



北京第四範式智能技術股份有限公司

Beijing Fourth Paradigm Technology Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 6682



INTERIM REPORT  
2023



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Dr. Dai Wenyuan (戴文淵)  
*(Chairman, Chief Executive Officer and General Manager)*

Mr. Chen Yuqiang (陳雨強) *(Chief Research Scientist)*

Mr. Yu Zhonghao (于中灝)  
*(Chief Financial Officer and Vice President)*

### Non-executive Directors

Dr. Yang Qiang (楊強)

Mr. Dou Shuai (竇帥)

Mr. Zhang Jing (張晶)

### Independent Non-executive Directors

Mr. Li Jianbin (李建濱)

Mr. Liu Chijin (劉持金)

Ms. Ke Yele (柯燁樂)

## AUDIT COMMITTEE

Mr. Li Jianbin (李建濱) *(Chairman)*

Mr. Liu Chijin (劉持金)

Dr. Yang Qiang (楊強)

## REMUNERATION COMMITTEE

Ms. Ke Yele (柯燁樂) *(Chairlady)*

Dr. Yang Qiang (楊強)

Mr. Li Jianbin (李建濱)

## NOMINATION COMMITTEE

Dr. Dai Wenyuan (戴文淵) *(Chairman)*

Mr. Liu Chijin (劉持金)

Mr. Li Jianbin (李建濱)

## SUPERVISORS

Mr. Chai Yifei (柴亦飛)

Ms. Zhou Wenjing (周文靜)

Ms. Shao Liling (邵麗玲)

## REGISTERED OFFICE

No. L01301-1, Level 13  
Building 1, No. 66  
Qinghe Middle Street  
Haidian District, Beijing  
PRC

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN PRC

No. L01301-1, Level 13  
Building 1, No. 66  
Qinghe Middle Street  
Haidian District, Beijing  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place  
348 Kwun Tong Road  
Kowloon, Hong Kong

## H SHARE REGISTRAR

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants and Registered Public Interest Entity Auditor*  
22/F, Prince's Building  
Central  
Hong Kong

## HONG KONG LEGAL ADVISER

Davis Polk & Wardwell  
10th Floor, The Hong Kong Club Building  
3A Chater Road  
Hong Kong

## COMPLIANCE ADVISER

Guotai Junan Capital Limited  
27/F, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

## AUTHORIZED REPRESENTATIVES

Mr. Yu Zhonghao (于中灝)  
Ms. Yeung Siu Wai Kitty (楊小慧)

### **JOINT COMPANY SECRETARIES**

Mr. Xiong Fei (熊飛)

Ms. Yeung Siu Wai Kitty (楊小慧)

### **PRINCIPAL BANKS**

China Merchants Bank, Haidian Branch  
No. 56, North 4th Ring Road West  
Beijing, PRC

Industrial and Commercial Bank of China,  
Haidian West District Branch  
No. 65, North 4th Ring Road West  
Beijing, PRC

### **STOCK CODE**

6682

### **COMPANY'S WEBSITE**

[www.4paradigm.com](http://www.4paradigm.com)

# Financial Highlights

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	1,468,104	1,058,224
Gross profit	704,581	528,985
Operating loss	(252,953)	(276,321)
Loss before income tax	(481,438)	(588,360)
Loss for the period	(477,678)	(583,818)

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
<b>Assets</b>		
Non-current assets	1,039,316	1,800,817
Current assets	5,157,731	4,918,167
<b>Total assets</b>	<b>6,197,047</b>	6,718,984
<b>Liabilities</b>		
Non-current liabilities	3,076,425	6,628,886
Current liabilities	5,127,207	1,551,109
<b>Total liabilities</b>	<b>8,203,632</b>	8,179,995
<b>Total equity and liabilities</b>	<b>6,197,047</b>	6,718,984

# Financial Highlights

## Overall financial data

Revenue was RMB1,468.1 million for the six months ended June 30, 2023, representing a year-on-year increase of 38.7%.

Adjusted net loss was RMB175.5 million for the six months ended June 30, 2023, representing a year-on-year decrease of 13.9%.

## Sage Platform and applications

Revenue was RMB756.0 million for the six months ended June 30, 2023, representing a year-on-year increase of 42.2% and accounting for 51.5% of the total revenue.

## Application development and other services

Revenue was RMB712.1 million for the six months ended June 30, 2023, representing a year-on-year increase of 35.2% and accounting for 48.5% of the total revenue.

# Business Review and Outlook

## BUSINESS REVIEW

### Continue to Top the Decision-making AI Platform Market

As a leading enterprise-level AI software company, the Group always upholds its mission of “empowering enterprises’ transformation towards AI and promoting AI to serve all enterprises”. Benefiting from our effective market strategy, enhanced relationship with benchmarking users and further penetration into a larger user base, we maintained a strong growth momentum, and many operating indicators have also highlighted our excellence in the first half of 2023 as follows:

During the Reporting Period, the Group recorded a revenue of RMB1.468 billion, up 38.7% year-on-year; the gross profit increased from RMB529.0 million to RMB704.6 million, up 33.2% year-on-year; the adjusted net loss was RMB176 million, narrowing 13.9% from the same period of last year, with an adjusted net loss margin of 12.0%. The Group continued to expand its user base in the first half of 2023 and served 234 end users during the Reporting Period, including 92 benchmarking users, representing an increase of 24.3% as compared to the number of benchmarking users it served during the same period of last year.

At the same time, the fast-growing market demands allowed us to further strengthen our leading position in the decision-making AI market. Based on the “Market Share of AI Decision-Making Solutions in China” released by IDC in July 2023, we continued to top the Chinese AI decision-making market and our market share is still expanding.

### Promote Generative AI Technologies to Reform Enterprise Software

In the first half of 2023, we pushed forward the development and implementation of generative AI technology in enterprises. Our accumulated research knowledge in generative AI technologies offered us an opportunity to reshape the enterprise software services and penetrate into a market with the size of trillions in Renminbi.

In March 2023, in addition to our decision-making AI solutions, we also launched “SageGPT”, an enterprise-level generative AI product that is characterized by multimodal interaction capabilities and enterprise-level AI tool. In April 2023, we released SageGPT version 3.0 and brought forward a technology strategy of “AIGS · AI-Generated Software”, striving to improve user experience and development efficiency of enterprise software with large language models (LLMs) in an effort to achieve AIGS.

“SageGPT”, being our large language model product, sustained the Company’s strategy of focusing on enterprise-level services. On the interaction front, “SageGPT” has powerful information processing and data type recognition capabilities, which has redefined the way enterprise employees interact with enterprise software. On the development front, efficiency is significantly improved attributable to the capabilities of large language models, shortening the development cycle from months to days. In light of the complexity behind the interactive experience and product development of enterprise software, and given that the user experience of software for individual consumers have approached its upper limit, we believe that large language models will enjoy wider development potential at the business-side.

With an in-depth insight into the enterprise-level software market, we have accumulated a relatively large user base and keep collecting feedback from our users. We have further expanded our business from providing AI decision-making software as to helping enterprise or software developers reform their own software, which allows us to extend and magnify the advantages we have accumulated in the enterprise-level service sector over the past few years.

# Business Review and Outlook

Firstly, the industry position and good customer relationships we have accumulated in the field of decision-making AI are our first-mover advantages when entering into the AIGS market. We have a huge existing user base with whom we are working together to promote the implementation of the AIGS. Secondly, acting as the “decision-making brain” of enterprises, our Sage Platform and applications play an excellent synergistic role in driving the implementation of AIGS for our users. At the same time, with an in-depth insight into the needs of enterprise-level users, we put an emphasis on solving our users’ real pain points during the process of technological innovation, and facilitated the needs of enterprise-level customers for data security, trustworthy content and costs efficiency from the product design perspective.

Since its launch in March, SageGPT has been undergoing demonstration and promotion in various industries, and has successively cooperated with enterprise customers in various industries including but not limited to finance, retail, manufacturing, real estate brokerage, education and healthcare. In addition, we also have been in close cooperation with many well-established software partners, thoroughly integrating SageGPT with specialized software in an effort to reform the traditional software with generative AI. For example, in the manufacturing industry, AIGS technology is used to improve the interactive experience of traditional design software, thereby enhancing the work efficiency of designers. In the field of marketing, AIGS technology is used to enhance the interactive way of marketing software, boosting the sales ability of marketing staff.

In July 2023, IDC released the “AI Large language model capability assessment report for 2023”, and SageGPT ranked No. 1 among all participants attending the test, characterized by its excellent service ability, platform capability, self-explanatory data security, etc. IDC believed that SageGPT large-scale model’s advantage is the complete service system it builds on the software interface, which will lead to an exponential growth in software development efficiency and a revolutionary improvement in user experience. In May 2023, SageGPT was selected into the first batch of seven large language model partners in Beijing. In June 2023, the “demonstrative application of multimodal LLMs in finance” developed by SageGPT was successfully included in the first batch of top ten industrial large language model top ten industry large-scale model cases in Beijing.



# Business Review and Outlook

## FUTURE AND OUTLOOK

In recent years, influenced by a number of favorable policies, the decision-making AI market has developed rapidly. The 14th Five-Year Digital Economy Development Plan proposes to vigorously promote the digital transformation of the industry, support qualified large enterprises to build an integrated digital platform, fully integrate their internal information systems, strengthen the full-process data connection, accelerate business synergy across the entire value chain, form data-driven AI decision-making capability, as well as improve the overall operational efficiency of enterprises and enhance the synergy of upstream and downstream of the industrial chain. The policies to promote the development of the digital economy provide strong support for the AI decision-making market. In addition, according to the CIC Report, the size of China's decision-making AI market in terms of AI spending reached RMB53.2 billion in 2022 and is estimated to increase to RMB210.4 billion in 2027, with a CAGR of 31.7%. AI has huge market opportunities in the enterprise service market, as the consensus to upsize spending in AI has been reached among enterprise decision-makers.

Under such background, we firmly adhere to the strategy of empowering the transformation of the real economy with AI, and will continue to increase our investments, hone our own technologies, products and solutions, and promote the digital transformation process of enterprises and industries. We believe that enterprises will have two core capabilities in future. One is the ability to make intelligent decisions based on data. The combination of human-based decision-making and data-based decision-making transforms the previous mechanical execution method into a method of continuous iterative calculation through strategies to achieve explosive growth in productivity. The second is that after the emergence of large language models, the interactions with various software and systems have become more adaptive for human beings. Previously, practitioners in most industries did not have the capability to operate complex systems, but large language models made enterprise software more user-friendly, which made possible a wider contact between AI and humans.

Based on the concept of AI-driven enterprise digital transformation, we continue to develop and improve the core Sage Platform and applications portfolio. At the same time, we also pay attention to the accumulation and development of related products such as information innovation and AIOT technologies, and promote their integration with our Sage Platform and technologies, as well as the application and in-depth integration of related products in various industries.

# Management Discussion and Analysis

## FINANCIAL REVIEW

As a fast-growing AI software company which focuses on providing platform-centric AI software which enables enterprises to undertake digital transformation, we have recorded a rapid growth at a 121.6% CAGR from 2018 to 2022 in terms of our revenue. In the first half of 2023, we continued to maintain the strong growth momentum, and achieved robust business progress in various sectors such as financial services, energy and power, transportation and telecommunication. With our abundant coverage of user cases in China enterprise AI software market, we were consecutively ranked 1<sup>st</sup> in the market share of machine learning platforms in China by IDC since 2021.

### Revenues

During the Reporting Period, our total revenue was RMB1,468.1 million (same period in 2022: RMB1,058.2 million), representing a year-on-year increase of 38.7%, which was driven by the increase sales in both of our business segment. The following table sets forth a breakdown of our revenue by business segment for the periods indicated. Revenues from software licensing for the six months ended June 30, 2023 were RMB342.1 million, representing an increase of 49.3%, and accounted for 23.3% of the total revenue, while revenues from SageOne were RMB413.9 million, representing an increase of 36.9%, and accounted for 28.2% of the total revenue. Revenues from application development and other services for the six months ended June 30, 2023 were RMB712.1 million, representing an increase of 35.2%. The following table sets forth a breakdown of our revenue by business segment for the periods indicated.

	Six months ended June 30,		Change %
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	
<b>Sage Platform and applications</b>			
Software licensing	<b>342,063</b>	229,120	49.3
SageOne	<b>413,893</b>	302,317	36.9
<b>Application development and other services</b>	<b>712,148</b>	526,787	35.2
<b>Total</b>	<b>1,468,104</b>	1,058,224	38.7

### Sage Platform and applications

During the Reporting Period, the revenues from our Sage Platform and applications were RMB756.0 million (same period in 2022: RMB531.4 million), representing a year-on-year increase of 42.2%, and the proportion of the revenues from our Sage Platform and applications to the total revenue increased from 50.2% for the six months ended June 30, 2022 to 51.5% for the same period in 2023, mainly due to the rapid growth in revenues from software licensing.

### Application development and other services

At our users' request, we primarily offer application development services to help them develop customized AI applications on Sage Platform based on their business needs. We charge them on a project basis, the pricing of which is primarily based on the manpower consumption of the relevant services.

Revenues generated from our application development and other services were RMB712.1 million (same period in 2022: RMB526.8 million), representing a year-on-year increase of 35.2%, and the proportion of the revenues generated from our application development and other services to the total revenue decreased from 49.8% for the six months ended June 30, 2022 to 48.5% for the same period in 2023, mainly due to the increase in the proportion of revenue from the Sage platform and applications.

# Management Discussion and Analysis

## Cost of Sales

Our cost of sales primarily consists of (i) cost of finished goods sold, primarily representing procurement cost of hardware components from third-party vendors, (ii) technology service fees, primarily representing technology implementation costs paid to third-party service providers for delivery, deployment and installation of customized AI applications that we develop at users' request, (iii) employee benefit expenses, representing wages and benefits of our implementation and maintenance personnel for our enterprise AI solutions, and (iv) others.

During the Reporting Period, our cost of sales was RMB763.5 million (same period in 2022: RMB529.2 million), representing a year-on-year increase of 44.3%, mainly due to the increase in hardware procurement costs and technology service fees.

## Gross Profit and Gross Margin

Our gross profit increased by 33.2% from RMB529.0 million in the six months ended June 30, 2022 to RMB704.6 million in the six months ended June 30, 2023, along with the increase in our overall revenue. Our gross margin decreased from 50.0% in the six months ended June 30, 2022 to 48.0% in the six months ended June 30, 2023, mainly due to higher hardware and technology service fees as percentage of revenue, as driven by our business penetration into new sectors and new user cases in the first half of 2023.

## Selling and Marketing Expenses

During the Reporting Period, our selling and marketing expenses were RMB173.8 million (same period in 2022: RMB171.7 million), representing a year-on-year increase of 1.2%, mainly due to the increase in marketing and branding activities in the first half of 2023.

## General and Administrative Expenses

During the Reporting Period, our general and administrative expenses were RMB178.8 million (same period in 2022: RMB146.0 million), representing a year-on-year increase of 22.4%, mainly due to (i) the increase in employee benefit expenses and (ii) increase in professional fees expenses.

## Research and Development Expenses

We continuously invest in the development and enhancement of our solutions and technologies as in the past. During the Reporting Period, the total research and development expenses of the Group further increased, and our research and development expenses were RMB661.8 million (same period in 2022: RMB557.9 million), representing a year-on-year increase of 18.6%, mainly due to (i) the increase in technology service fees and (ii) the increase in employee benefit expenses.

## Credit Loss Allowance

Our credit loss allowance mainly includes the credit loss allowance on trade receivables, contract assets and other receivables.

During the Reporting Period, our credit loss allowance were RMB15.7 million as compared to RMB0.3 million during the same period in 2022 primarily due to the increase in trade receivables as compared to the same period last year.

## Other Income

Other income consists primarily of (i) government grants, which mainly relate to contributions to technology development and investments in local business districts, and (ii) value-added tax and other tax refunds.

During the Reporting Period, our other income was RMB33.8 million (same period in 2022: RMB28.5 million).



# Management Discussion and Analysis

## Other Gains, Net

Our other gains, net primarily consist of (i) fair value changes on financial assets at fair value through profit or loss, and (ii) net gains on disposal/dilution of investments accounted for using the equity method.

During the Reporting Period, our other gains, net amounted to RMB38.8 million, representing a year-on-year decrease of 8.0% (other gains, net for the same period in 2022: RMB42.1 million), primarily due to the decrease in fair value gains on financial assets at fair value through profit and loss.

## Operating Loss

As a result of the foregoing, during the Reporting Period, our operating loss amounted to RMB253.0 million, representing a year-on-year decrease of 8.5% (operating loss for the same period in 2022: RMB276.3 million).

## Finance Income

During the Reporting Period, our finance income amounted to RMB21.4 million, representing a year-on-year increase of 24.5% (same period in 2022: RMB17.1 million), primarily due to the increase in interest income from bank deposits.

## Finance Costs

During the Reporting Period, our finance costs amounted to RMB248.5 million, representing a year-on-year decrease of 24.4% (same period in 2022: RMB328.5 million), primarily due to the decrease in interests from redemption liabilities.

## Loss for the Period

As a result of the foregoing, during the Reporting Period, we reported a loss for the period of approximately RMB477.7 million, representing a year-on-year decrease of 18.2% (loss for the period for the same period in 2022: RMB583.8 million).

## Non-IFRS measures

To supplement our consolidated financial statements presented in accordance with IFRS, we use adjusted operating loss (a non-IFRS measure) and adjusted net loss (a non-IFRS measure) 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 certain items. We believe that these measures provide useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, presentation of adjusted operating loss (a non-IFRS measure) and adjusted net loss (a non-IFRS measure) 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 investors should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS.

# Management Discussion and Analysis

## Adjusted net loss

We define adjusted net loss as loss for the period adding back interest expense on redemption liabilities and listing expenses.

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

	Six months ended June 30,		Change %
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	
Reconciliation of loss for the period and adjusted net loss			
<b>Loss for the period</b>	<b>(477,678)</b>	(583,818)	(18.2)
Interest on redemption liabilities	<b>241,505</b>	323,546	(25.4)
Listing expenses	<b>60,634</b>	56,374	7.6
<b>Adjusted net loss</b>	<b>(175,539)</b>	(203,898)	(13.9)

## Adjusted operating loss

We define adjusted operating loss as operating loss adding back listing expenses.

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

	Six months ended June 30,		Change %
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	
Reconciliation of operating loss and adjusted operating loss			
<b>Operating loss</b>	<b>(252,953)</b>	(276,321)	(8.5)
Listing expenses	<b>60,634</b>	56,374	7.6
<b>Adjusted operating loss</b>	<b>(192,319)</b>	(219,947)	(12.6)

## Liquidity and Financial Resources

We have historically funded our cash requirements principally from capital contributions from shareholders. After the Global Offering, we intend to finance our future capital requirements through equity financing activities and debt financing activities in a balanced manner. We do not anticipate any changes to the availability of financing to fund our operation in the future.

As at June 30, 2023, all the Group's borrowings are denominated in RMB. Save for the interest-free borrowing of RMB15.0 million from a non-controlling shareholder, the Group's borrowings bear fixed interest rates between 3.75%-4.85%. In terms of maturity profile, borrowings repayable (i) less than 1 year, (ii) between 1 year and 2 years, (iii) between 2 years and 5 years and (iv) over 5 years amounted to RMB60.0 million, RMB16.4 million, RMB7.6 million and nil, respectively. For details on the level of borrowings of the Group as at June 30, 2023, please refer to Note 27 to the interim condensed consolidated financial information.

# Management Discussion and Analysis

## Cash and Cash Equivalents and Term Deposits

As at June 30, 2023, cash and cash equivalents and term deposits of the Group total approximately RMB2,353.8 million (December 31, 2022: RMB2,011.9 million). Most of the cash and cash equivalents of the Group were denominated in RMB. The term deposits of the Group were denominated in RMB.

## Net Current Assets

Our net current assets decreased from RMB3,367.1 million as of December 31, 2022 to RMB30.5 million as of June 30, 2023, primarily due to the increase of redemption liabilities of RMB3,740.9 million, which were reclassified from non-current redemption liabilities to current redemption liabilities, as the redemption rights may be exercised within one year under circumstances such as failure to achieve a Qualified IPO.

The carrying amount of redemption liabilities has been reclassified from financial liabilities to equity upon the Listing.

## Current Ratio

As at June 30, 2023, net current assets of the Group were approximately RMB30.5 million (December 31, 2022: RMB3,367.1 million). As at June 30, 2023, the current ratio of current assets to current liabilities was approximately 1.0, down from 3.2 as at December 31, 2022.

## Capital Management and Gearing Ratio

In order to maintain or adjust the capital structure, we may adjust the amounts of dividends paid to shareholders, issue new shares or sell assets to reduce debt. We monitor capital on basis of the gearing ratio. As of June 30, 2023, our gearing ratio, calculated as total borrowings divided by total equity attributable to equity holders of the Company, was approximately 3.9% (December 31, 2022: 4.6%).

## Capital Commitment

As of June 30, 2023, we had capital commitments with respect to equity investments amounting to RMB12 million (December 31, 2022: Nil).

## Contingent Liabilities

As of June 30, 2023, we did not have any material contingent liabilities.

## Pledge of Assets

As at June 30, 2023, save for (i) the pledge over patent rights of the Group to secure the borrowings of RMB23.3 million as disclosed in Note 27 to the interim condensed consolidated financial information and (ii) restricted cash of RMB18.0 million as security deposits mainly for bidding, issuance of letter of guarantee or bank acceptance bills, the Group had no material pledge of assets.

## FOREIGN EXCHANGE RISK MANAGEMENT

The functional currency of the Company and its major subsidiaries is RMB. The majority of the revenues of the Group are derived from operations in the PRC. Foreign exchange risk primarily arises from recognized assets and liabilities denominated in a currency other than the functional currency of entities comprising the Group. Fluctuations in exchange rates between RMB and other currencies will affect the Group's financial position and results of operations in the course of business. The foreign exchange risk facing the Group mainly comes from the US dollars/RMB and Hong Kong dollars/RMB exchange rates. As of June 30, 2023, the Group did not hold any financial instruments for hedging purposes; neither did it hold any foreign currency investment hedged by currency borrowings nor other hedging instruments.



# Management Discussion and Analysis

## CREDIT RISK

We are exposed to credit risk in relation to our cash and cash equivalents, restricted cash, term bank deposits, investments in debt instruments measured at fair value through profit or loss, trade receivables, other receivables and contract assets. The carrying amounts of each class of the above financial assets and contract assets represent our maximum exposure to credit risk in relation to financial assets and contract assets.

To manage risk arising from cash and cash equivalents, restricted cash, term bank deposits and investments in debt instruments measured at fair value through profit or loss, we only transact with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

To manage risk arising from trade receivables and contract assets, we have policies in place to ensure that sales with credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. We usually grant a credit term no more than 90 days and the credit quality these customers is assessed by taking into account their financial position, past experience and other factors.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences. In view of the history of cooperation with debtors and the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding other receivables balances due from them is low.

## FUND AND WORKING CAPITAL MANAGEMENT

Our funds and liquidity management are centrally carried out by our finance department. Our finance department is generally responsible for overall management and implementation of funds, including formulating the capital management policy for our Group, guiding, coordinating and standardizing the fund management of regional companies, making annual funding plans, reviewing and summarizing annual capital budget, overseeing and assessing fund management of each regional company. We have also adopted sophisticated fund management policies and implemented a set of rules and guidelines on fund management to enhance the effectiveness and efficiency of fund management, thereby ensuring our financial security and reducing cost of capital.

To manage our idle cash on hand, we primarily purchase and redeem wealth management products using them as our "cash pool" from which we could readily access cash as needed and generate higher yield than bank deposits. The underlying financial assets of the wealth management products in which we invested primarily consist of the low-risk wealth management products issued by state-owned banks or other high-quality reputable banks in China. The amount of the purchase will be determined based on our surplus funds. We consistently comply with our treasury policy during the procedures of purchasing the wealth management products and managing the relevant departments, as well as in conducting business, accounting and filing.

We are committed to safeguarding overall financial security and maintaining strong cash position and a healthy debt profile with strong repayment ability. By adopting a full, reasonable and professional assessment mechanism, preparing annual and monthly funding plans, we have established prudent fund management principle, which allows us to efficiently manage market risks.

# Management Discussion and Analysis

## **MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS**

The financial assets that we invested mainly include investments in wealth management products, unlisted equity securities, preferred shares investments and fund investments. The H Shares of the Company were not listed during the Reporting Period and therefore the transactions in these financial assets during the Reporting Period were not subject to Chapter 14 of the Listing Rules. The Board confirmed that the transactions in these financial assets on standalone and aggregate basis from the Listing Date to the date of this report did not constitute notifiable transactions under Chapter 14 of the Listing Rules.

As of the date of this report, we did not hold any significant investments. For the period from the Listing Date to the date of this report, there were no material acquisitions, disposals or significant investment of subsidiaries, associates and joint venture by the Company.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

As of the date of this report, we did not have plans for material investments and capital assets.

## **EMPLOYEES AND REMUNERATION POLICIES**

As of June 30, 2023, we had 1,894 employees in total. Our success depends on our ability to attract, retain and motivate qualified personnel. We provide various incentives and benefits to our employees. We offer competitive salaries, bonuses and share-based compensation to our employees, especially key employees.

As required under PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity, and unemployment benefit plans.

To maintain the quality, knowledge and skill levels of our workforce, we provide continuing education and training programs, including internal and external training, for our employees to improve their technical, professional or management skills. We also provide trainings programs to our employees from time to time to ensure their awareness and compliance with our policies and procedures in various aspects.

We have granted and may continue to grant share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

## **SUBSEQUENT EVENT**

Since June 30, 2023 and up to the date of this report, save for the Listing on September 28, 2023, there were no significant events occurred in the Group.

# Other Information

## CORPORATE GOVERNANCE

The Board is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate our business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as the basis of the Company’s corporate governance practices.

In the opinion of the Directors, during the Reporting Period, the Company has complied with all code provisions set out in the CG code save as the code provision C.2.1 of the CG Code as set out below:

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between chairman and 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. Dai currently performs these two roles. Dr. Dai has assumed the role of chief executive officer of the Company since 2015. He has extensive experience in the business operations and management of the Group and in the AI industry. The Board believes that, in view of his experience, personal profile and his roles in the Company as mentioned above, Dr. Dai is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our chief executive officer. The Board also believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of (i) ensuring consistent leadership within the Group, (ii) enabling more effective and efficient overall strategic planning and execution of strategic initiatives of the Board, and (iii) facilitating the flow of information between the management and the Board for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired, and this arrangement will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and 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.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. The Company having made specific enquiries with the Directors, all of the Directors confirmed that he/she had complied with the required standards as set out in the Model Code from the Listing Date to the date of this report.

The Company’s employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code. No incident of non-compliance with the Model Code by the employees was noted by the Company from the Listing Date to the date of this report.



### CHANGES TO DIRECTORS' INFORMATION

There was no change to any information required to be disclosed in relation to any Director pursuant to Rule 13.51B of the Listing Rules as of the date of this report.

### INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2023 (for the six months ended June 30, 2022: Nil)

### AUDIT COMMITTEE

The Board has established the Audit Committee which comprises two independent non-executive Directors and one non-executive Director, namely Mr. Li Jianbin (李建濱), Mr. Liu Chijin (劉持金) and Dr. Yang Qiang (楊強). Mr. Li Jianbin, being the chairman of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations (the terms of reference are available on the websites of the Company and Stock Exchange).

The Audit Committee has jointly reviewed with the management of the Company the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim financial information for the six months ended June 30, 2023) of the Group. The Audit Committee considered that the interim financial information is in compliance with the applicable accounting standards, laws and regulations.

### REVIEW OF INTERIM FINANCIAL INFORMATION

The independent auditor of the Company, namely PricewaterhouseCoopers, has carried out a review of the interim financial information for the six months ended June 30, 2023 in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The comparative information for the interim condensed consolidated balance sheet is based on the audited financial statements as of December 31, 2022.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2023, neither the Company nor its subsidiaries has repurchased, sold or redeemed any listed securities as the H Shares of the Company were listed on September 28, 2023.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of our Directors, our Directors confirmed that the Company had maintained a sufficient amount of public float for its Shares as required under Rule 8.08 of the Listing Rules as of the date of this report.

## Other Information

### USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H Shares were listed on the Main Board of the Stock Exchange on September 28, 2023. Our Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering (assuming the over-allotment option is not exercised) of approximately HK\$835.5 million and has not utilized any of the proceeds as at the date of this report. Our Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus. The details of intended application of net proceeds from the Global Offering are set out as follows:

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (HK\$ million)	Expected timeline of full utilization of the unutilized proceeds
<b>Enhance our fundamental research, technological capabilities and solution development</b>			
(a) Strengthen our research and development team			
(i) Research and development team of our core technologies	20.0%	167.1	Before the end of three years from the Listing Date
(ii) Research and development team of new areas	5.0%	41.8	Before the end of three years from the Listing Date
(b) Strengthen our research and development capabilities			
(i) Procurement and installation of equipment, devices and/or software to support our increasing business needs	4.0%	33.4	Before the end of three years from the Listing Date
(ii) Establishment of our new research and development centers	7.0%	58.5	Before the end of three years from the Listing Date
(iii) Strengthening our relationship with third-party R&D service providers to further expand our R&D capabilities	20.0%	167.1	Before the end of three years from the Listing Date
(iv) Cultivation of the OpenMLDB community	4.0%	33.4	Before the end of three years from the Listing Date

## Other Information

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (HK\$ million)	Expected timeline of full utilization of the unutilized proceeds
<b>Expand our offerings, build our brand and enter into new industry sectors</b>			
(a) Recruit and retain talents in various industries	12.0%	100.3	Before the end of five years from the Listing Date
(b) Promote our solutions and offerings by engaging in more marketing activities through both offline and online channels			
(i) Organize and sponsor high impact events	6.0%	50.1	Before the end of three years from the Listing Date
(ii) Collaborate with online media partners	2.0%	16.7	
<b>Pursue strategic investment and acquisition opportunities</b>	10.0%	83.6	Before the end of three years from the Listing Date
<b>General corporate purposes</b>	10.0%	83.6	
<b>Total</b>	<b>100.0%</b>	<b>835.5</b>	

The Company will use the remaining proceeds for the purpose as disclosed in the Prospectus and follow the expected implementation timetable as disclosed in the Prospectus.



## Other Information

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As the Company's H Shares were not listed on the Hong Kong Stock Exchange as of June 30, 2023, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors or chief executives of the Company as of June 30, 2023.

As far as the Company is aware, as at the date of this report, the interests and/or short positions (if applicable) of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations of our Company (within the meaning of Part XV of the SFO), which were required (a) to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to our Company and the Stock Exchange pursuant to the Model Code, were as follows:

#### Interests in the Company

Name	Position	Capacity/Nature of Interest	Number of Shares interested	Approximate percentage of shareholding in Unlisted Shares of the Company <sup>(1)</sup>	Approximate percentage of shareholding in the total share capital of the Company <sup>(2)</sup>
Dr. Dai <sup>(3)</sup>	Chairman of the Board, Executive Director and Chief Executive Officer	Beneficial owner	106,164,523 Unlisted Shares (L)	32.13%	22.88%
		Interest in controlled corporations	74,068,383 Unlisted Shares (L)	22.42%	15.96%

Notes:

- (1) The calculation is based on the total number of 330,418,283 Unlisted Shares in issue as at the date of this report.
- (2) The calculation is based on the total number of 330,418,283 Unlisted Shares and 133,642,250 H Shares in issue as at the date of this report.
- (3) As at the date of this report, Dr. Dai beneficially owns 106,164,523 Unlisted Shares of the Company. In addition to his direct shareholding, Dr. Dai is also deemed to be interested in 74,068,383 Unlisted Shares of the Company through the intermediaries he controlled under the SFO. Paradigm Investment and Paradigm Yinyuan own 63,962,734 Unlisted Shares and 10,105,649 Unlisted Shares of the Company, respectively. Dr. Dai, through Beijing New Wisdom, being the sole general partner of Paradigm Investment and Paradigm Yinyuan. Beijing New Wisdom is a limited liability company established in the PRC and owned as to 99% by Dr. Dai and 1% by Ms. Wu, respectively.

Save as disclosed above and to the best knowledge of our Directors, as at the date of this report, we were not aware of any Director or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (b) were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the six months ended June 30, 2023 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 had any right to subscribe for the share capital or debt securities of the Company or any other body corporate or had exercised any such right.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As the Company's H Shares were not listed on the Hong Kong Stock Exchange as of June 30, 2023, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the substantial shareholders of the Company as of June 30, 2023.

As far as the Company is aware, as at the date of this report, the persons, other than our Directors or the chief executive of our Company, who had interests or short positions in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by our Company pursuant to Section 336 of the SFO are as follows:

### Interests in the Shares of the Company

Name of Shareholder	Capacity/Nature of Interest	Number of Shares interested	Approximate percentage of shareholding in Unlisted Shares/ H Shares of the Company <sup>(1)</sup>	Approximate percentage of shareholding in the total share capital of the Company <sup>(1)</sup>
Ms. Wu <sup>(2)</sup>	Interest of spouse	180,232,906 Unlisted Shares (L)	54.55%	38.84%
Beijing New Wisdom <sup>(3)(4)</sup>	Interest in controlled corporations	74,068,383 Unlisted Shares (L)	22.42%	15.96%
Paradigm Investment <sup>(3)</sup>	Beneficial owner	63,962,734 Unlisted Shares (L)	19.36%	13.78%
Paradigm Chuqi <sup>(4)</sup>	Interest in controlled corporation	63,962,734 Unlisted Shares (L)	19.36%	13.78%
HongShan Venture <sup>(5)</sup>	Beneficial owner	32,259,066 H Shares (L)	24.14%	6.95%
SCCV Shareholders <sup>(5)</sup>	Interest in controlled corporations	32,259,066 H Shares (L)	24.14%	6.95%
Guoxin Qidi	Beneficial owner	12,117,394 H Shares (L)	9.07%	2.61%
Guoxin Qidi Shareholders <sup>(6)</sup>	Interest in controlled corporations	12,117,394 H Shares (L)	9.07%	2.61%
Purui Tianjin	Beneficial owner	11,301,027 H Shares (L)	8.46%	2.44%
Purui Tianjin Shareholders <sup>(7)</sup>	Interest in controlled corporations	11,301,027 H Shares (L)	8.46%	2.44%
Beijing Innovation	Beneficial owner	7,115,539 H Shares (L)	5.32%	1.53%
Beijing Innovation Shareholders <sup>(8)</sup>	Interest in controlled corporations	7,115,539 H Shares (L)	5.32%	1.53%
Zhongyi Equity Fund	Beneficial owner	7,020,480 H Shares (L)	5.25%	1.51%
Zhongyi Equity Fund Shareholders <sup>(9)</sup>	Interest in controlled corporations	7,020,480 H Shares (L)	5.25%	1.51%

Notes:

(1) The calculation is based on the total number of 330,418,283 Unlisted Shares and 133,642,250 H Shares in issue as at the date of this report.

## Other Information

- (2) Ms. Wu is the spouse of Dr. Dai. By virtue of SFO, Ms. Wu is therefore deemed to be interested in the Shares held by Dr. Dai.
- (3) Paradigm Investment and Paradigm Yinyuan are indirectly controlled by Dr. Dai and Ms. Wu, through Beijing New Wisdom, being the sole general partner of Paradigm Investment and Paradigm Yinyuan. Beijing New Wisdom is a limited liability company established in the PRC and owned as to 99% by Dr. Dai and 1% by Ms. Wu, respectively. Paradigm Investment and Paradigm Yinyuan holds 63,962,734 Unlisted Shares and 10,105,649 Unlisted Shares, respectively. By virtue of SFO, each of Dr. Dai and Beijing New Wisdom (through his/its interest in a controlled corporation or controlled corporations, as the case may be) are deemed to be interested in the Shares held by each of Paradigm Investment and Paradigm Yinyuan.
- (4) Paradigm Chuqi (whose general partner is Beijing New Wisdom) is interested in more than one third of the limited partnership interest in Paradigm Investment. By virtue of SFO, Paradigm Chuqi is deemed to be interested in the Shares held by Paradigm Investment.
- (5) To the best knowledge of the Company, HongShan Venture is wholly owned by Sequoia Capital China Venture Fund V, L.P.. SC China Venture V Management, L.P. is the general partner of Sequoia Capital China Venture Fund V, L.P., and in turn SC China Holding Limited is the general partner of SC China Venture V Management, L.P.. SC China Holding Limited is wholly owned by SNP China Enterprises Limited, which is in turn wholly owned by Mr. Neil Nanpeng Shen, the Company's former Director. By virtue of SFO, each of Sequoia Capital China Venture Fund V, L.P., SC China Venture V Management, L.P., SC China Holding Limited, SNP China Enterprises Limited and Mr. Neil Nanpeng Shen (through its/his interest in a controlled corporation or controlled corporations, as the case may be) (together the **"SCCV Shareholders"**) are deemed to be interested in the Shares held by HongShan Venture.
- (6) To the best knowledge of the Company, Henan Guoxin Qidi Fund Management Co., Ltd., a limited liability company established in the PRC, is the general partner of Guoxin Qidi. Henan Guoxin Qidi Fund Management Co., Ltd. is owned as to 35% by Guoxin Risk Investment Management (Shenzhen) Co., Ltd., which is in turn wholly owned by Guoxin Science and Technology Innovation Fund Management Co., Ltd. Guoxin Science and Technology Innovation Fund Management Co., Ltd. is owned as to 40% by China Guoxin Fund Management Co., Ltd., which is in turn wholly owned by China Guoxin Holding Co., Ltd. By virtue of SFO, China Guoxin Holding Co., Ltd., China Guoxin Fund Management Co., Ltd., Guoxin Science and Technology Innovation Fund Management Co., Ltd., Guoxin Risk Investment Management (Shenzhen) Co., Ltd. and Henan Guoxin Qidi Fund Management Co., Ltd. (together **"Guoxin Qidi Shareholders"**) are deemed to be interested in the Shares held by Guoxin Qidi.
- (7) To the best knowledge of the Company, the general partner of Purui Tianjin is Purui Management, which is ultimately controlled by individuals, who are Independent Third Parties. Purui Tianjin has one limited partner, Purui Investment, the general partner of which is also Purui Management. Purui Investment has one limited partner, Parade II Technology Investment Company Limited, holding approximately 99.8% of partnership interest in Purui Investment. Parade II Technology Investment Company Limited is ultimately controlled by Mr. Fang Fenglei. By virtue of SFO, Purui Management, the individual ultimate controllers of Purui Management, Purui Investment, Parade II Technology Investment Company Limited, Mr. Fang Fenglei (together **"Purui Tianjin Shareholders"**) are deemed to be interested in the Shares held by Purui Tianjin.
- (8) To the best knowledge of the Company, Beijing Hulian Sinovation Ventures Investment Management Limited (北京互聯創新工場投資管理有限公司), a limited liability company established in the PRC, is the general partner and sole executive partner of Beijing Innovation, and is ultimately controlled by Li Puyu (李璞玉). Beijing Innovation has 33 limited partners and its largest limited partner is Innovation Works (Xiamen) VC Partnership (Limited Partnership) (創新工場(廈門)創業投資合夥企業(有限合夥)) (**"Innovation Works Xiamen"**), holding approximately 35.1% of partnership interest in Beijing Innovation. The executive partner of Innovation Works Xiamen is Sinovation Ventures (Xiamen) Investment Management Limited (創新工場(廈門)投資管理有限公司), which is wholly-owned by Beijing Hulian Sinovation Ventures Investment Management Limited, a limited liability Company controlled by Li Puyu. By virtue of SFO, Beijing Hulian Sinovation Ventures Investment Management Limited, Li Puyu, Innovation Works Xiamen, and Sinovation Ventures (Xiamen) Investment Management Limited (together the **"Beijing Innovation Shareholders"**) are deemed to be interested in the Shares held by Beijing Innovation.
- (9) To the best knowledge of the Company, China Mobile Equity Fund Management Co., Ltd. (中移股權基金管理有限公司), a limited liability company established in the PRC, is the sole executive partner of Zhongyi Equity Fund, which is in turn held as to 55% by China Mobile Capital Holding Co., Ltd. (中移資本控股有限責任公司) (**"China Mobile Capital"**). China Mobile Capital is wholly owned by China Mobile Communications Group Co., Ltd. (中國移動通信集團公司). Zhongyi Equity Fund has five limited partners and its largest limited partner is also China Mobile Capital, holding approximately 43.6% of partnership interest in Zhongyi Equity Fund. By virtue of SFO, China Mobile Equity Fund Management Co., Ltd., China Mobile Capital, and China Mobile Communications Group Co., Ltd. (together the **"Zhongyi Equity Fund Shareholders"**) are deemed to be interested in the Shares held by Zhongyi Equity Fund.



## Other Information

Save as disclosed above and to the best knowledge of our Directors, as at the date of this report, we were not aware of any other person (other than the Directors or the chief executive of our Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred therein.

### EMPLOYEE INCENTIVE SCHEME

The Employee Incentive Scheme does not constitute a share scheme under Chapter 17 of the Listing Rules, and was carried out through the Employee Incentive Platforms, which did not involve the Company directly issuing new Shares of the Company or granting existing Shares to the participants. The participants become limited partners of the Employee Incentive Platforms upon registration of their interests. In effect, the participants do not have any voting rights in the Company, but they are beneficially interested in the Shares through their limited partnership interests in the Employee Incentive Platforms, and the voting power of the Shares held by the Employee Incentive Platforms is exercisable by the respective general partner of the Employee Incentive Platforms, namely, Beijing New Wisdom, which is owned as to 99.0% by Dr. Dai, the executive Director of the Company, and 1.0% by Ms. Wu, the spouse of Dr. Dai. As of the date of this report, all of the underlying Shares under the Employee Incentive Scheme had already been issued to the Employee Incentive Platforms and all the participants have been granted with relevant limited partnership interests in the Employee Incentive Platforms pursuant to the Employee Incentive Scheme.

### COMPETING INTERESTS

Our Directors are not aware of any business or interest of our Directors or the controlling shareholders (as defined in the Listing Rules) of the Company nor any of their respective associates (as defined in the Listing Rules) that competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person had or might have with the Group during the six months ended June 30, 2023.

By order of the Board  
**Beijing Fourth Paradigm Technology Co., Ltd.**  
**DAI Wenyuan**  
*Chairman*

Beijing, PRC, September 29, 2023

# Report on Review of Interim Financial Information



羅兵咸永道

**To the Board of Directors of Beijing Fourth Paradigm Technology Co., Ltd.**  
*(incorporated in the People's Republic of China with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 25 to 67, which comprises the interim condensed consolidated balance sheet of Beijing Fourth Paradigm Technology Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at June 30, 2023 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

## OTHER MATTER

The comparative information for the interim condensed consolidated balance sheet is based on the audited financial statements as at December 31, 2022. The comparative information of the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows, and related explanatory notes, for the six-month period ended June 30, 2022 has not been audited or reviewed.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, September 29, 2023

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China  
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# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2023

	Note	Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Revenue</b>	6	<b>1,468,104</b>	1,058,224
Cost of sales	9	<b>(763,523)</b>	(529,239)
<b>Gross profit</b>		<b>704,581</b>	528,985
Selling and marketing expenses	9	<b>(173,821)</b>	(171,716)
General and administrative expenses	9	<b>(178,756)</b>	(146,009)
Research and development expenses	9	<b>(661,832)</b>	(557,949)
Credit loss allowance	9	<b>(15,703)</b>	(257)
Other income	7	<b>33,823</b>	28,516
Other gains, net	8	<b>38,755</b>	42,109
<b>Operating loss</b>		<b>(252,953)</b>	(276,321)
Share of losses of investments accounted for using the equity method	16	<b>(1,367)</b>	(717)
Finance income	10	<b>21,355</b>	17,148
Finance costs	10	<b>(248,473)</b>	(328,470)
<b>Loss before income tax</b>		<b>(481,438)</b>	(588,360)
Income tax credit	11	<b>3,760</b>	4,542
<b>Loss for the period</b>		<b>(477,678)</b>	(583,818)
<b>Other comprehensive (loss)/income:</b>			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		<b>(3,215)</b>	(2,160)
<i>Item that will not be reclassified to profit or loss</i>			
Share of other comprehensive (loss)/income of investments accounted for using the equity method	16	<b>(266)</b>	2,648
<b>Other comprehensive (loss)/income for the period, net of tax</b>		<b>(3,481)</b>	488
<b>Total comprehensive loss for the period</b>		<b>(481,159)</b>	(583,330)
<b>Loss attributable to:</b>			
Owners of the Company		<b>(456,068)</b>	(566,743)
Non-controlling interests		<b>(21,610)</b>	(17,075)
		<b>(477,678)</b>	(583,818)



# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2023

	Note	Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		(459,549)	(566,255)
Non-controlling interests		(21,610)	(17,075)
		<b>(481,159)</b>	<b>(583,330)</b>
<b>Loss per share for loss attributable to owners of the Company (expressed in RMB per share)</b>			
Basic	12	<b>(1.66)</b>	(2.12)
Diluted		<b>(1.66)</b>	(2.12)

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# Interim Condensed Consolidated Balance Sheet

	Note	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Right-of-use assets	13(a)	58,596	70,002
Property and equipment	14	47,648	48,421
Intangible assets	15	440,134	457,306
Investments accounted for using the equity method	16	35,222	45,865
Financial assets at fair value through profit or loss	17	323,775	477,889
Contract assets	6(a)	15,141	16,295
Long-term bank deposits	21(c)	–	685,039
Other non-current assets	22	118,800	–
		<b>1,039,316</b>	<b>1,800,817</b>
<b>Current assets</b>			
Inventories	18	518,975	349,872
Contract assets	6(a)	37,584	31,093
Trade receivables	19	1,436,176	1,493,238
Prepayments and other receivables	20	603,470	380,064
Financial assets at fair value through profit or loss	17	189,726	1,330,166
Short-term bank deposits	21(c)	790,900	–
Restricted cash	21(b)	18,044	6,916
Cash and cash equivalents	21(a)	1,562,856	1,326,818
		<b>5,157,731</b>	<b>4,918,167</b>
<b>Total assets</b>		<b>6,197,047</b>	<b>6,718,984</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	23	445,665	437,706
Treasury stock	24	(4,898,094)	(4,898,094)
Reserves	24	6,985,936	7,063,334
Accumulated losses		(4,633,726)	(4,177,658)
		<b>(2,100,219)</b>	<b>(1,574,712)</b>
<b>Non-controlling interests</b>		<b>93,634</b>	<b>113,701</b>
<b>Deficit on total equity</b>		<b>(2,006,585)</b>	<b>(1,461,011)</b>

# Interim Condensed Consolidated Balance Sheet

	Note	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	13(b)	31,936	43,721
Deferred income tax liabilities		10,648	14,324
Borrowings	27	23,500	24,000
Redemption liabilities	28	2,993,783	6,493,159
Other non-current liabilities	29	16,558	53,682
		<b>3,076,425</b>	6,628,886
<b>Current liabilities</b>			
Trade payables	25	698,270	863,234
Other payables and accruals	26	190,262	226,161
Contract liabilities	6(b)	339,903	325,731
Lease liabilities	13(b)	27,815	28,311
Income tax liabilities		1,336	1,844
Borrowings	27	57,967	48,554
Redemption liabilities	28	3,740,881	–
Other current liabilities		70,773	57,274
		<b>5,127,207</b>	1,551,109
<b>Total liabilities</b>		<b>8,203,632</b>	8,179,995
<b>Total equity and liabilities</b>		<b>6,197,047</b>	6,718,984

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

On behalf of the Board

Dai Wenyuan  
Director

Yu Zhonghao  
Director

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023

	Note	Attributable to owners of the Company					Non-controlling interests	Deficit on total equity
		Share capital	Treasury stock	Reserves	Accumulated losses	Sub-total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>(Unaudited)</b>								
Balance at January 1, 2023		437,706	(4,898,094)	7,063,334	(4,177,658)	(1,574,712)	113,701	(1,461,011)
<b>Comprehensive loss</b>								
Loss for the period		-	-	-	(456,068)	(456,068)	(21,610)	(477,678)
Currency translation differences		-	-	(3,215)	-	(3,215)	-	(3,215)
Share of other comprehensive loss of investments accounted for using the equity method	16	-	-	(266)	-	(266)	-	(266)
<b>Total comprehensive loss for the period</b>		-	-	(3,481)	(456,068)	(459,549)	(21,610)	(481,159)
<b>Transactions with owners in their capacity as owners</b>								
Capital contribution from shareholders	23	13,537	-	181,129	-	194,666	-	194,666
Repurchase and cancellation of shares	23	(5,578)	-	(253,444)	-	(259,022)	-	(259,022)
Transactions with non-controlling interests		-	-	(1,602)	-	(1,602)	1,602	-
Disposal of a subsidiary		-	-	-	-	-	(59)	(59)
<b>Total transactions with owners in their capacity as owners</b>		7,959	-	(73,917)	-	(65,958)	1,543	(64,415)
<b>Balance at June 30, 2023</b>		445,665	(4,898,094)	6,985,936	(4,633,726)	(2,100,219)	93,634	(2,006,585)



# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023

	Attributable to owners of the Company					Sub-total RMB'000	Non- controlling interests RMB'000	Deficit on total equity RMB'000
	Note	Share capital RMB'000	Treasury stock RMB'000	Reserves RMB'000	Accumulated losses RMB'000			
<b>(Unaudited)</b>								
<b>Balance at January 1, 2022</b>		437,706	(4,898,094)	6,643,834	(2,534,467)	(351,021)	103,008	(248,013)
<b>Comprehensive income/(loss)</b>								
Loss for the period		-	-	-	(566,743)	(566,743)	(17,075)	(583,818)
Currency translation differences		-	-	(2,160)	-	(2,160)	-	(2,160)
Share of other comprehensive income of investments accounted for using the equity method	16	-	-	2,648	-	2,648	-	2,648
<b>Total comprehensive income/(loss) for the period</b>		-	-	488	(566,743)	(566,255)	(17,075)	(583,330)
<b>Transactions with owners in their capacity as owners</b>								
Non-controlling interests arising from business combination		-	-	-	-	-	10,134	10,134
<b>Total transactions with owners in their capacity as owners</b>		-	-	-	-	-	10,134	10,134
<b>Balance at June 30, 2022</b>		437,706	(4,898,094)	6,644,322	(3,101,210)	(917,276)	96,067	(821,209)

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Cash used in operations	(876,919)	(358,555)
Interest received	13,605	6,686
Income tax refund/(paid)	32	(4,393)
<b>Net cash used in operating activities</b>	<b>(863,282)</b>	<b>(356,262)</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment and intangible assets	(9,512)	(5,508)
Proceeds from disposal of property and equipment	137	10
Placement of short-term bank deposits	(100,000)	(110,000)
Withdrawal of short-term bank deposits	–	10,000
Interest income received from short-term bank deposits	1,950	2,940
Purchase of short-term investments measured at fair value through profit or loss	(650,000)	(1,230,000)
Proceeds from disposal of short-term investments measured at fair value through profit or loss	1,947,231	1,928,763
Investment income received	16,170	23,605
Purchase of long-term investments measured at fair value through profit or loss	–	(6,688)
Acquisition of subsidiaries, net of cash acquired	(30,465)	(119,071)
Loan to a related party	–	(4,000)
<b>Net cash generated from investing activities</b>	<b>1,175,511</b>	<b>490,051</b>
<b>Cash flows from financing activities</b>		
Capital contribution by shareholders	194,666	–
Payments for shares repurchase	(259,022)	–
Payment of listing expenses to be capitalized	(3,134)	(15,627)
Proceeds from borrowings	49,967	26,833
Repayment of borrowings	(41,054)	(3,752)
Interest expenses paid	(1,357)	(93)
Payment of lease liabilities	(16,600)	(13,062)
<b>Net cash used in financing activities</b>	<b>(76,534)</b>	<b>(5,701)</b>

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Net increase in cash and cash equivalents</b>	<b>235,695</b>	128,088
Cash and cash equivalents at the beginning of the period	<b>1,326,818</b>	1,292,686
Effects of exchange rate changes on cash and cash equivalents	<b>343</b>	148
<b>Cash and cash equivalents at the end of the period</b>	<b>1,562,856</b>	1,420,922

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 1 GENERAL INFORMATION

Beijing Fourth Paradigm Technology Co., Ltd. (the “Company”, formerly known as Shenzhen Qianhai Fourth Paradigm Data Technology Co., Ltd.) was incorporated in Shenzhen, the People’s Republic of China (the “PRC”) on September 17, 2014 as a limited liability company, and relocated to Beijing, PRC on April 21, 2021. On July 9, 2021, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The address of the Company’s registered office is No. L01301-1, Level 13, Building 1, No. 66, Qinghe Middle Street, Haidian District, Beijing, PRC.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “Group”) are primarily engaged in sales of self-developed artificial intelligence (“AI”) platform (“Sage Platform”) and other ready-to-use applications and provision of application development and other services in the PRC and certain overseas countries and regions.

Mr. Dai Wenyuan is the ultimate controlling shareholder of the Group as at the date of approval of this interim condensed consolidated financial information.

On September 28, 2023, the Company has successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The interim condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated. The interim condensed consolidated financial information was approved by the Board of Directors of the Company on September 29, 2023.

## 2 BASIS OF PREPARATION

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”).

This interim condensed consolidated financial information does not include all the notes of the type normally included in annual financial statements. Accordingly, it should be read in conjunction with the consolidated financial statements of the Group for the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2023 (the “Historical Financial Information”) as set out in the accountant’s report included in Appendix I to the prospectus of the Company dated September 18, 2023 in connection with the initial listing of shares of the Company on the Main Board of the Hong Kong Stock Exchange, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

As at June 30, 2023, the Group has net liabilities of approximately RMB2,006,585,000 which is mainly attributable to the Group’s redemption liabilities of approximately RMB6,734,664,000 (the current portion of which amounted to approximately RMB3,740,881,000) (Note 28). Upon the successful listing of the Company on September 28, 2023, the entire amount of the redemption liabilities have been derecognized and transferred as equity of the Group without any cash outlay from the Group. The directors of the Company are of the view that the Group has sufficient cash resources to satisfy its operations in the next twelve months from June 30, 2023 and consider that it is appropriate to prepare the interim condensed consolidated financial information on a going concern basis.



# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 3 ACCOUNTING POLICIES

The accounting policies and methods of computations used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the Historical Financial Information.

### Amended standards have not been early adopted

Amended standards that have been issued but not yet effective and not been early adopted by the Group during the six months ended June 30, 2023 are as follows:

		Effective for annual period beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Company are of the view that the above amended standards that have been issued are not expected to have any significant impact on the Group.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Historical Financial Information.

## 5 FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's policies on financial risk management were set out in the Historical Financial Information and there have been no significant changes in the financial risk management policies during the six months ended June 30, 2023.

### 5.2 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at each balance sheet dates, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 5 FINANCIAL RISK MANAGEMENT (continued)

### 5.2 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at June 30, 2023:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>(Unaudited)</b>				
<b>Assets</b>				
Long-term investments measured at fair value through profit or loss (Note 17)	-	-	323,775	323,775
Short-term investments measured at fair value through profit or loss (Note 17)	-	-	189,726	189,726
	-	-	513,501	513,501

The following table presents the Group's financial assets that are measured at fair value at December 31, 2022:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>(Audited)</b>				
<b>Assets</b>				
Long-term investments measured at fair value through profit or loss (Note 17)	-	-	477,889	477,889
Short-term investments measured at fair value through profit or loss (Note 17)	-	-	1,330,166	1,330,166
	-	-	1,808,055	1,808,055

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 5 FINANCIAL RISK MANAGEMENT (continued)

### 5.2 Fair value estimation (continued)

The following table presents the changes in level 3 instruments of long-term investments measured at fair value through profit or loss for the six months ended June 30, 2023 and 2022:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>At the beginning of the period</b>	<b>477,889</b>	246,128
Additions	–	23,992
Transfer	<b>(158,008)</b>	–
Disposals	–	(17,304)
Changes in fair value	<b>3,894</b>	1,211
<b>At the end of the period</b>	<b>323,775</b>	254,027
Net unrealized gains for the period	<b>3,607</b>	907

The following table presents the changes in level 3 instruments of short-term investments measured at fair value through profit or loss for the six months ended June 30, 2023 and 2022:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>At the beginning of the period</b>	<b>1,330,166</b>	2,535,763
Additions	<b>650,000</b>	1,230,000
Transfer	<b>158,008</b>	–
Disposals	<b>(1,963,401)</b>	(1,952,368)
Changes in fair value	<b>14,953</b>	38,034
<b>At the end of the period</b>	<b>189,726</b>	1,851,429
Net unrealized gains for the period	<b>10,561</b>	14,429

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case-by-case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts were involved when necessary.



# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 5 FINANCIAL RISK MANAGEMENT (continued)

### 5.2 Fair value estimation (continued)

The valuation of the level 3 instruments mainly included long-term investments measured at fair value through profit or loss in unlisted equity securities, preferred shares and funds and short-term investments measured at fair value through profit or loss in wealth management products and funds (Note 17). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows and market approach etc.

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements:

Description	Fair values		Significant unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair values
	As at	As at		As at	As at	
	June 30, 2023	December 31, 2022		June 30, 2023	December 31, 2022	
	RMB'000 (Unaudited)	RMB'000 (Audited)				
Long-term investments measured at fair value through profit or loss:						
- Unlisted equity securities and preferred shares investments	103,462	101,165	Expected volatility	45.75%- 72.96%	45.75%- 72.96%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability ("DLOM")	18.50%- 26.00%	18.50%- 26.00%	The higher the DLOM, the lower the fair value
			Risk-free rate	2.20%- 2.52%	2.24%- 2.52%	The higher the risk-free rate, the higher the fair value
- Fund investments (a)	220,313	376,724	N/A	N/A	N/A	N/A
	<b>323,775</b>	<b>477,889</b>				
Short-term investments measured at fair value through profit or loss:						
- Wealth management products	104,875	1,330,166	Expected rate of return	4.00%- 4.30%	1.60%- 4.30%	The higher the expected rate of return, the higher the fair value
- Fund investments (a)	84,851	-	N/A	N/A	N/A	N/A
	<b>189,726</b>	<b>1,330,166</b>				

Note:

- (a) The Group determines the fair values of its fund investments as at the reporting date based on the reported net asset values of the respective funds as provided by fund managers.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 5 FINANCIAL RISK MANAGEMENT (continued)

### 5.2 Fair value estimation (continued)

If the fair values of the long-term investments and short-term investments measured at fair value through profit or loss held by the Group had been 0.5% higher/lower, the loss before income tax for the six months ended June 30, 2023 and 2022 would have been approximately RMB2,568,000 and RMB10,527,000 lower/higher.

The Group believes that any reasonably possible change in assumptions used for the significant unobservable inputs would not significantly affect the profit or loss for the respective periods.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the six months ended June 30, 2023, and 2022.

The carrying amounts of the Group's financial assets that are not measured at fair value, including cash and cash equivalents, restricted cash, term bank deposits, trade receivables and other receivables, and the Group's financial liabilities that are not measured at fair value, including borrowings, lease liabilities, trade payables, other payables, redemption liabilities and payable for acquisition of subsidiaries, approximate their fair values due to their short maturities or the interest rates are close to the market interest rates.

## 6 SEGMENT INFORMATION AND REVENUE

The Group's business activities are sales of Sage Platform and other ready-to-use applications and provision of application development and other services mainly in the PRC. The Group does not distinguish revenue, costs and expenses between segments in its internal reporting, and reports costs and expenses by nature as a whole.

The Group's chief operating decision-maker ("CODM") has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reports. As substantially all of the Group's non-current assets are all located in the PRC and substantially all of the Group's revenue are derived from the PRC, no geographical information is presented.

For the six months ended June 30, 2023, revenue of approximately RMB169,348,000 was derived from an external customer which accounted for approximately 11.5% of the Group's revenue. For the six months ended June 30, 2022, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 6 SEGMENT INFORMATION AND REVENUE (continued)

Disaggregation of revenue from contracts with customers:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Sage Platform and applications	755,956	531,437
Application development and other services	712,148	526,787
	<b>1,468,104</b>	1,058,224

The Group's revenues derived from the transfer of goods and services at a point in time and over time are analyzed as follows:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Point in time	1,431,270	1,035,838
Over time	36,834	22,386
	<b>1,468,104</b>	1,058,224

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 6 SEGMENT INFORMATION AND REVENUE (continued)

### (a) Contract assets

The Group has recognized the following assets related to contracts with customers:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Contract assets		
– Current portion	38,728	31,976
– Non-current portion	15,711	16,949
	54,439	48,925
Credit loss allowance	(1,714)	(1,537)
	52,725	47,388

Contract assets are generally the final payments of revenue contracts which are due at the end of the quality assurance period (1 – 3 years). Contract assets are recorded as the Group has no right on these amounts of consideration when the revenue is recognized.

### (b) Contract liabilities

The Group has recognized the following liabilities related to contracts with customers:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Contract liabilities	339,903	325,731

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Due to the generally short-term duration of the relevant contracts, a majority of the contract liabilities are recognized in the following year.



# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 7 OTHER INCOME

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Government grants	1,869	1,086
Value-added tax and other tax refunds	30,480	24,320
Others	1,474	3,110
	<b>33,823</b>	28,516

Government grants primarily relate to grants in connection with the Group's contributions to technology development and investments in local business districts. Those grants are not stipulated with any unfulfilled conditions or contingencies.

## 8 OTHER GAINS, NET

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Fair value changes on financial assets at fair value through profit or loss		
– Unlisted equity securities	1,365	2,415
– Preferred shares investments	932	304
– Fund investments	7,203	(1,508)
– Wealth management products	9,347	38,034
Foreign exchange gains, net	3,235	2,306
Net gains on disposal/dilution of investments accounted for using the equity method	16,086	–
Others	587	558
	<b>38,755</b>	42,109

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 9 EXPENSES BY NATURE

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Employee benefit expenses	321,289	290,122
Technology service fees	925,292	696,452
Cost of finished goods sold	284,343	187,294
Advertising and marketing expenses	88,540	74,087
Depreciation and amortization		
– property and equipment	8,995	8,444
– right-of-use assets	14,180	13,406
– intangible assets	18,325	17,839
Cloud service and other technical service fees	4,697	21,596
Listing expenses	60,634	56,374
Other professional fees	14,252	10,604
Business travel expenses	14,075	7,233
Credit loss allowance (Note (a))	15,703	257
Impairment provision for inventories (Note 18)	70	–
Others	23,240	21,462
	<b>1,793,635</b>	<b>1,405,170</b>

Note:

- (a) Mainly include the credit loss allowance on trade receivables, contract assets and other receivables. Please refer to Notes 19, 6(a) and 20, respectively.

## 10 FINANCE INCOME AND FINANCE COSTS

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Finance income:</b>		
Interest income from bank deposits	21,355	17,148
<b>Finance costs:</b>		
Interest expense on redemption liabilities (Note 28)	(241,505)	(323,546)
Interest expense on lease liabilities (Note 13)	(1,545)	(703)
Interest expense on borrowings	(1,357)	(93)
Amortized amounts on payable for acquisition of subsidiaries	(3,904)	(3,993)
Others	(162)	(135)
	<b>(248,473)</b>	<b>(328,470)</b>

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 11 INCOME TAX CREDIT

The income tax credit of the Group for the six months ended June 30, 2023 and 2022 are analyzed as follows:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current income tax	(84)	1,581
Deferred income tax	(3,676)	(6,123)
<b>Income tax credit</b>	<b>(3,760)</b>	<b>(4,542)</b>

Income tax credit is recognized based on management's best knowledge of the income tax rates that would be applicable to the full financial year.

Notes:

(a) Enterprise income tax in mainland China ("EIT")

The income tax provision of the Group in respect of its operations in mainland China was calculated at tax rate of 25% on the assessable profits for the respective periods presented, based on the existing legislation, interpretations, and practices in respect thereof.

(b) Hong Kong income tax

The entity incorporated in Hong Kong is subject to Hong Kong profits tax of which the tax rate is 8.25% for assessable profits in the first Hong Kong Dollar ("HKD") 2 million and 16.5% for any assessable profits in excess of HKD2 million.

No provision for Hong Kong profits tax was made as the Group had no estimated assessable profit that was subject to Hong Kong profits tax during the periods presented.

(c) Singapore income tax

The entity incorporated in Singapore is subject to Singapore income tax at a rate of 17% for taxable income earned in Singapore.

No provision for Singapore income tax was made as the Group had no estimated assessable profit that was subject to Singapore income tax during the periods presented.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 11 INCOME TAX CREDIT (continued)

Notes: (continued)

### (d) Preferential EIT Rate

Certain subsidiaries in mainland China are entitled to preferential EIT rate of 15%, mainly include the follows:

Fourth Paradigm (Beijing) Data & Technology Co., Ltd. was qualified as a “High and New Technology Enterprise” (“HNTE”) in December 2016 and renewed the qualification in December 2019 and November 2022, hence it enjoys a preferential income tax rate of 15% for nine years from 2016 to 2024.

Guangzhou Jianxin Technology Co., Ltd. (“Guangzhou Jianxin”) was qualified as a HNTE in December 2020 and hence it enjoys a preferential income tax rate of 15% for three years from 2020 to 2022. Guangzhou Jianxin is in the progress of renewing the HNTE qualification in 2023.

Beijing Ideal Information Technology Co., Ltd. (“Ideal Technology”) was qualified as a HNTE in September 2018 and renewed the qualification in September 2021, hence it enjoys a preferential income tax rate of 15% from 2018 to 2023.

EpicHust Technology (Wuhan) Co., Ltd., (“EpicHust”), a subsidiary acquired in June 2022, was qualified as a HNTE in December 2020 and hence it enjoys a preferential income tax rate of 15% for three years from 2020 to 2022. EpicHust is in the progress of renewing the HNTE qualification in 2023.

Management considers that the above subsidiaries can be continued to be qualified as HNTEs upon renewal and hence will continue to enjoy the preferential income tax rate of 15% in the foreseeable future.

### (e) Super Deduction for research and development expenses

The State Taxation Administration of the People’s Republic of China announced in September 2018 that enterprises engaging in research and development activities would entitle to claim 175% of their research and development expenses (“Super Deduction”) from January 1, 2018 to December 31, 2020, and announced in March 2021 to extend this preferential claim percentage to December 31, 2023. As announced in March 2022 and September 2022, technology-based small and medium-sized enterprises would entitle to claim 200% of their research and development expenses from January 1, 2022 and other enterprises would entitle to claim 200% of their research and development expenses from October 1, 2022 to December 31, 2022. As announced in March 2023, enterprises engaging in research and development activities would entitle to claim 200% of their research and development expenses as Super Deduction from January 1, 2023. The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the periods presented.

### (f) Global minimum top-up tax

The Group has adopted International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12 (the “IAS 12 (Amendments)”) upon their release on May 23, 2023. The amendments provide a temporary mandatory exception from deferred income tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure to be made in the Group’s annual consolidated financial statements for the year ending December 31, 2023. Hence, the adoption of the IAS 12 (Amendments) in the current period has no significant impact on the interim condensed consolidated financial information.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 12 LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods. In determining the weighted average number of ordinary shares in issue, the contingently returnable shares, i.e. shares with preferred rights, are excluded from the calculation, the impact of which was 170,286,193 shares for the six months ended June 30, 2023 and 2022.

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. As the Group incurred losses for the respective periods, the potential ordinary shares, i.e. shares with preferred rights, were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended June 30, 2023 and 2022 are the same as basic loss per share of the respective periods.

	Six months ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)
Loss attributable to owners of the Company (RMB'000)	(456,068)	(566,743)
Weighted average number of ordinary shares in issue (thousand shares)	275,378	267,420
Basic and diluted loss per share for loss attributable to owners of the Company (expressed in RMB per share)	(1.66)	(2.12)

## 13 LEASES

The Group leases certain of its offices under operating lease arrangements, which are negotiated for terms ranging from 3 months to 3 years.

The interim condensed consolidated balance sheets include the following amounts relating to leases:

### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the six months ended June 30, 2023 and 2022 are as follows, respectively:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At the beginning of the period	70,002	34,074
Additions	2,774	688
Acquisition of a subsidiary	-	174
Depreciation charge	(14,180)	(13,406)
At the end of the period	58,596	21,530



# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 13 LEASES (continued)

### (b) Lease liabilities

The carrying amounts of the Group's lease liabilities as at June 30, 2023 and December 31, 2022 are as follows, respectively:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Current	27,815	28,311
Non-current	31,936	43,721
	<b>59,751</b>	72,032

The interim condensed consolidated statements of comprehensive income show the following amounts relating to leases:

	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets (Note 9)	14,180	13,406
Interest expense (Note 10)	1,545	703
Expense relating to short-term leases and variable lease payments not included in lease liabilities	168	-

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 14 PROPERTY AND EQUIPMENT

The movement information of property and equipment for the six months ended June 30, 2023 and 2022 is as below:

	Server and electronic equipment RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<b>(Unaudited)</b>					
<b>Six months ended June 30, 2023</b>					
Opening net book amount	11,080	21,212	16,129	-	48,421
Additions	6,885	419	1,055	-	8,359
Disposals	(42)	(95)	-	-	(137)
Depreciation charge (Note 9)	(2,609)	(3,287)	(3,099)	-	(8,995)
<b>Closing net book amount</b>	<b>15,314</b>	<b>18,249</b>	<b>14,085</b>	<b>-</b>	<b>47,648</b>
<b>At June 30, 2023</b>					
Cost	36,364	41,326	34,354	-	112,044
Accumulated depreciation	(21,050)	(23,077)	(20,269)	-	(64,396)
<b>Net book amount</b>	<b>15,314</b>	<b>18,249</b>	<b>14,085</b>	<b>-</b>	<b>47,648</b>
<b>(Unaudited)</b>					
<b>Six months ended June 30, 2022</b>					
Opening net book amount	10,068	20,303	18,829	607	49,807
Additions	2,627	1,506	1,498	269	5,900
Acquisition of a subsidiary	217	147	-	-	364
Transfer	-	-	259	(259)	-
Disposals	(4)	(6)	-	-	(10)
Depreciation charge (Note 9)	(2,462)	(2,737)	(3,245)	-	(8,444)
<b>Closing net book amount</b>	<b>10,446</b>	<b>19,213</b>	<b>17,341</b>	<b>617</b>	<b>47,617</b>
<b>At June 30, 2022</b>					
Cost	28,089	35,920	32,277	617	96,903
Accumulated depreciation	(17,643)	(16,707)	(14,936)	-	(49,286)
<b>Net book amount</b>	<b>10,446</b>	<b>19,213</b>	<b>17,341</b>	<b>617</b>	<b>47,617</b>

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 14 PROPERTY AND EQUIPMENT (continued)

Depreciation charges were expensed off in the following categories in the interim condensed consolidated statements of comprehensive income:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Research and development expenses	4,807	4,927
General and administrative expenses	3,226	2,615
Selling and marketing expenses	962	902
	<b>8,995</b>	<b>8,444</b>

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 15 INTANGIBLE ASSETS

	Goodwill Note (a) RMB'000	Software and copyright RMB'000	Technology RMB'000	Customer relationship RMB'000	Brand name RMB'000	Total RMB'000
<b>(Unaudited)</b>						
<b>Six months ended June 30, 2023</b>						
Opening net book amount	335,801	11,250	33,275	71,285	5,695	457,306
Additions	-	1,153	-	-	-	1,153
Amortization charge (Note 9)	-	(4,319)	(4,830)	(8,840)	(336)	(18,325)
<b>Closing net book amount</b>	<b>335,801</b>	<b>8,084</b>	<b>28,445</b>	<b>62,445</b>	<b>5,359</b>	<b>440,134</b>
<b>At June 30, 2023</b>						
Cost	335,801	39,686	48,300	97,200	6,700	527,687
Accumulated amortization	-	(31,602)	(19,855)	(34,755)	(1,341)	(87,553)
<b>Net book amount</b>	<b>335,801</b>	<b>8,084</b>	<b>28,445</b>	<b>62,445</b>	<b>5,359</b>	<b>440,134</b>
<b>(Unaudited)</b>						
<b>Six months ended June 30, 2022</b>						
Opening net book amount	259,727	20,497	37,105	71,695	6,365	395,389
Additions	-	608	-	-	-	608
Acquisition of a subsidiary	76,074	339	5,300	15,700	-	97,413
Amortization charge (Note 9)	-	(5,934)	(4,300)	(7,270)	(335)	(17,839)
<b>Closing net book amount</b>	<b>335,801</b>	<b>15,510</b>	<b>38,105</b>	<b>80,125</b>	<b>6,030</b>	<b>475,571</b>
<b>At June 30, 2022</b>						
Cost	335,801	38,165	48,300	97,200	6,700	526,166
Accumulated amortization	-	(22,655)	(10,195)	(17,075)	(670)	(50,595)
<b>Net book amount</b>	<b>335,801</b>	<b>15,510</b>	<b>38,105</b>	<b>80,125</b>	<b>6,030</b>	<b>475,571</b>

Note:

- (a) The goodwill balance is arisen from the acquisitions of Guangzhou Jianxin, Ideal Technology and EpicHust on March 31, 2021, June 30, 2021 and June 30, 2022, respectively, which amounted to RMB94,088,000, RMB165,639,000 and RMB76,074,000, respectively.

The impairment reviews of the aforesaid goodwill have been conducted by the management as at March 31, 2023. The result of the impairment reviews reveals that the estimated recoverable amount of CGU of Guangzhou Jianxin, Ideal Technology and EpicHust exceeded its carrying amount by approximately RMB126,465,000, RMB43,959,000 and RMB7,670,000 as at March 31, 2023, respectively, and the directors therefore concluded such goodwill was not impaired as at March 31, 2023. The directors of the Company also have considered and assessed that any reasonably possible changes in key parameters would not cause the carrying amount of the respective CGUs exceed their recoverable amounts.

As there were no impairment indicators identified since March 31, 2023, the management has not updated the impairment calculations further to June 30, 2023, and the directors of the Company have continued to conclude that no provision for impairment is required to be recognized as at June 30, 2023.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 15 INTANGIBLE ASSETS (continued)

Amortization charges were expensed off in the following categories in the interim condensed consolidated statements of comprehensive income:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
General and administrative expenses	3,973	5,524
Research and development expenses	4,918	4,365
Selling and marketing expenses	9,434	7,950
	<b>18,325</b>	17,839

## 16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
	Investments accounted for using the equity method	
– Associates	35,154	45,865
– Joint ventures	68	–
	<b>35,222</b>	45,865

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>At the beginning of the period</b>	<b>45,865</b>	115,173
Share of losses	(1,367)	(717)
Disposals (Note (a))	(9,390)	–
Share of other comprehensive (loss)/income	(266)	2,648
Increase in share of net assets due to the dilution gains	380	–
<b>At the end of the period</b>	<b>35,222</b>	117,104

In the opinion of the directors of the Company, none of associates or joint ventures are individually material to the Group for the six months ended June 30, 2023 and 2022.

Note:

- (a) In June 2023, the Group disposed an associate, Beijing Aowei Technology Co., Ltd. (formerly known as Beijing Juyun Weizhi Information Technology Co., Ltd.), to the other remaining shareholders at a cash consideration of RMB25,096,000, with a net gain of RMB15,706,000 recognized in profit or loss as an other gain. The cash consideration is to be settled by the counterparty prior to the end of October 2023 as agreed.



# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 17 INVESTMENTS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
<b>Non-current assets</b>		
Long-term investments measured at fair value through profit or loss		
– Unlisted equity securities (i)	78,538	77,173
– Preferred shares investments (ii)	24,924	23,992
– Fund investments (iii)	220,313	376,724
	<b>323,775</b>	477,889
<b>Current assets</b>		
Short-term investments measured at fair value through profit or loss		
– Wealth management products (iv)	104,875	1,330,166
– Fund investments (iii)	84,851	–
	<b>189,726</b>	1,330,166

### (i) Unlisted equity securities

The fair values of unlisted securities are measured using a valuation technique with unobservable inputs and hence classified as level 3 of the fair value hierarchy. The major assumptions used in the valuation for investment in private companies refer to Note 5.2.

### (ii) Preferred shares investments

The preferred shares investments in the investee are ordinary shares with preferential rights. The Group has the right to require and demand the investees to redeem all of the shares held by the Group at guaranteed predetermined fixed amount upon redemption events which are out of control of issuers. Hence, these investments are accounted for as debt instruments and are measured at fair value through profit or loss. These investments are within level 3 of the fair value hierarchy (Note 5.2).

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 17 INVESTMENTS (continued)

### (iii) Fund investments

The Group invested in funds which focus on equity investment in unlisted companies. The returns of the funds are not guaranteed and their contractual cash flows do not qualify for solely payments of principal and interest, hence they are measured at fair value through profit or loss. The Group determines the fair values of the fund investments as at the reporting date based on the reported net asset values of the funds. These investments are within level 3 of the fair value hierarchy (Note 5.2).

On September 17, 2021, Beijing Paradigm Artificial Intelligence Equity Investment Fund (Limited Partnership) (“Paradigm Fund”) was incorporated in Beijing, PRC. Fourth Paradigm (Shenzhen) Data & Technology Co., Ltd., the Company’s wholly owned subsidiary, as a limited partner, paid RMB200,000,000 (40% of the total capital contribution) on December 13, 2021. The Group has significant influence through its representation on the investment committee of Paradigm Fund and elected to measure the investment in Paradigm Fund at fair value through profit or loss in accordance with IFRS 9.

In September 2022, the Group invested RMB160,000,000 in a private fund, Ruiyuan Value No.3 Private Equity Investment Fund. Shenzhen Qianhai Ruijing Kaiyuan Capital Management Co., Ltd. and Citic Securities Company Limited are the fund manager and the fund trustee, respectively. The Group has no significant influence over the fund and the fund manager and the Group can redeem its fund shares after a lockup period of 540 days. Following the cancellation of the lockup period by the fund manager in February 2023, this fund investment was reclassified as current assets considering management plans to redeem the investment within the next twelve months from June 30, 2023.

### (iv) Wealth management products

The wealth management products are mainly denominated in RMB and have expected rates of return ranging from 1.60% to 4.30% and 2.20% to 4.00% per annum for the six months ended June 30, 2023 and 2022, respectively. The returns on all these wealth management products are not guaranteed and their contractual cash flows do not qualify for solely payments of principal and interest, hence they are measured at fair value through profit or loss. None of these investments are past due. The fair values are based on cash flows discounted using the expected return as estimated by management and are within level 3 of the fair value hierarchy (Note 5.2).

### (v) Gains recognized in profit or loss

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Fair value changes on long-term investments measured at fair value through profit or loss	3,894	1,211
Fair value changes on short-term investments measured at fair value through profit or loss	14,953	38,034
	<b>18,847</b>	39,245

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 18 INVENTORIES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Finished goods	184,454	99,397
Contract fulfilment cost	334,748	252,269
	519,202	351,666
Less: provision for impairment	(227)	(1,794)
	518,975	349,872

Finished goods are mainly server and other related hardware products to be delivered to customers with a quick turnover. Contract fulfilment cost are recognized from the costs incurred to fulfil contracts of customized AI applications development services, which will be recognized to cost of sales mainly within 3-6 months when the Group's related performance obligations are satisfied and hence the related service contract revenue is recognized.

Provision for impairment was recognized for the amount by which the carrying amount of the inventories exceeds its net realizable value and was recorded in "cost of sales" in the interim condensed consolidated statements of comprehensive income.

## 19 TRADE RECEIVABLES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Third parties	1,503,501	1,554,420
Less: credit loss allowance	(67,325)	(61,182)
	1,436,176	1,493,238

The carrying amounts of the Group's trade receivables are mainly denominated in RMB.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 19 TRADE RECEIVABLES (continued)

Movements on the Group's credit loss allowance for trade receivables are as follows:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>At the beginning of the period</b>	<b>(61,182)</b>	(20,161)
Credit loss allowance recognized, net	<b>(15,548)</b>	161
Receivables written off as uncollectable	<b>9,405</b>	1,317
<b>At the end of the period</b>	<b>(67,325)</b>	(18,683)

The Group generally allows a credit period within 90 days to its customers. Aging analysis of trade receivables based on invoice date is as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
<b>Trade receivables</b>		
Up to 3 months	<b>557,314</b>	957,044
3 to 6 months	<b>381,235</b>	278,486
6 months to 1 year	<b>346,602</b>	130,321
Over 1 year	<b>218,350</b>	188,569
	<b>1,503,501</b>	1,554,420

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 20 PREPAYMENTS AND OTHER RECEIVABLES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Prepayments to suppliers	384,028	176,516
Deductible value-added input tax	100,080	80,001
Rental, bidding and other deposits	17,778	17,491
Listing expenses to be capitalized (Note (c))	15,205	48,967
Other receivables from third party customers (Note (b))	49,265	47,000
Receivable for disposal of investment (Note 16(a))	25,096	–
Others	12,018	10,089
	<b>603,470</b>	<b>380,064</b>

Notes:

- (a) As at June 30, 2023 and December 31, 2022, the carrying amounts of other receivables were primarily denominated in RMB and approximated their fair values at each of the reporting dates. The expected credit losses of other receivables that are measured at amortized cost, including deposits, other receivables from third party customers and receivable for disposal of investment, were measured as either 12 months or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.
- (b) In certain transactions with customers, the Group only acts as an agent for purchasing certain hardware (the “hardware component”) on behalf of the customer while acts as a principal in delivering the software to the customer. Therefore, the amounts recoverable from the Group’s customer and the amounts payable to the Group’s hardware supplier in connection with the hardware component have been recognized as other receivables and other payables (Note 26), respectively in the interim condensed consolidated balance sheet. As at June 30, 2023 and December 31, 2022, the carrying amounts of the other receivables from third party customers were both net of provision for loss allowance of RMB4,000,000.
- (c) In June 2023, the Company determined to reduce the offering size of its initial public offering and adjusted the portion of listing expenses eligible for capitalization to a lower level on a prospective basis accordingly.



# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 21 CASH AND BANK BALANCES

### (a) Cash and cash equivalents

Cash and cash equivalents are denominated in the following currencies:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
RMB	1,554,634	1,308,212
United States Dollar ("USD")	3,577	14,983
HKD	1,456	1,680
Singapore Dollar	8	1,935
Euro	3,181	8
	<b>1,562,856</b>	1,326,818

### (b) Restricted cash

Restricted cash are denominated in the following currencies:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
RMB	18,044	6,916

As at June 30, 2023 and December 31, 2022, restricted cash was held at bank as security deposits mainly for bidding, issuance of letter of guarantee or bank acceptance bills.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 21 CASH AND BANK BALANCES (continued)

### (c) Term bank deposits

Term bank deposits are all denominated in RMB.

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Short-term bank deposits	790,900	–
Long-term bank deposits	–	685,039
	<b>790,900</b>	685,039

Short-term bank deposits are bank deposits with original maturities over three months but within twelve months and redeemable on maturity. Long-term bank deposits are bank deposits with original maturities over twelve months and redeemable on maturity. The effective interest rates for the term bank deposits was 2.50% to 3.90% per annum for the six months ended June 30, 2023 and the year ended December 31, 2022.

## 22 OTHER NON-CURRENT ASSETS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Prepayment for cloud computing services (Note (a))	118,800	–

Note:

- (a) In May 2023, the Group entered a contract with a third-party supplier to purchase cloud computing services for a term 5 years, with a total service price of RMB216,000,000. As at June 30, 2023, the Group has prepaid RMB151,200,000 to the third party supplier, and it is expected that the supplier will start to provide the related services to the Group from October 2023 onwards. The non-current portion of the prepayment for cloud computing services amounted to RMB118,800,000 as at June 30, 2023.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 23 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares RMB'000
<b>Authorized and issued:</b>		
<b>(Unaudited)</b>		
<b>At January 1, 2022, June 30, 2022 and January 1, 2023</b>	437,705,989	437,706
Capital contribution from shareholders (Note (a))	13,537,299	13,537
Repurchase and cancellation of shares (Note (a))	(5,578,755)	(5,578)
<b>At June 30, 2023</b>	<b>445,664,533</b>	<b>445,665</b>

Note:

- (a) During the six months ended June 30, 2023, the Company issued 13,537,299 ordinary shares to Nanjing Paradigm Enterprises Management Consulting Partnership (Limited Partnership) ("Nanjing Paradigm") as the share capital contributed from eligible participants with shares awarded in December 2022 under an approved employee incentive scheme, and then repurchased 5,578,755 ordinary shares from Nanjing Paradigm at premium prices which in effect to facilitate the eligible participants' payments for the consideration for the share subscriptions and the associated individual income tax which they should bear or pay.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 24 TREASURY STOCK AND RESERVES

	Reserves					
	Treasury stock	Capital reserve	Share-based payment reserve	Currency translation reserve	Other reserve	Total
	(Note (a)) RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>(Unaudited)</b>						
<b>Balance at January 1, 2023</b>	<b>(4,898,094)</b>	<b>5,466,480</b>	<b>1,590,125</b>	<b>(4,146)</b>	<b>10,875</b>	<b>7,063,334</b>
Currency translation differences	-	-	-	(3,215)	-	(3,215)
Capital contribution from shareholders	-	181,129	-	-	-	181,129
Repurchase and cancellation of shares	-	(253,444)	-	-	-	(253,444)
Share of other comprehensive loss of investments accounted for using the equity method	-	-	-	-	(266)	(266)
Transactions with non-controlling interests	-	(1,602)	-	-	-	(1,602)
<b>Balance at June 30, 2023</b>	<b>(4,898,094)</b>	<b>5,392,563</b>	<b>1,590,125</b>	<b>(7,361)</b>	<b>10,609</b>	<b>6,985,936</b>
<b>(Unaudited)</b>						
<b>Balance at January 1, 2022</b>	<b>(4,898,094)</b>	<b>5,474,936</b>	<b>1,156,722</b>	<b>3,016</b>	<b>9,160</b>	<b>6,643,834</b>
Currency translation differences	-	-	-	(2,160)	-	(2,160)
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	-	2,648	2,648
<b>Balance at June 30, 2022</b>	<b>(4,898,094)</b>	<b>5,474,936</b>	<b>1,156,722</b>	<b>856</b>	<b>11,808</b>	<b>6,644,322</b>

Note:

- (a) Treasury stock is recorded to reflect the carrying amount of the redemption liabilities when it is initially reclassified from equity (Note 28).

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 25 TRADE PAYABLES

Trade payables primarily include payables for inventories and outsourcing service fees. As at June 30, 2023 and December 31, 2022, the carrying amounts of trade payables were primarily denominated in RMB.

Trade payables and their aging analysis based on invoice date are as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Up to 3 months	388,668	710,871
3 to 6 months	91,899	65,314
Over 6 months	217,703	87,049
	<b>698,270</b>	863,234

## 26 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Payroll payables	96,240	118,223
Listing expenses payables	30,738	28,274
Other taxes payables	24,877	37,997
Expense reimbursement	4,465	6,998
Payables to third party hardware suppliers (Note 20(b))	33,927	32,300
Accrual expenses and others	15	2,369
	<b>190,262</b>	226,161

The carrying amounts of other payables approximated their fair values as at June 30, 2023 and December 31, 2022. The other payables were primarily denominated in RMB.



# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 27 BORROWINGS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
<b>Included in current liabilities</b>		
Secured borrowings (Note (a))	14,800	11,000
Factoring borrowings	5,465	5,894
Unsecured borrowings (Note (b))	37,702	31,660
	<b>57,967</b>	48,554
<b>Included in non-current liabilities</b>		
Secured borrowings (Note (a))	8,500	9,000
Unsecured borrowings (Note (b))	15,000	15,000
	<b>23,500</b>	24,000

Notes:

- (a) As at June 30, 2023, borrowings of RMB23,330,000 (As at December 31, 2022: RMB20,000,000) were secured by the pledge over certain patent rights of the Group, out of which, borrowings of RMB13,300,000 were also guaranteed by the Company. The effective interest rate of these borrowings was 3.85%-4.85% (As at December 31, 2022: 3.85%-5.00%) per annum.
- (b) As at June 30, 2023, unsecured borrowings comprise of short-term unsecured borrowings of RMB37,702,000 (As at December 31, 2022: RMB31,660,000) which bear fixed interest rates ranged from 3.75% to 4.50% (As at December 31, 2022: 4.00% to 4.85%) per annum, and interest-free loans from a non-controlling shareholder of RMB15,000,000 which is repayable on demand after June 30, 2024.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 28 REDEMPTION LIABILITIES

Since the date of incorporation of the Company to June 30, 2023, the Company has completed several rounds of financing including Series A, Series A-1, Series A-2, Series B-1, Series B-2, Series C, Series C-1, Series C-2, Series D and Series D+ in the way of capital increase of the Company and capital transfer from founders to investors. The shares issued or transferred to the abovementioned investors are with preferred rights which mainly include redemption right, liquidation preferences and anti-dilution right.

The redemption rights and liquidation preferences granted to the investors constitute as the Company's obligations to repurchase its own equity instruments. These obligations were recognized as redemption liabilities which are initially measured at fair value (representing the present value of the expected cash flows for settling the related obligations if these rights are exercised by the investors) and subsequently measured at amortized cost. The Company applied a redemption discount rate ranged from 10.5% to 13.5% to determine the initial recognition amount of the redemption liabilities. The anti-dilution right is a derivative financial instrument measured at fair value through profit or loss, of which the fair value was considered close to nil as the directors of Company expected the lower price financing would never occur.

Redemption liabilities recognized as at June 30, 2023 and December 31, 2022 are as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Redemption liabilities		
– Current	3,740,881	–
– Non-current	2,993,783	6,493,159
	<b>6,734,664</b>	6,493,159

Pursuant to the preferred rights termination agreement as entered into with respective investors on July 16, 2021, which agreed that the redemption right shall be terminated immediately before submitting the application to the China Securities Regulatory Commission for the initial public offering and the listing of its overseas-listed foreign shares (H Shares) on the Hong Kong Stock Exchange by the Company but such redemption right shall automatically be reinstated upon the occurrence of certain agreed uncontrollable events; therefore, all the redemption liabilities are still being recognized and will only be reclassified to equity upon the successful listing of the Company.

On January 15, 2023, the Company and respective investors signed a supplemental agreement, pursuant to which, if the initial public offering and listing and trading on stock exchange does not occur before December 30, 2023, the respective investors' redemption rights shall be reinstated and become exercisable immediately. Considering the terms of the supplementary agreement, the redemption liabilities have been reclassified as current liabilities accordingly.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 28 REDEMPTION LIABILITIES (continued)

In May and June 2023, certain investors have undertaken that they will not exercise their redemption rights prior to December 31, 2024 on the conditions that the Company does not suspend/terminate its listing plan and the recognized stock exchange has not rejected the Company's listing application. The redemption liabilities in connection with these investors with undertakings amounting to approximately RMB3 billion have been reclassified as non-current liabilities as at June 30, 2023.

The movements of redemption liabilities during the six months ended June 30, 2023 and 2022 are set out below:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>At the beginning of the period</b>	<b>6,493,159</b>	5,822,196
Charged to finance costs (Note 10)	<b>241,505</b>	323,546
<b>At the end of the period</b>	<b>6,734,664</b>	6,145,742

Upon the successful listing of the Company on September 28, 2023, all redemption liabilities have been derecognized and reclassified as equity of the Group (Note 33).

## 29 OTHER NON-CURRENT LIABILITIES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
	Payable for acquisition of subsidiaries	<b>68,614</b>
Less: current portion of payable for acquisition of subsidiaries included in other current liabilities	<b>(52,056)</b>	(41,493)
	<b>16,558</b>	53,682

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 30 CONTINGENCIES AND COMMITMENTS

The Group did not have any material contingent liabilities as at June 30, 2023 and December 31, 2022.

Capital commitments are the capital expenditure contracted for at the balance sheet date but not yet incurred as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Investments	12,000	–

## 31 DIVIDENDS

No dividends have been paid or declared by the Company during each of the six months ended June 30, 2023 and 2022.

## 32 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

### (a) Names and relationships with related parties

The following companies are related parties of the Group that had transactions and/or balances with the Group during the for the six months ended June 30, 2023 and 2022.

Names of the major related parties	Relationship
Shenzhen Huayun Information System Technology Co., Ltd. ("Huayun")	Associate of the Group (before resignation from the board of Huayun in September 2022)
Yijing Zhilian (Suzhou) Technology Co., Ltd. ("Yijing Zhilian", formerly known as Yijing Zhilian (Beijing) Technology Co., Ltd.)	Associate of the Group
Shanghai Laike Paradigm Technology Co., Ltd. ("Laike Paradigm")	Associate of the Group (a subsidiary of the Group prior to May 2023)
Beijing Data Element Intelligent Technology Co., Ltd. ("Data Element")	Associate of the Group (newly invested in April 2023)

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 32 RELATED PARTY TRANSACTIONS (continued)

### (b) Major transactions with related parties

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<i>(i) Sales of goods and services</i>		
Huayun	—	755
<i>(ii) Purchases of goods and services</i>		
Huayun	—	1,530
Yijing Zhilian	849	—
Laike Paradigm	881	—
Data Element	698	—
	<b>2,428</b>	1,530
<i>(iii) Loan to a related party</i>		
<b>Loan to Yijing Zhilian:</b>		
At the beginning of the period	—	—
Loan advanced	—	4,000
Recognition of credit loss allowance	—	(10)
At the end of the period	—	3,990

### (c) Major balances with related parties

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
	<i>(i) Trade payables to related parties</i>	
Yijing Zhilian	1,123	1,023
Laike Paradigm	28	—
Data Element	2,429	—
	<b>3,580</b>	1,023

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

## 32 RELATED PARTY TRANSACTIONS (continued)

### (d) Key management personnel compensation

The remuneration of directors, supervisors and other key management personnel is as follows:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Wages, salaries and bonuses	11,486	11,195
Contributions to pension plans	320	226
Other social security costs, housing benefits and other employee benefits	450	415
	<b>12,256</b>	11,836

## 33 SUBSEQUENT EVENTS

On September 28, 2023, the Company successfully completed its initial public offering of 18,396,000 offer shares at a price at HKD55.60 per share and was listed on the Main Board of the Hong Kong Stock Exchange (the "Listing"). The gross proceeds as raised from the Listing amounted to approximately HKD1,022,818,000.

Upon the completion of the Listing, the entire carrying amount of the Group's redemption liabilities and treasury stock have been derecognized and the difference between their respective carrying amounts of approximately RMB2,020,081,000 was credited to the capital reserves. Resulting from this, the Group's net assets and total equity have been increased by approximately RMB6,918,175,000 accordingly.



# Definitions

In this report, unless the context otherwise requires, the following terms have the following meanings. These terms and their definitions may not correspond to any industry standard definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.

<b>“associate(s)”</b>	has the meaning ascribed thereto under the Listing Rules
<b>“Audit Committee”</b>	the audit committee of the Board
<b>“Beijing Innovation”</b>	Beijing Innovation Works VC Center (Limited Partnership)* (北京創新工場創業投資中心(有限合夥)), a limited partnership established in the PRC on May 22, 2015, one of our Pre-IPO Investors
<b>“Beijing New Wisdom”</b>	Beijing New Wisdom Pilot Management Consulting Co., Ltd. (北京新智領航管理諮詢有限公司), a limited liability company established in the PRC on April 9, 2020, being the sole general partner of our Employment Incentive Platform and owned as to 99.0% by Dr. Dai and 1.0% by Ms. Wu, respectively, and one of our Controlling Shareholders
<b>“Board” or “Board of Directors”</b>	the board of Directors
<b>“China” or “PRC”</b>	the People’s Republic of China which, for the purpose of this report and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
<b>“Company,” “our Company” or “the Company”</b>	Beijing Fourth Paradigm Technology Co., Ltd. (北京第四範式智能技術股份有限公司), a limited liability company incorporated in the PRC on September 17, 2014 and converted into a joint stock limited liability company incorporated in the PRC on July 9, 2021, whose predecessor was Beijing Fourth Paradigm Technology (北京第四範式智能技術有限公司)
<b>“Director(s)” or “our Director(s)”</b>	the director(s) of our Company
<b>“Dr. Dai”</b>	Dr. Dai Wenyuan (戴文淵), the chairman of the Board, an executive Director, chief executive officer and one of our Controlling Shareholders
<b>“Employee Incentive Platforms”</b>	Paradigm Investment and Nanjing Paradigm, the beneficial interests of which are offered to certain key employees of our Company pursuant to the Employee Incentive Scheme, and Paradigm Investment is one of our Controlling Shareholders
<b>“Employee Incentive Scheme”</b>	the employee incentive scheme of our Company approved and adopted by our Board on April 25, 2021, a summary of the principal terms of which is set forth in “Statutory and General Information – Further information about our Directors, Supervisors, Senior Management and Substantial Shareholders – 5. Employee Incentive Scheme” in Appendix VI to the Prospectus

## Definitions

<b>“Global Offering”</b>	the global offering of the H Shares in Hong Kong as described in the Prospectus
<b>“Group,” “our Group,” “we” or “us”</b>	our Company and our subsidiaries (or our Company and any one or more of our subsidiaries, as the context may require)
<b>“Guoxin Qidi”</b>	Henan Guoxin Qidi Equity Investment Fund (Limited Partnership) (河南國新啟迪股權投資基金(有限合夥)), a limited partnership established in the PRC on August 2, 2017
<b>“H Share(s)”</b>	overseas listed foreign share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is/are to be subscribed for and traded in HK dollars and to be listed on the Hong Kong Stock Exchange
<b>“Hong Kong” or “HK”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Hong Kong dollars” or “HK dollars” or “HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong Stock Exchange” or “Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited, a wholly – owned subsidiary of Hong Kong Exchanges and Clearing Limited
<b>“HongShan”</b>	a reference to the HongShan funds and entities that are engaged in activities related to investing and are principally focused on companies located in, or with connections to, the PRC
<b>“HongShan Venture”</b>	SCC Venture V-Mars (HK) Limited, a limited liability company established in Hong Kong on December 8, 2014, one of our Pre-IPO Investors and is indirectly wholly controlled by Mr. Neil Nanpeng Shen, our former Director
<b>“IFRS”</b>	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by International Accounting Standards Board and the International Accounting Standards and interpretations issued by the International Accounting Standards Committee
<b>“Listing”</b>	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
<b>“Listing Date”</b>	September 28, 2023, on which our H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
<b>“Listing Rules” or “Hong Kong Listing Rules”</b>	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time

## Definitions

<b>“Main Board”</b>	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with Growth Enterprise Market of the Hong Kong Stock Exchange
<b>“Ms. Wu”</b>	Ms. Wu Ming (吳茗), the spouse of Dr. Dai, one of our Controlling Shareholders
<b>“Nanjing Paradigm”</b>	Nanjing Paradigm Enterprises Management Consulting Partnership (Limited Partnership) (南京範式企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on December 29, 2022, and an Employee Incentive Platform of which Paradigm New Wisdom is the sole general partner
<b>“Paradigm Chuqi”</b>	Tianjin Paradigm Chuqi Management Consulting Partnership (Limited Partnership) (天津範式出奇管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on April 21, 2021 of which Beijing New Wisdom is the sole general partner, and it is one of our Controlling Shareholders which is interested in more than one third of limited partnership interest in Paradigm Investment
<b>“Paradigm Investment”</b>	Paradigm (Tianjin) Management Consulting Partnership (Limited Partnership) (範式(天津)管理諮詢合夥企業(有限合夥)), previously known as Paradigm (Ningbo Free Trade Zone) Investment Partnership (Limited Partnership) (範式(寧波保稅區)投資合夥企業(有限合夥)), a limited partnership established in the PRC on March 29, 2018 of which Beijing New Wisdom is the sole general partner, and it is the Employee Incentive Platform and one of our Controlling Shareholders
<b>“Paradigm New Wisdom”</b>	Beijing Paradigm New Wisdom Enterprises Management Co., Ltd. (北京範式新智企業管理有限公司), a limited liability company established in the PRC on January 12, 2023, being the sole general partner of Nanjing Paradigm and owned as to 100% by Mr. Yu Hui (俞暉), an Independent Third Party
<b>“Paradigm Yinyuan”</b>	Tianjin Paradigm Yinyuan Management Consulting Partnership (Limited Partnership) (天津範式隱元管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on April 21, 2021 of which Beijing New Wisdom is the sole general partner, and one of our Controlling Shareholders
<b>“Prospectus”</b>	the prospectus dated September 18, 2023 issued by the Company in connection with Hong Kong public offering under the Global Offering
<b>“Purui Tianjin”</b>	Purui Enterprise Management (Tianjin) Partnership (Limited Partnership) (樸瑞企業管理(天津)合夥企業(有限合夥)), a limited partnership established in the PRC on February 4, 2021, one of our Pre-IPO Investors
<b>“Reporting Period”</b>	for the six months ended June 30, 2023

## Definitions

<b>“RMB” or “Renminbi”</b>	Renminbi, the lawful currency of the PRC
<b>“Securities and Futures Ordinance” or “SFO”</b>	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<b>“Share(s)”</b>	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each
<b>“Shareholder(s)”</b>	holder(s) of the Share(s)
<b>“subsidiary(ies)”</b>	has the meaning ascribed thereto under the Listing Rules
<b>“substantial shareholder(s)”</b>	has the meaning ascribed thereto under the Listing Rules
<b>“Supervisor(s)”</b>	member(s) of our Supervisory Committee
<b>“Unlisted Share(s)”</b>	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are not listed on any stock exchange
<b>“U.S.” or “United States”</b>	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
<b>“U.S. dollar”, “US\$” or “USD”</b>	United States dollar, the lawful currency of the United States
<b>“Zhongyi Equity Fund”</b>	Zhongyi Equity Fund (Hebei Xiongan) Partnership (Limited Partnership) (中移股權基金(河北雄安)合夥企業(有限合夥)), a limited partnership established in the PRC on December 27, 2019,
<b>“%”</b>	per cent.

*For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including our subsidiary) have been included in this report in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.*

\* For identification purposes only

# Glossary of Technical Terms

<b>“AI”</b>	artificial intelligence, simulation of human intelligence by machines
<b>“AIGS”</b>	AI-Generated Software
<b>“AIOT”</b>	artificial intelligence of things, the combination of the connectivity from the IOT with data-driven knowledge obtained from AI
<b>“algorithm”</b>	a procedure of formula for solving a problem, based on conducting a sequence of specified actions
<b>“CAGR”</b>	compound annual growth rate
<b>“cloud”</b>	the computers and connections that support cloud computing
<b>“cloud computing”</b>	the practice of storing computer data and programs on multiple servers that can be accessed through the internet
<b>“enterprise AI”</b>	AI technologies and software applied by enterprises to address their business needs and drive their digital and automation transformation
<b>“IDC”</b>	International Data Corporation
<b>“IOT”</b>	internet of things
<b>“IT”</b>	information technology
<b>“machine learning”</b>	the scientific study of algorithms and statistical models that computer systems use to effectively perform specific tasks without being explicitly programmed to do so
<b>“platform-centric”</b>	a type of AI solutions that come with an AI development platform in addition to AI applications and underlying computing infrastructure
<b>“R&amp;D”</b>	research and development