

Chinese AI firm SenseTime denies research firm Grizzly's claim it inflated its revenue

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The booth for Chinese artificial intelligence company SenseTime demonstrates its AI generated images during the World AI Conference in Shanghai, Wednesday, July 5, 2023. SenseTime, a major Chinese artificial intelligence company known for its facial recognition technology, has rejected claims by a research company that it has inflated its revenue. Credit: AP Photo/Ng Han Guan

SenseTime, a major Chinese artificial intelligence company, has rejected claims by a research company that it has falsely inflated its revenue.

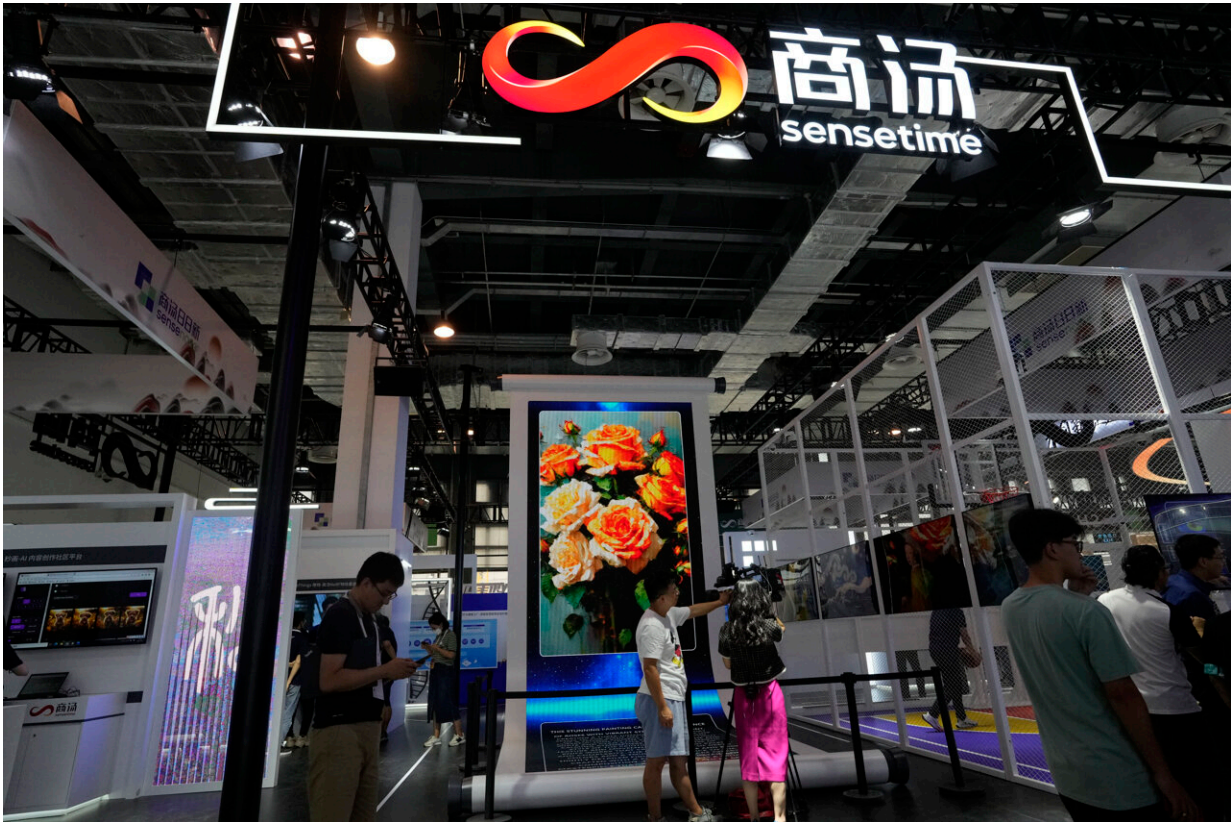
"(SenseTime) believes the report is without merit and contains unfounded allegations and misleading conclusions and interpretations," the company said in a notice Tuesday to Hong Kong's stock exchange, after its stocks tumbled nearly 10% following the report's release by short-seller Grizzly Research LLC.

"It also shows a lack of understanding of the company's business model and financial reporting structure, and a lack of thorough reading of the company's public filings," SenseTime said.

The company said it was reviewing the allegations and "considering the appropriate course of action to take to safeguard the interests of all shareholders."

SenseTime is known for its facial recognition technology. It launched a ChatGPT-style chatbot to the public in August.

Grizzly's report alleges that SenseTime uses revenue fabrication schemes to inflate its sales data. It also said SenseTime was controlling several entities that it has not disclosed on its balance sheet, suggesting the publicly listed company is not as transparent about its business as it should be.



The booth for Chinese artificial intelligence company Sensetime demonstrates its AI generated images during the World AI Conference in Shanghai, Wednesday, July 5, 2023. SenseTime, a major Chinese artificial intelligence company known for its facial recognition technology, has rejected claims by a research company that it has inflated its revenue. Credit: AP Photo/Ng Han Guan

In its statement, SenseTime also responded that Grizzly did not understand its business model.

Reports by short-selling research companies like Grizzly usually focus on corruption or fraud in the business world, such as accounting irregularities and bad actors in management. The short-sellers make "short" bets against those targets, enabling them to make money when their share prices fall.

SenseTime's Hong Kong-traded stock sank as much as 9.7% early Tuesday but recovered some lost ground and closed 4.9% lower.

SenseTime was blacklisted by the U.S. government in 2019 over allegations that its facial recognition technology has been used to oppress members of the mostly Muslim Uyghur minority in China's northwestern Xinjiang region.

In July, Alibaba, one of its prominent backers, cut its stake in SenseTime to 3.15% from 5.29%. Japan's SoftBank Group, also a SenseTime backer, has also sold off significant holdings in the company.

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