more than MYR50 million, the income tax rate on the first MYR0.15 million chargeable income is 15%, the income tax rate on the next MYR0.45 million chargeable income is 17% and the part in excess of MYR0.6 million is 24%.

(vii) Saudi Arabia

Enterprises incorporated in Saudi Arabia are subject to income tax rate of 20% during the six months ended June 30, 2024 (for the six months ended June 30, 2023: 20%).

(viii) **PRC corporate income tax (“CIT”)**

The income tax provision of the Group in respect of its operations in the Mainland China was subject to statutory tax rate of 25% on the assessable profits for the six months ended June 30, 2024 (for the six months ended June 30, 2023: 25%), based on the existing legislation, interpretations and practices in respect thereof.

Beijing SenseTime Technology Development Co., Ltd. (北京市商湯科技開發有限公司, “**Beijing SenseTime**”), Shenzhen SenseTime Technology Co., Ltd. (深圳市商湯科技有限公司, “**Shenzhen SenseTime**”), Shanghai SenseTime Intelligent Technology Co., Ltd. (上海商湯智能科技有限公司, “**Shanghai SenseTime**”), Shanghai Lingang SenseAuto Intelligent Technology Co., Ltd. (上海臨港絕影智能科技有限公司, “**Shanghai SenseAuto**”, formerly named 上海商湯臨港智能科技有限公司, “**Shanghai Lingang**”), Shanghai SenseTime Technology Development Co., Ltd. (上海商湯科技開發有限公司, “**SenseTime Development**”) and Shenzhen Tetras.AI Technology Co., Ltd. (深圳市慧鯉科技有限公司, “**Tetras.AI Shenzhen**”) were qualified as “**High and New Technology Enterprises**” (“**HNTes**”) under the relevant PRC laws and regulations. Accordingly, these entities were entitled to a preferential income tax rate of 15% during the six months ended June 30, 2024 (for the six months ended June 30, 2023: Beijing SenseTime, Shenzhen SenseTime, Shanghai SenseTime and Shanghai SenseAuto). This status is subject to a requirement that Beijing SenseTime, Shenzhen SenseTime, Shanghai SenseTime and Shanghai SenseAuto, SenseTime Development and Tetras.AI Shenzhen reapply for HNTes status every three years.

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

(ix) **PRC Withholding Tax (“WHT”)**

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

During the six months ended June 30, 2024, no deferred income tax liability on WHT was accrued as at the end of each reporting period because the subsidiaries of the Group were primarily loss making in these periods (for the six months ended June 30, 2023: nil).

	Six months ended June 30,	
	2024	2023
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Current income tax	(24,523)	(3,537)
Deferred income tax	28,515	127,753
Income tax credit	3,992	124,216

8 LOSS PER SHARE

Basic

The basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares (excluding treasury shares) issued during the six months ended June 30, 2024:

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Loss attributable to equity holders of the Company (RMB'000)	(2,456,782)	(3,122,744)
Weighted average number of ordinary shares in issue	32,441,299,311	31,958,495,179
Basic loss per share (expressed in RMB per share)	<u>(0.08)</u>	<u>(0.10)</u>

Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended June 30, 2024, the Company has two categories of dilutive potential ordinary shares: Preferred shares issued by a subsidiary of the Company and share options. As the Group incurred losses for the six months ended June 30, 2024, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the six months ended June 30, 2024 is the same as basic loss per share of the respective period (for the six months ended June 30, 2023: same as basic loss per share of the respective period).

9 DIVIDENDS

No dividend had been declared or paid by the Company during the six months ended June 30, 2024 (for the six months ended June 30, 2023: nil).

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities (a)	Property improvement	Large-scale electronic equipment	Computers and related equipment	Office equipment and furniture	Transportation equipment and vehicles	Other equipment	Construction in progress	Total
At December 31, 2023									
Cost	4,567,174	412,066	3,986,353	702,503	75,904	60,317	36,727	126,667	9,967,711
Accumulated depreciation	(277,109)	(251,896)	(1,503,121)	(477,220)	(34,839)	(35,023)	(9,796)	-	(2,589,004)
Net book amount	4,290,065	160,170	2,483,232	225,283	41,065	25,294	26,931	126,667	7,378,707
(Unaudited)									
Six months ended									
June 30, 2024									
Opening net book amount	4,290,065	160,170	2,483,232	225,283	41,065	25,294	26,931	126,667	7,378,707
Additions	-	6,693	336,989	56,989	1,260	2,255	688	67,273	472,147
Internal transfer	-	58,827	-	763	-	-	-	(59,590)	-
Disposals	-	(24,562)	(1,381)	(1,476)	(11,789)	(1,022)	-	(69)	(40,299)
Depreciation charge	(65,162)	(35,637)	(342,004)	(68,318)	(5,858)	(5,379)	(2,355)	-	(524,713)
Currency translation differences	(1,657)	(553)	51	(1,808)	56	(82)	(1,388)	42	(5,339)
Closing net book amount	4,223,246	164,938	2,476,887	211,433	24,734	21,066	23,876	134,323	7,280,503
At June 30, 2024									
Cost	4,565,621	452,471	4,301,124	734,687	61,738	59,548	36,027	134,323	10,345,539
Accumulated depreciation	(342,375)	(287,533)	(1,824,237)	(523,254)	(37,004)	(38,482)	(12,151)	-	(3,065,036)
Net book amount	4,223,246	164,938	2,476,887	211,433	24,734	21,066	23,876	134,323	7,280,503

- (a) As at June 30, 2024, certain buildings with carrying amount of RMB4,207,904,000 (December 31, 2023: RMB4,272,828,000) were pledged as collaterals for the Group's borrowings (Note 14).
- (b) During the six months ended June 30, 2024, depreciation charges were expensed off in the following categories in the interim condensed consolidated income statement:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of sales	104,568	79,247
Selling expenses	9,010	10,407
Administrative expenses	105,615	99,826
Research and development expenses	305,520	232,732
	524,713	422,212

11 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
Notes receivables	68,210	62,236
Provision for impairment	(49,024)	(49,021)
	<u>19,186</u>	<u>13,215</u>
Trade receivables		
– Due from related parties	3,478	2,992
– Due from third parties	8,320,982	7,909,027
	<u>8,324,460</u>	<u>7,912,019</u>
Gross trade receivables	8,324,460	7,912,019
Provision for impairment	(4,790,548)	(4,191,392)
	<u>3,533,912</u>	<u>3,720,627</u>
Other receivables		
– Refundable deposits (<i>i</i>)	62,361	46,639
– Loans to related parties	666	666
– Payments on behalf of customers	427,478	438,988
– Others	79,112	74,865
	<u>569,617</u>	<u>561,158</u>
Gross other receivables	569,617	561,158
Provision for impairment	(403,264)	(394,223)
	<u>166,353</u>	<u>166,935</u>
Prepayments	879,119	578,734
Input VAT to be deducted	757,379	679,767
	<u>5,355,949</u>	<u>5,159,278</u>
Total trade, other receivables and prepayments	<u>5,355,949</u>	<u>5,159,278</u>

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

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
Bank's notes receivables		
– Up to 6 months	<u>19,210</u>	<u>13,236</u>
Commercial notes receivables		
– 6 months to 1 year	–	–
– Over 1 year	<u>49,000</u>	<u>49,000</u>
	<u>68,210</u>	<u>62,236</u>

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 June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
Up to 6 months	1,223,601	1,039,742
6 months to 1 year	412,353	242,863
1 to 2 years	1,313,094	1,891,876
2 to 3 years	2,939,689	3,195,901
More than 3 years	<u>2,435,723</u>	<u>1,541,637</u>
	<u>8,324,460</u>	<u>7,912,019</u>

(i) Refundable deposits consists primarily of security deposits for rental and projects.

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

The Group classified the following financial assets at FVPL:

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

Financial assets mandatorily measured at FVPL include the following:

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i>
Non-current assets		
Debt investments (a)		
– Unlisted entities	3,575,868	3,486,248
– Investments in bonds	1,671,400	1,636,209
– Fund	634,012	643,921
Equity investments (b)		
– Listed entities	438,121	412,342
– Unlisted entities	355,700	348,755
	<u>6,675,101</u>	<u>6,527,475</u>
Current assets		
Structured deposits (c)	<u>724,000</u>	<u>521,805</u>
	<u>7,399,101</u>	<u>7,049,280</u>

(a) **Debt investments**

The movement of the debt investments during the six months ended June 30, 2024 is as follows:

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
At beginning of the period	5,766,378	5,798,760
Additions	112,814	167,966
Disposals	(10,140)	(5,627)
Fair value changes	(8,024)	(437,892)
Currency translation differences	20,252	112,480
	<hr/>	<hr/>
At end of the period	<u>5,881,280</u>	<u>5,635,687</u>

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

(b) **Equity investments**

The movement of the equity investments during the six months ended June 30, 2024 is as follows:

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
At beginning of the period	761,097	877,773
Additions	64,051	50,000
Disposals	(15,967)	(43,455)
Fair value changes	(15,667)	(75,331)
Currency translation differences	307	11,408
	<hr/>	<hr/>
At end of the period	<u>793,821</u>	<u>820,395</u>

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 China. The wealth management products were non-principal protected with maturity of less than 1 year.

The movement of the wealth management products during the six months ended June 30, 2024 is as follows:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of the period	521,805	632,124
Additions	1,679,000	2,030,000
Disposals	(1,489,599)	(1,636,805)
Fair value changes	12,794	7,971
	<hr/>	<hr/>
At end of the period	724,000	1,033,290
	<hr/>	<hr/>

(d) **Amounts recognised in the interim condensed consolidated income statement**

During the six months ended June 30, 2024, the following gains/(losses) were recognised in the interim condensed consolidated income statement:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fair value gains/(losses) on investments in:		
– Debt investments	(8,024)	(437,892)
– Equity investments	(15,667)	(75,331)
– Structured deposits	12,794	7,971
	<hr/>	<hr/>
	(10,897)	(505,252)
	<hr/>	<hr/>

13 TRADE AND OTHER PAYABLES

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i>
Trade payables		
– Third parties	521,616	840,767
– Related parties	643	790
Long-term payables due within 1 year	16,000	16,000
Other payables		
– Third parties	467,816	502,520
– Related parties	4,015	6,641
Payables on purchase of property, plant and equipment and intangible assets	210,450	416,090
Accrued taxes other than income tax	85,843	72,087
Staff salaries and welfare payables	268,604	366,766
VAT payables related to contract liabilities	13,469	31,505
Accrued warranty expenses	8,732	8,967
	1,597,188	2,262,133

Aging analysis of the trade payables based on purchase date at the end of June 30, 2024 are as follows:

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i>
Up to 6 months	320,337	599,714
6 months to 1 year	26,044	115,885
1 to 2 years	71,993	79,267
More than 2 years	103,885	46,691
	522,259	841,557

14 BORROWINGS

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i>
Non-Current		
Bank borrowing – secured	3,849,840	3,532,070
Bank borrowing – guaranteed	897,915	764,346
Less: current portion of non-current borrowings	(89,720)	(17,730)
	<u>4,658,035</u>	<u>4,278,686</u>
Current		
Short-term bank borrowing – guaranteed	495,350	132,760
Short-term bank borrowing – secured	40,000	40,000
Current portion of non-current borrowings	89,720	17,730
Interest payable	4,190	3,939
	<u>629,260</u>	<u>194,429</u>
	<u>5,287,295</u>	<u>4,473,115</u>

Secured bank borrowings

As at June 30, 2024, the Group had bank borrowings with carrying amount of RMB257,770,000 which were secured by the Group's restricted deposits of USD43,900,000 (equivalent to RMB331,293,000) (December 31, 2023: bank borrowings with carrying amount of RMB259,080,000 which were secured by the Group's restricted deposits of USD43,900,000 (equivalent to RMB323,984,000)).

As at June 30, 2024, the Group had a bank borrowing with carrying amount of RMB1,929,930,000 (December 31, 2023: RMB1,608,850,000) which was pledged by equity interest of Shanghai Yuqin Information Technology Co., Ltd. (“**Shanghai Yuqin**”) and joint liability guarantee from Shanghai Yuqin and Shanghai SenseTime. In addition, certain buildings (Note 10(a)) with a carrying amount of RMB1,044,411,000 and land use right with a carrying amount of RMB62,485,000 (December 31, 2023: buildings with a carrying amount of RMB1,074,851,000 and land use right with a carrying amount of RMB63,164,000) respectively were also pledged as collaterals for this bank borrowing.

As at June 30, 2024, the Group had a bank borrowing with carrying amount of RMB1,662,140,000 which was pledged by certain buildings (Note 10(a)) with a carrying amount of RMB3,163,493,000 as a collateral for the Group's borrowings (December 31, 2023: bank borrowings with carrying amount of RMB1,664,140,000 which was pledged by certain buildings with a carrying amount of RMB3,197,977,000).

As at June 30, 2024, the Group had a current bank borrowing with carrying amount of RMB40,000,000 (December 31, 2023: RMB40,000,000) which was secured by certain Group's licensed intellectual properties and guaranteed by SenseTime Group Limited.

Guaranteed bank borrowings

As at June 30, 2024, the Group had a non-current bank borrowing with carrying amount of RMB142,500,000 for public rental housing, which was guaranteed by a state-owned property developer before the property registration is ready. After that, this borrowing will be guaranteed by Shanghai SenseTime and be pledged by the public rental housing itself as a collateral (December 31, 2023: bank borrowing with a carrying amount of RMB143,000,000).

As at June 30, 2024, the Group had non-current bank borrowings with carrying amount of RMB587,415,000 which were guaranteed by SenseTime Group Limited (December 31, 2023: bank borrowing with a carrying amount of RMB542,346,000).

As at June 30, 2024, the Group had non-current bank borrowings with carrying amount of RMB110,000,000 which were guaranteed by Beijing SenseTime (December 31, 2023: bank borrowing with a carrying amount of RMB79,000,000).

As at June 30, 2024, the Group had non-current bank borrowings with carrying amount of RMB58,000,000 which were guaranteed by Shanghai SenseTime.

As at June 30, 2024, the Group had current bank borrowings with carrying amount of RMB495,350,000 which were guaranteed by SenseTime Group Limited (December 31, 2023: RMB132,760,000 which were guaranteed by SenseTime Group Limited).

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates of the borrowings at the end of the reporting period are as follows:

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
Variable rate borrowings	4,321,985	3,958,336
Fixed rate borrowings – repricing or maturity dates:		
6 months or less	71,610	104,070
Between 6 and 12 months	534,100	71,560
Between 1 and 2 years	246,210	226,950
Between 2 and 5 years	109,200	108,260
	<u>5,283,105</u>	<u>4,469,176</u>

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

	As at June 30, 2024		As at December 31, 2023	
	Amount RMB'000 (Unaudited)	Interest rate Per annum	Amount RMB'000	Interest rate Per annum
RMB bank borrowings	5,283,105	1.95% - 3.80%	4,469,176	1.95% - 3.80%

As at June 30, 2024, the carrying amounts of bank borrowings approximated their fair values since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

The Group had complied with all of the financial covenants of its borrowing facilities for the six months ended June 30, 2024 (for the six months ended June 30, 2023: complied with all of the financial covenants of its borrowing facilities).

As at June 30, 2024, the weighted average effective interest rate for borrowings was 3.17% (December 31, 2023: 3.23%).

As at June 30, 2024, the Group has the following undrawn bank facilities:

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000
RMB facilities	6,653,785	8,153,792
USD facilities	111,903	108,203
	<u>6,765,688</u>	<u>8,261,995</u>

15 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to June 30, 2024 and up to the date of this report, there is no material subsequent event.

OTHER INFORMATION

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

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

Compliance with the Corporate Governance Code

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

During the Reporting Period, the Company has complied with the applicable code provisions under the Corporate Governance Code set out in Appendix C1 to the Listing Rules save for code provision C.2.1 of Part 2 of the Corporate Governance Code as discussed below.

Pursuant to code provision C.2.1 of Part 2 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Dr. Xu Li currently performs these two roles. The Board believes that vesting the roles of both executive chairman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of executive chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2024 (June 30, 2023: Nil).

Directors' Securities Transactions

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

Audit Committee

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

Publication of the Interim Results Announcement and Interim Report

This interim 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 interim report of the Company containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company and will be despatched to the Shareholders in due course.

DEFINITIONS

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

“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)”	class A ordinary shares of the share capital of the Company with a par value of US\$0.000000025 each
“Class B Share(s)”	class B ordinary shares of the share capital of the Company with a par value of US\$0.000000025 each
“Company”	SenseTime Group Inc. (商汤集团股份有限公司), an exempted company incorporated under the laws of Cayman Islands with limited liability, the issued Class B Shares of which are listed on the Main Board of the Stock Exchange (stock codes: 0020 (HKD Counter) and 80020 (RMB Counter))
“Director(s)”	director(s) of the Company
“Dr. Wang”	Dr. Wang Xiaogang (王曉剛), the Company’s co-founder, executive Director, chief scientist and a WVR Beneficiary

“Dr. Xu Li”	Dr. Xu Li (徐立), the Company’s co-founder, executive Chairman of the Board, executive Director, chief executive officer and a WVR Beneficiary
“Group”, “SenseTime” or “we”	the Company and its subsidiaries and consolidated affiliated entities
“HKD” or “HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“JPY”	Japanese Yen, the lawful currency of Japan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix C3 of the Listing Rules
“Mr. Xu Bing”	Mr. Xu Bing (徐冰), the Company’s co-founder, executive Director, Board Secretary and a WVR Beneficiary
“PetaFLOPS”	one quadrillion (10 ¹⁵) floating-point operations per second
“PRC” or “China”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated December 7, 2021, as supplemented by the supplemental prospectus of the Company dated December 20, 2021
“Reporting Period”	the six months ended June 30, 2024
“RMB”	Renminbi, the lawful currency of the PRC
“SGD”	Singapore Dollars, the lawful currency of Singapore
“Share(s)”	the Class A Shares and Class B Shares in the share capital of our Company, as the context so requires
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“USD” or “US\$” United States Dollars, the lawful currency of the United States

“WVR Beneficiary(ies)” has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Dr. Xu Li, Dr. Wang and Mr. Xu Bing, being the holders of the Class A Shares, entitling each to weighted voting rights

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

Hong Kong, August 27, 2024

As at the date of this announcement, the executive Directors are Dr. Xu Li, Dr. Wang Xiaogang, Mr. Xu Bing and Dr. Lin Dahua; 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.