The following is the text of a report set out on pages I-[1] to I-[2], received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers]

[DRAFT]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEIJING FOURTH PARADIGM TECHNOLOGY CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Beijing Fourth Paradigm Technology Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-86, which comprises the consolidated balance sheets as at December 31, 2020, 2021 and 2022, the company balance sheets as at December 31, 2020, 2021 and 2022, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2020, 2021 and 2022 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-86 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2020, 2021 and 2022 and the consolidated financial position of the Group as at December 31, 2020, 2021 and 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 35 to the Historical Financial Information which states that no dividends have been paid by Beijing Fourth Paradigm Technology Co., Ltd. in respect of the Track Record Period.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[●]

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*6*	942,238	2,018,399	3,082,637
Cost of sales	*9*	(512,503)	(1,064,924)	(1,595,991)
Gross profit		429,735	953,475	1,486,646
Selling and marketing expenses	*9*	(247,829)	(455,001)	(412,152)
General and administrative expenses	*9*	(246,493)	(541,730)	(527,638)
Research and development expenses	*9*	(565,674)	(1,249,485)	(1,650,010)
Credit loss allowance	*9*	(1,992)	(15,206)	(48,914)
Other income	*7*	42,583	41,627	62,662
Other gains, net	*8*	29,604	93,514	63,504
Operating loss		(560,066)	(1,172,806)	(1,025,902)
Share of (losses)/profits of investments accounted for using the equity method	*17*	(6,477)	3,802	(3,200)
Finance income	*11*	6,038	24,416	46,183
Finance costs	*11*	(188,978)	(647,111)	(682,175)
Loss before income tax		(749,483)	(1,791,699)	(1,665,094)
Income tax (expenses)/credit	*12*	(727)	(10,369)	11,673
Loss for the year		(750,210)	(1,802,068)	(1,653,421)
Other comprehensive income/(loss):				
Item that may be reclassified to profit or loss				
Currency translation differences		1,451	1,837	(7,162)
Item that will not be reclassified to profit or loss				
Share of other comprehensive income of investments accounted for using the equity method	*17*	–	9,160	4,345
Other comprehensive income/(loss) for the year, net of tax		1,451	10,997	(2,817)
Total comprehensive loss for the year		(748,759)	(1,791,071)	(1,656,238)

		Year ended December 31,		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Loss attributable to:				
Owners of the Company		(749,650)	(1,785,655)	(1,644,897)
Non-controlling interests		(560)	(16,413)	(8,524)
		(750,210)	(1,802,068)	(1,653,421)
Total comprehensive loss attributable to:				
Owners of the Company		(748,199)	(1,774,658)	(1,647,714)
Non-controlling interests		(560)	(16,413)	(8,524)
		(748,759)	(1,791,071)	(1,656,238)
Loss per share for loss attributable to owners of the Company (expressed in RMB per share)	*13*			
Basic		(4.00)	(7.63)	(6.15)
Diluted		(4.00)	(7.63)	(6.15)

CONSOLIDATED BALANCE SHEETS

		As at December 31,		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Assets				
Non-current assets				
Right-of-use assets	*14(a)*	37,814	34,074	70,002
Property and equipment	*15*	47,658	49,807	48,421
Intangible assets	*16*	19,916	395,389	457,306
Investments accounted for using the equity method	*17*	86,638	115,173	45,865
Financial assets at fair value through profit or loss	*19*	20,936	246,128	477,889
Contract assets	*6(a)*	705	1,195	16,295
Long-term bank deposits	*23(c)*	–	510,203	685,039
Other non-current assets		–	1,000	–
		213,667	1,352,969	1,800,817
Current assets				
Inventories	*20*	28,186	184,499	349,872
Contract assets	*6(a)*	1,193	4,434	31,093
Trade receivables	*21*	262,699	778,321	1,493,238
Prepayments and other receivables	*22(a)*	169,980	272,002	380,064
Financial assets at fair value through profit or loss	*19*	174,408	2,535,763	1,330,166
Short-term bank deposits	*23(c)*	95,602	20,000	–
Restricted cash	*23(b)*	18,201	8,010	6,916
Cash and cash equivalents	*23(a)*	1,052,073	1,292,686	1,326,818
		1,802,342	5,095,715	4,918,167
Total assets		2,016,009	6,448,684	6,718,984

	Note	As at December 31, 2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
Equity and liabilities				
Equity attributable to owners of the Company				
Share capital/paid-in capital	*24*	8,851	437,706	437,706
Treasury stock	*25*	(1,746,224)	(4,898,094)	(4,898,094)
Reserves	*25*	2,628,252	6,643,834	7,063,334
Accumulated losses		(2,068,902)	(2,534,467)	(4,177,658)
		(1,178,023)	(351,021)	(1,574,712)
Non-controlling interests		(4,976)	103,008	113,701
Deficit on total equity		(1,182,999)	(248,013)	(1,461,011)
Liabilities				
Non-current liabilities				
Lease liabilities	*14(b)*	17,590	11,000	43,721
Deferred income tax liabilities	*29*	995	25,027	14,324
Borrowings	*30*	–	15,000	24,000
Redemption liabilities	*31*	2,147,031	5,822,196	6,493,159
Other non-current liabilities	*32*	772,061	66,541	53,682
		2,937,677	5,939,764	6,628,886
Current liabilities				
Trade payables	*27*	84,968	321,357	863,234
Other payables and accruals	*28*	73,366	183,863	226,161
Contract liabilities	*6(b)*	77,099	173,881	325,731
Lease liabilities	*14(b)*	21,185	24,364	28,311
Income tax liabilities		–	4,926	1,844
Borrowings	*30*	–	3,752	48,554
Other current liabilities		4,713	44,790	57,274
		261,331	756,933	1,551,109
Total liabilities		3,199,008	6,696,697	8,179,995
Total equity and liabilities		2,016,009	6,448,684	6,718,984

COMPANY BALANCE SHEETS

		As at December 31,		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Assets				
Non-current assets				
Property and equipment		61	44	34
Investment in a subsidiary		–	10,000	1,000,000
Investments accounted for using the equity method		14,535	34,312	35,628
Financial assets at fair value through profit or loss	*19*	–	–	157,449
Amounts due from subsidiaries	*22(b)*	1,145,795	4,851,755	4,707,026
		1,160,391	4,896,111	5,900,137
Current assets				
Trade receivables		440	261	125
Prepayments and other receivables	*22(a)*	996	50,814	50,593
Financial assets at fair value through profit or loss	*19*	58,066	1,036,180	–
Cash and cash equivalents	*23(a)*	970,833	575,019	585,053
		1,030,335	1,662,274	635,771
Total assets		2,190,726	6,558,385	6,535,908
Equity and liabilities				
Equity attributable to owners of the Company				
Share capital/paid-in capital	*24*	8,851	437,706	437,706
Treasury stock	*25*	(1,746,224)	(4,898,094)	(4,898,094)
Reserves	*25*	2,010,130	5,484,096	5,485,793
Accumulated losses		(1,007,273)	(326,645)	(1,017,482)
(Deficit on total equity)/total equity		(734,516)	697,063	7,923

		As at December 31,		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Liabilities				
Non-current liabilities				
Deferred income tax liabilities		14	4,315	–
Redemption liabilities	*31*	2,147,031	5,822,196	6,493,159
Other non-current liabilities	*32*	771,661	–	–
		2,918,706	5,826,511	6,493,159
Current liabilities				
Trade payables		200	522	120
Other payables and accruals	*28*	6,336	34,289	30,206
Other current liabilities		–	–	4,500
		6,536	34,811	34,826
Total liabilities		2,925,242	5,861,322	6,527,985
Total equity and liabilities		2,190,726	6,558,385	6,535,908

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company							
	Note	**Paid-in capital** *(Note 24(a))*	**Share capital** *(Note 24(b))*	**Treasury stock** *(Note 25)*	**Reserves** *(Note 25)*	**Accumulated losses**	**Subtotal**	**Non-controlling interests**	**Deficit on total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2020		8,057	–	(1,313,614)	1,976,894	(1,319,252)	(647,915)	(4,618)	(652,533)
Comprehensive income/(loss)									
Loss for the year		–	–	–	–	(749,650)	(749,650)	(560)	(750,210)
Currency translation differences		–	–	–	1,451	–	1,451	–	1,451
Total comprehensive income/(loss) for the year		–	–	–	1,451	(749,650)	(748,199)	(560)	(748,759)
Transactions with owners in their capacity as owners									
Capital contribution from shareholders	*24*	794	–	–	476,242	–	477,036	–	477,036
Recognition of redemption liabilities	*25*	–	–	(432,610)	–	–	(432,610)	–	(432,610)
Capital contribution from non-controlling interests		–	–	–	–	–	–	202	202
Share-based payments	*26*	–	–	–	173,665	–	173,665	–	173,665
Total transactions with owners in their capacity as owners		794	–	(432,610)	649,907	–	218,091	202	218,293
Balance at December 31, 2020		8,851	–	(1,746,224)	2,628,252	(2,068,902)	(1,178,023)	(4,976)	(1,182,999)

		Attributable to owners of the Company							
	Note	Paid-in capital (Note 24(a))	Share capital (Note 24(b))	Treasury stock (Note 25)	Reserves (Note 25)	Accumulated losses	Subtotal	Non-controlling interests	Deficit on total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2021		8,851	–	(1,746,224)	2,628,252	(2,068,902)	(1,178,023)	(4,976)	(1,182,999)
Comprehensive income/(loss)									
Loss for the year		–	–	–	–	(1,785,655)	(1,785,655)	(16,413)	(1,802,068)
Currency translation differences		–	–	–	1,837	–	1,837	–	1,837
Share of other comprehensive income of investments accounted for using the equity method	17	–	–	–	9,160	–	9,160	–	9,160
Total comprehensive income/(loss) for the year		–	–	–	10,997	(1,785,655)	(1,774,658)	(16,413)	(1,791,071)
Transactions with owners in their capacity as owners									
Capital contribution from shareholders	24	16,611	37,706	–	5,000,884	–	5,055,201	–	5,055,201
Conversion into a joint stock company	24	(25,462)	400,000	–	(1,694,628)	1,320,090	–	–	–
Recognition of redemption liabilities	25	–	–	(4,848,767)	–	–	(4,848,767)	–	(4,848,767)
Derecognition of redemption liabilities	31	–	–	1,696,897	115,387	–	1,812,284	–	1,812,284
Share-based payments	26	–	–	–	582,942	–	582,942	20,692	603,634
Non-controlling interests arising from business combination	33	–	–	–	–	–	–	103,705	103,705
Total transactions with owners in their capacity as owners		(8,851)	437,706	(3,151,870)	4,004,585	1,320,090	2,601,660	124,397	2,726,057
Balance at December 31, 2021		–	437,706	(4,898,094)	6,643,834	(2,534,467)	(351,021)	103,008	(248,013)

		Attributable to owners of the Company							
	Note	Paid-in capital (Note 24(a))	Share capital (Note 24(b))	Treasury stock (Note 25)	Reserves (Note 25)	Accumulated losses	Subtotal	Non-controlling interests	Deficit on total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2022		–	437,706	(4,898,094)	6,643,834	(2,534,467)	(351,021)	103,008	(248,013)
Comprehensive loss									
Loss for the year		–	–	–	–	(1,644,897)	(1,644,897)	(8,524)	(1,653,421)
Currency translation differences		–	–	–	(7,162)	–	(7,162)	–	(7,162)
Share of other comprehensive income of investments accounted for using the equity method	17	–	–	–	4,345	–	4,345	–	4,345
Total comprehensive loss for the year		–	–	–	(2,817)	(1,644,897)	(1,647,714)	(8,524)	(1,656,238)
Transfer of share of other comprehensive income to accumulated losses upon disposal of an associate		–	–	–	(2,630)	2,630	–	–	–
Transactions with owners in their capacity as owners									
Share-based payments	26	–	–	–	433,403	–	433,403	–	433,403
Non-controlling interests arising from business combination	33	–	–	–	–	–	–	10,134	10,134
Deregistration of subsidiaries		–	–	–	–	(924)	(924)	627	(297)
Transactions with non-controlling interests		–	–	–	(8,456)	–	(8,456)	8,456	–
Total transactions with owners in their capacity as owners		–	–	–	424,947	(924)	424,023	19,217	443,240
Balance at December 31, 2022		–	437,706	(4,898,094)	7,063,334	(4,177,658)	(1,574,712)	113,701	(1,461,011)

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash used in operations	*37(a)*	(453,838)	(778,434)	(801,674)
Interest received		898	11,113	27,122
Income tax paid		–	(2,687)	(5,037)
Net cash used in operating activities		(452,940)	(770,008)	(779,589)
Cash flows from investing activities				
Purchase of property and equipment and intangible assets		(51,275)	(21,147)	(15,520)
Proceeds from disposal of property and equipment		122	2,240	668
Placement of term bank deposits		(95,602)	(520,000)	(270,000)
Withdrawal of term bank deposits		–	95,602	130,000
Interest income received from term bank deposits and loan to third party/related party		–	7,405	6,886
Purchase of short-term investments measured at fair value through profit or loss		(2,656,199)	(7,650,820)	(2,763,507)
Proceeds from disposal of short-term investments measured at fair value through profit or loss		2,553,684	5,321,501	3,955,847
Investment income received		12,487	53,596	71,795
Purchase of long-term investments measured at fair value through profit or loss		(7,300)	(225,800)	(166,688)
Purchase of investments accounted for using the equity method		(30,000)	(15,000)	(6,224)
Proceeds from disposal of investments accounted for using the equity method		–	–	5,300
Dividends received		–	7,513	–
Acquisition of subsidiaries, net of cash acquired	*33*	–	(254,701)	(126,170)
Repayment of loan by a third party		135,000	–	–
Loan to a related party		–	–	(4,000)
Repayment of loan by a related party		–	–	4,000
Net cash (used in)/generated from investing activities		(139,083)	(3,199,611)	822,387

		Year ended December 31,		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from financing activities				
Proceeds injected by founders and investors		969,265	4,283,540	–
Capital contribution from non-controlling interests		202	–	–
Payment of [**REDACTED**] expenses to be capitalized		[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Proceeds from borrowings		–	29,581	50,554
Repayment of borrowings		–	(46,546)	(7,752)
Interest expenses paid		–	(713)	(1,225)
Payment of lease liabilities	*14(b)*	(27,039)	(27,479)	(28,429)
Net cash generated from/(used in) financing activities		942,428	4,210,015	(9,014)
Net increase in cash and cash equivalents		350,405	240,396	33,784
Cash and cash equivalents at the beginning of the year		703,786	1,052,073	1,292,686
Effects of exchange rate changes on cash and cash equivalents		(2,118)	217	348
Cash and cash equivalents at the end of the year	*23(a)*	1,052,073	1,292,686	1,326,818

II. NOTES TO THE FINANCIAL INFORMATION

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 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 during the Track Record Period.

Mr. Dai Wenyuan is the ultimate controlling shareholder of the Group as at the date of this report.

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries, all being limited liability companies:

			Equity interest held as at					
			December 31,			the date of this report		
Name of subsidiary	**Place and date of incorporation**	**Particulars of issued/registered capital**	**2020**	**2021**	**2022**		**Principal activities**	*Note*
Subsidiaries directly held:								
Fourth Paradigm (Beijing) Data & Technology Co., Ltd.	Mainland China, May 12, 2015	RMB2,000,000,000	100%	100%	100%	100%	Sales of AI platform, provision of AI related services, research and development of technology	*(a)*
Shanghai Shishuo Intelligent Technology Co., Ltd.	Mainland China, April 1, 2017	RMB500,000,000	100%	100%	100%	100%	Research and development of technology	*(e)*
Beijing Fourth Paradigm Science & Technology Co., Ltd.	Mainland China, September 29, 2016	RMB500,000	100%	100%	100%	100%	Investment holding and investment activities	*(e)*
Fourth Paradigm (Shenzhen) Data & Technology Co., Ltd.	Mainland China, March 11, 2019	RMB5,000,000	100%	100%	100%	100%	Sales of AI platform and provision of AI related services	*(e)*
Subsidiaries indirectly held:								
Paradigm Telian (Beijing) Technology Co., Ltd.	Mainland China, December 12, 2018	RMB10,000,000	51%	51%	N/A	N/A	Sales of AI platform and provision of AI related services	*(e), (j)*
Beijing Xuexian Intelligent Technology Co., Ltd.	Mainland China, January 18, 2019	RMB10,000,000	100%	100%	100%	100%	Provision of AI related services	*(e)*
Beijing Yuntian Xinrui Technology Co., Ltd.	Mainland China, September 27, 2019	RMB50,000,000	100%	100%	100%	100%	Sales of AI platform and provision of AI related services	*(e)*
Beijing Future Paradigm Technology Co., Ltd.	Mainland China, May 28, 2018	RMB500,000	60%	60%	60%	100%	Sales of AI platform and provision of AI related services	*(e)*
Paradigm Rongtong (Beijing) Technology Co., Ltd.	Mainland China, February 6, 2018	RMB10,000,000	55%	55%	N/A	N/A	Sales of AI platform and provision of AI related services	*(e), (j)*

Name of subsidiary	Place and date of incorporation	Particulars of issued/registered capital	Equity interest held as at December 31, 2020	2021	2022	the date of this report	Principal activities	Note
Fourth Paradigm International Limited	Hong Kong, June 1, 2018	Hong Kong Dollar ("HKD") 500,000	100%	100%	100%	100%	Sales of AI platform and provision of AI related services	*(b)*
Fourth Paradigm Southeast Asia Pte. Ltd.	Singapore, July 11, 2018	Singapore Dollar ("SGD") 50,000	100%	100%	100%	100%	Sales of AI platform, provision of AI related services, research and development of technology	*(c)*
The 4th Paradigm Europe B.V.	Netherlands, January 21, 2020	Euro ("EUR") 100,000	100%	100%	100%	100%	Sales of AI platform and provision of AI related services	*(e)*
Zhongyuan Putai (Beijing) Intelligent Technology Co., Ltd.	Mainland China, April 14, 2021	RMB50,000,000	N/A	51%	51%	51%	Sales of AI platform and provision of AI related services	*(e)*
Guangzhou Jianxin Technology Co., Ltd. *(Note 33(a))*	Mainland China, April 6, 2005	RMB30,480,000	N/A	66%	66%	66%	Provision of intelligent platform and solutions in energy and power industry	*(d)*
Nanchang Jianxin Technology Co., Ltd.	Mainland China, March 24, 2017	RMB3,000,000	N/A	66%	N/A	N/A	Research and development of technology	*(d), (f), (j)*
Sichuan Shibeiyun Technology Co., Ltd. (formerly known as Sichuan Jianneng Zhixin Technology Co., Ltd.)	Mainland China, May 15, 2017	RMB9,000,000	N/A	66%	66%	66%	Research and development of technology	*(d), (f)*
Guangzhou Shibeiyun Big Data Co., Ltd. (formerly known as Guangzhou Shibeiyun Technology Co., Ltd.)	Mainland China, January 8, 2018	RMB5,000,000	N/A	66%	66%	66%	Research and development of technology	*(d), (f)*
Wuhan Jianxin Technology Co., Ltd. (formerly known as Yichang Jianxin Technology Co., Ltd.)	Mainland China, December 19, 2018	RMB10,000,000	N/A	66%	66%	66%	Research and development of technology	*(d), (f)*
Guangzhou Shibeiyun Technology Co., Ltd. (formerly known as Shibeiyun (Guangzhou) Big Data Technology Co., Ltd.)	Mainland China, May 25, 2020	RMB20,000,000	N/A	66%	66%	66%	Research and development of technology	*(d), (f)*
Shanghai Yisahai Technology Co., Ltd.	Mainland China, June 9, 2021	RMB100,000	N/A	100%	100%	100%	Investment holding	*(e)*
Beijing Ideal Information Technology Co., Ltd. (formerly known as Changchun Ideal Technology Information Co., Ltd.) *(Note 33(b))*	Mainland China, April 17, 2000	RMB58,641,975	N/A	54.44%	56.84%	56.84%	Provision of digital operation and maintenance platform and solutions	*(k)*
Zhimei Xinchuang (Beijing) Technology Co., Ltd.	Mainland China, October 27, 2020	RMB1,000,000	35%	35%	35%	70%	Sales of AI platform and provision of AI related services	*(e), (g)*
Shanghai Laike Paradigm Technology Co., Ltd.	Mainland China, July 19, 2021	RMB10,000,000	N/A	40%	40%	40%	Sales of AI platform and provision of AI related services	*(e), (g)*

Name of subsidiary	Place and date of incorporation	Particulars of issued/registered capital	Equity interest held as at December 31, 2020	2021	2022	the date of this report	Principal activities	Note
Hefei Shanyue Intelligence Technology Co., Ltd.	Mainland China, March 4, 2022	RMB20,000,000	N/A	N/A	51%	51%	Sales of AI platform and provision of AI related services	*(e)*
Fourth Paradigm (Beijing) Digital Technology Co., Ltd.	Mainland China, June 10, 2022	RMB5,000,000	N/A	N/A	100%	100%	Sales of AI platform and provision of AI related services	*(e)*
EpicHust Technology (Wuhan) Co., Ltd. *(Note 33(c))*	Mainland China, March 7, 2012	RMB43,700,000	N/A	N/A	79.66%	79.66%	Provision of intelligent platform and solutions in manufacturing industry	*(l)*
Wuxi EpicHust Intelligent Technology Co., Ltd.	Mainland China, April 15, 2016	RMB1,000,000	N/A	N/A	74.88%	74.88%	Provision of intelligent platform and solutions in manufacturing industry	*(e), (h)*
Zhuhai EpicHust Intelligent Technology Co., Ltd.	Mainland China, October 16, 2009	RMB600,000	N/A	N/A	79.66%	79.66%	Provision of intelligent platform and solutions in manufacturing industry	*(e), (h)*
Shanghai Paradigm Digital Software Technology Co., Ltd.	Mainland China, July 19, 2022	RMB10,000,000	N/A	N/A	100%	100%	Sales of AI platform and provision of AI related services	*(e)*
Changchun Ideal Technology Information Co., Ltd.	Mainland China, August 3, 2022	RMB30,000,000	N/A	N/A	56.84%	56.84%	Provision of digital operation and maintenance platform and solutions	*(e)*
Nanjing Shibeiyun Technology Co., Ltd.	Mainland China, August 25, 2022	RMB10,000,000	N/A	N/A	66%	66%	Research and development of technology	*(e)*
Shibeiyun (Beijing) Technology Co., Ltd.	Mainland China, September 19, 2022	RMB10,000,000	N/A	N/A	66%	66%	Research and development of technology	*(e)*
Paradigm Digital Technology (Guangzhou) Co., Ltd.	Mainland China, November 18, 2022	RMB5,000,000	N/A	N/A	100%	100%	Sales of AI platform and provision of AI related services	*(e)*
Paradigm Digital Technology (Wuhan) Co., Ltd.	Mainland China, December 1, 2022	RMB5,000,000	N/A	N/A	100%	100%	Sales of AI platform and provision of AI related services	*(e)*
Paradigm Digital Technology (Hangzhou) Co., Ltd.	Mainland China, December 6, 2022	RMB5,000,000	N/A	N/A	100%	100%	Sales of AI platform and provision of AI related services	*(e)*
Paradigm Cloud (Beijing) Retail Technology Co., Ltd. *(Note 17(b))*	Mainland China, November 6, 2019	RMB100,000,000	40%	40%	100%	100%	Sales of AI platform and provision of AI related services	*(e)*
Beijing Paradigm Pilot Technology Co., Ltd.	Mainland China, December 16, 2022	RMB5,000,000	N/A	N/A	100%	100%	Sales of AI platform and provision of AI related services	*(e)*
Beijing Paradigm Empowerment Enterprise Management Co., Ltd.	Mainland China, January 17, 2023	RMB500,000	N/A	N/A	N/A	100%	Investment holding	*(e)*
Beijing Shiqin Enterprise Management Partnership (Limited Partnership)	Mainland China, March 13, 2023	RMB100,000	N/A	N/A	N/A	100%	Investment holding	*(e)*

Name of subsidiary	Place and date of incorporation	Particulars of issued/registered capital	Equity interest held as at December 31, 2020	December 31, 2021	December 31, 2022	the date of this report	Principal activities	Note
Beijing Shita Enterprise Management Partnership (Limited Partnership)	Mainland China, March 13, 2023	RMB100,000	N/A	N/A	N/A	100%	Investment holding	*(e)*
Beijing Shijing Enterprise Management Partnership (Limited Partnership)	Mainland China, March 13, 2023	RMB100,000	N/A	N/A	N/A	100%	Investment holding	*(e)*
Beijing Shijin Enterprise Management Partnership (Limited Partnership)	Mainland China, March 13, 2023	RMB100,000	N/A	N/A	N/A	100%	Investment holding	*(e)*
Beijing Shixin Enterprise Management Partnership (Limited Partnership)	Mainland China, March 13, 2023	RMB100,000	N/A	N/A	N/A	100%	Investment holding	*(e)*
Beijing Shili Enterprise Management Partnership (Limited Partnership)	Mainland China, March 13, 2023	RMB100,000	N/A	N/A	N/A	100%	Investment holding	*(e)*

Notes:

(a) The statutory financial statements of Fourth Paradigm (Beijing) Data & Technology Co., Ltd. for the years ended December 31, 2020 and 2021 were audited by Da Hua Certified Public Accountants (Special General Partnership). In December 2022, the paid-in capital of Fourth Paradigm (Beijing) Data & Technology Co., Ltd. was increased to RMB1,000,000,000 by the Company.

(b) The statutory financial statements of Fourth Paradigm International Limited for the years ended December 31, 2020 and 2021 were audited by Kenneth K.K. Tsang. The statutory financial statements of Fourth Paradigm International Limited for the year ended December 31, 2022 is still under audit as at the date of this report.

(c) The statutory financial statements of Fourth Paradigm Southeast Asia Pte. Ltd. for the years ended December 31, 2020 were audited by MGI SINGAPORE PAC. The statutory financial statements of Fourth Paradigm Southeast Asia Pte. Ltd. for the year ended December 31, 2021 were audited by FOZL Assurance PAC.

(d) The statutory financial statements of Guangzhou Jianxin Technology Co., Ltd. and its subsidiaries for the year ended December 31, 2021 were audited by Peng Sheng Certified Public Accountants (Special General Partnership).

(e) No audited financial statements were issued for these companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

(f) These entities are subsidiaries of Guangzhou Jianxin Technology Co., Ltd. which have been acquired by the Group on March 31, 2021 (Note 33(a)).

(g) As at December 31, 2020, 2021 and 2022, the equity interests of Zhimei Xinchuang (Beijing) Technology Co., Ltd. ("Zhimei Xinchuang") held by the Group was 35%. Another shareholder holding 30% equity interests of Zhimei Xinchuang has agreed to act in concert on the operation and investment decision-making of Zhimei Xinchuang, the Group therefore has rights to exercise power, receives variable returns from its involvement, has the ability to affect those returns through its power over Zhimei Xinchuang and is considered to control Zhimei Xinchuang. As at the date of this report, the remaining 35% equity interests of Zhimei Xinchuang have been acquired by the Group.

The equity interests of Shanghai Laike Paradigm Technology Co., Ltd. ("Laike Paradigm") held by the Group was 40%. Another shareholder holding 20% equity interests of Laike Paradigm has agreed to act in concert on the operation and investment decision-making of Laike Paradigm, the Group therefore has rights to exercise power, receives variable returns from its involvement, has the ability to affect those returns through its power over Laike Paradigm and is considered to control Laike Paradigm.

(h) These entities are subsidiaries of EpicHust Technology (Wuhan) Co., Ltd. which have been acquired by the Group on June 30, 2022 (Note 33(c)).

(i) As at December 31, 2020, 2021 and 2022, no subsidiary has non-controlling interests that are material to the Group.

(j) As at December 31, 2022, Paradigm Rongtong (Beijing) Technology Co., Ltd., Paradigm Telian (Beijing) Technology Co., Ltd. and Nanchang Jianxin Technology Co., Ltd. have cancelled their registration.

(k) In December 2022, the Group increased capital contribution of RMB25,000,000 to Beijing Ideal Information Technology Co., Ltd., as a result, the equity interests held by the Group increased from 54.44% to 56.84%. The registration procedure of capital increase is still under progress as at the date of this report. The statutory financial statements of Beijing Ideal Information Technology Co., Ltd. for the year ended December 31, 2022 were audited by Beijing Zhongyihe Accountant Office Co., Ltd..

(l) The statutory financial statements of EpicHust Technology (Wuhan) Co., Ltd. for the year ended December 31, 2022 were audited by WUYIGE Certified Public Accountants LLP.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

The Historical Financial Information has been prepared under the historical cost convention, except that certain financial assets/liabilities (including derivative instruments) are carried at fair value.

The preparation of the financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial period ended on December 31, 2022, are consistently applied to the Group throughout the Track Record Period.

As at December 31, 2022, the Group has net liabilities of RMB1,461,011,000, primarily due to the significant amount of redemption liabilities (Note 31). Pursuant to the preferred rights termination agreement as entered into with respective investors on July 16, 2021, all redemption liabilities will be re-classified to equity upon the successful [**REDACTED**] of the Company. Up to the date of this accountant's report, [a majority of] the investors have provided undertakings to the Company that they will not exercise their redemption rights prior to [June 30, 2024] if the Company does not suspend/terminate its [**REDACTED**] plan and the related redemption liabilities were amounting to RMB[●] as at December 31, 2022. The directors of the Company believe that the Group will have sufficient cash resources to satisfy its operations in the next twelve months from December 31, 2022. Accordingly, the directors of the Company consider that it is appropriate to prepare the Historical Financial Information on a going concern basis.

New/amended standards have not yet been adopted

New/amended standards that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

		Effective for annual period beginning on or after
IFRS 17	Insurance Contracts and Related Amendments	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
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 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 new/amended standards that have been issued are not expected to have any significant impact on the Group.

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity.

(b) Associates

An associate is an entity over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognized at cost.

(c) Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (d) below), after initially being recognized at cost in the consolidated balance sheet.

(d) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity of the Group that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the Group may elect to measure that investments at fair value through profit or loss in accordance with IFRS 9. The Group shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture.

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in equity.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Business combination

The acquisition method of accounting is used to account for business combinations not under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that make strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). As the major operations of the Group are within the mainland China, the Group determined to present the Historical Financial Information in RMB, which is the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other gains/losses, net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting currency translation differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognized in other comprehensive income.

2.7 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Server and electronic equipment — 3-5 years
- Office equipment — 3-5 years
- Leasehold improvements — Estimated useful lives or remaining lease terms, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress mainly represents leasehold improvements under construction, which is stated at actual construction cost less accumulated impairment losses. Construction in progress is transferred to appropriate categories of property and equipment upon the completion of their respective construction and depreciated over their respective estimated useful lives.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other gains/losses, net in the consolidated statement of comprehensive income.

2.8 Intangible assets

(a) Goodwill

Goodwill arising from the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use ("VIU") and the fair value less costs of disposal ("FVLCOD"). Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Other intangible assets

Other intangible assets mainly include software and copyright, technology, customer relationship and brand name. They are initially recognized and measured at cost or fair value of intangible assets acquired through business combination. The Group amortizes these intangible assets with a limited useful life using the straight-line method over the following periods:

• Software and copyright	3-5 years
• Technology	5 years
• Customer relationship	5-7 years
• Brand name	10 years

When determining the length of useful lives of these intangible assets, management take into account the (i) estimated period during which such asset can bring economic benefits to the Group; and (ii) the useful life estimated by comparable companies in the market.

In particular, the Company determined the estimated useful life of customer relationship with consideration of the historical cooperation period of existing clients, degree of customer loyalty and historical attrition situation of the customers. In relation to the brand name, the Company considered the historical presence of the brand, its market share in relevant industry, and the remaining period of its business license in determining its estimated useful life.

(c) Research and development expenditures

Research expenditures is recognized as an expense as incurred. Development cost is capitalized only if all of the following conditions are satisfied:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's FVLCOD and VIU. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Investments and other financial assets

2.10.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

See Note 18 for details of each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.10.2 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/losses, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/losses, net and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statement of comprehensive income within other gains/losses, net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in the consolidated statement of comprehensive income. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.10.3 Impairment

The Group assesses on a forward-looking basis for the expected credit losses on financial assets (including trade receivables, other receivables, term bank deposits, restricted cash and cash and cash equivalents), which is subject to impairment under IFRS 9. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 3.1(b) for details.

For others, it is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.10.4 Derecognition

Financial assets

The Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

- the carrying amount of the financial asset transferred;
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability.

Other financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.12 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Group also recognizes the inventory of contract fulfilment cost from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The contract fulfilment cost recognized shall be amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the services to which the asset relates.

The Group recognizes an impairment loss in profit or loss to the extent that the carrying amount of contract fulfilment cost recognized exceeds:

- the remaining amount of consideration that the entity expects to receive in exchange for the services to which the asset relates; less
- the costs that relate directly to providing those services and that have not been recognized as expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. Majority of other receivables are deposits, loan to a third party and other receivable from a third party customer. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Notes 2.10.3 and 3.1(b) for a description of the Group's impairment policy for trade and other receivables.

2.14 Cash and cash equivalents and restricted cash

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash that is restricted from withdrawal, from use or from being pledged as security is reported separately on the face of the consolidated balance sheet, and is not included in the total cash and cash equivalents in the consolidated statement of cash flows.

2.15 Paid-in capital/share capital and treasury stock

Ordinary shares and paid-in capital/share capital from owners are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Treasury stock is recorded to reflect the carrying amount of the redemption liabilities when it is initially reclassified from equity, and will be reversed when the redemption liabilities are derecognized upon when the Group's obligations in connection with those redemption liabilities are discharged, cancelled or have expired which will then be reclassified back to equity (Note 2.19).

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Majority of other payables are payroll payables, amount collected on behalf of third parties, [**REDACTED**] expenses payables, other taxes payables and payable to a third party hardware supplier. Trade and other payables are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.19 Redemption liabilities

A contract that contains an obligation to purchase the Group's equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount, even if the Group's obligations to purchase is conditional on the counterparty exercising a right to redeem. The Company undertakes such redemption obligations as certain preferred rights are granted to investors in the Company's financing process, the redemption liabilities are recognized as financial liabilities initially at the present value of the redemption amount and reclassified from equity. Subsequently, the redemption liabilities are measured at amortized cost with interest charged in finance costs.

The Group derecognizes the redemption liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. When the preferred rights are waived by investors, the carrying amount of the redemption liability is reclassified to equity.

2.20 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Inside basis differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred income tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

(a) Pension obligations and other social welfare benefits

Full-time employees of the Group in mainland China are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurances, medical insurances, unemployment benefits and housing fund plans through a PRC government-mandated defined contribution plan. Chinese labor regulation requires that the Group make contributions to the government for these benefits based on certain percentage of the employees' salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the required contributions.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(c) Bonus plans

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.22 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates certain share incentive plans, under which it receives services from employees as consideration for equity instruments (including share options and awarded shares) of the Company. The fair value of the services received in exchange for the grant of the equity instruments is recognized as an expense on the consolidated statement of comprehensive income with a corresponding increase in equity.

In terms of the options and shares awarded to employees, the total amount to be expensed is determined by reference to the fair value of the options and shares granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Service and non-marketing performance vesting conditions are included in calculation of the number of options and shares that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options and shares that are expected to vest based on the service and non-marketing vesting performance conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in reserves will continue to be held in reserves.

(b) Cash-settled share-based payment transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date. This fair value is with recognition of a corresponding liability. The liability is re-measured at each reporting date up to and at the date of settlement, with any changes in fair value recognized in profit or loss for the period. The Group did not have any cash-settled share-based payment during the Track Record Period.

(c) Modifications

Where the terms of the share-based payment plan are modified, the expense that is not yet recognized for the award is recognized over the remaining vesting period as if the terms had not been modified. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognized for the services received over the remainder of the vesting period. If the Group modifies the terms or conditions of its equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the Group shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred.

2.23 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold or services supplied, stated net of discounts, returns and value-added taxes. The Group recognizes revenue when the specific criteria have been met for each of the Group's activities, as described below.

(a) Sage Platform and applications

Sage Platform and other ready-to-use applications are delivered primarily as (i) licensed software installed at the end users' servers, and (ii) all-in-one server or other related hardware with pre-installed software.

Revenue from delivering of (i) licensed software installed at the end users' servers and (ii) all-in-one server or other related hardware with pre-installed software is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the application software and the all-in-one server or other related hardware. In other circumstance, Sage Platform and other ready-to-use applications are delivered to end users for usage with a subscription period, the revenue is recognized over the subscription period.

(b) Application development and other services

Application development and other services consist of customized AI applications development, and other services primarily include AI-empowered precision marketing services which support enterprises to optimize marketing activities.

Application development services are recognized as revenue upon transfer of control to the customer of the promised products and services, generally on the acceptance of the integrated promised products and services by the customer.

The Group acts as an agent in AI-empowered precision marketing services considering the fact that the Group is only responsible for matching resources by using its AI technology, not subject to inventory risk and has no discretion in establishing prices. Therefore, revenue from AI-empowered precision marketing services is measured on a net basis. And the revenue is based on actual performance and accounted for as variable consideration, which is recognized when the performance is highly probable to be reached.

Contract balance

Timing of revenue recognition may differ from the timing of invoicing to customers. The Group may perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, also may has a right to an amount of consideration before transferring goods or services to a customer. The Group recognizes a contract asset or a contract liability in the balance sheet, depending on the relationship between the Group's performance and the customer's payment.

2.25 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.26 Dividend income

Dividend income is recognized when the right to receive payment is established.

2.27 Leases

The Group assesses whether a contract is or contains a lease at inception of a contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, and payments for these leases are presented in the consolidated statement of cash flows from operating activities.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate specific to the country, term and currency of the contract. In addition, the Group considers its recent debt issuances as well as publicly available data for instruments with similar characteristics when calculating the incremental borrowing rates.

Lease payments include fixed payments, less any lease incentives, variable lease payments that depend on an index or a rate known at the commencement date, and purchase options or extension option payments if the Group is reasonably certain to exercise these options. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and right-of-use asset and are recognized as an expense in the consolidated statement of comprehensive income in the period in which the event or condition that triggers those payments occurs.

A lease liability is remeasured upon a change in the lease term, changes in an index or rate used to determine the lease payments or reassessment of exercise of a purchase option. The corresponding adjustment is made to the related right-of-use asset.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are depreciated starting at the commencement date over the shorter period of useful life of the underlying asset and lease term.

The lease liability is presented in the 'Lease liabilities' line and the right-of-use assets are presented in the 'Right-of-use assets' line in the balance sheet. In addition, the principal portion of the lease payments and the interest component are presented within financing activities in the consolidated statement of cash flows.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.29 Government grant

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the property and equipment and other non-current assets are included in the liabilities and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.30 Interest income

Interest income from financial assets at fair value through profit or loss is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3 FINANCIAL RISK MANAGEMENT

3.1 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 overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk primarily arises from recognized assets and liabilities denominated in a currency other than the functional currency of entities comprising the Group. The Group operates mainly in the PRC with most of the transactions settled in RMB.

If RMB had strengthened/weakened by 5% against United States dollar ("USD") with all other variables held constant, the loss before income tax for the years ended December 31, 2020, 2021 and 2022 would have been approximately RMB6,608,000, RMB3,053,000 and RMB5,418,000 higher/lower, respectively, as a result of net foreign exchange losses on translation of net monetary assets denominated in USD.

(ii) Interest rate risk

The Group's interest rate risk primarily arose from redemption liabilities, borrowings, term bank deposits and cash and cash equivalents. Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

If the interest rate of cash and cash equivalents had been 50 basis points higher/lower, the loss before income tax for the years ended December 31, 2020, 2021 and 2022 would have been approximately RMB5,260,000, RMB6,463,000 and RMB6,634,000 lower/higher, respectively.

The Group regularly monitors its interest rate risk to ensure there is no undue exposure to significant interest rate movements.

(iii) Price risk

The Group is exposed to price risk in respect of the long-term investments and short-term investments held by the Group and classified in the balance sheet as at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. The investments are managed by management one by one, either for strategic purposes, or for the purpose of achieving investment yield and balancing the Group's liquidity level simultaneously. The sensitivity analysis is performed by management, see Note 3.3 for details.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, term bank deposits, short-term investments 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 the Group's 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 short-term investments measured at fair value through profit or loss, the Group only transacts 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, the Group has 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. The credit period granted to the customers is usually no more than 90 days and the credit quality of these customers are 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 is low.

Impairment of financial assets and contract assets

The Group performs impairment assessment under the expected credit loss ("ECL") model on financial assets at amortized cost (mainly including trade receivables and other receivables) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

While cash and cash equivalents, restricted cash and term bank deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics, credit rating and aging periods. The expected loss rates are based on the historical payment profiles, historical credit loss rates by industry and data published by external credit rating institution, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product (GDP), consumer price index (CPI) and broad money (M2) of mainland China in which it provides services to be the relevant factors, and accordingly adjusts the loss rates based on expected changes in those factors. Details of loss allowance of trade receivables and contract assets as at December 31, 2020, 2021 and 2022 were included in Notes 21 and 6(a), respectively.

Other receivables

Other receivables mainly include deposits, loan to a third party and other receivable from a third party customer. The management of the Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences. The Group measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). This is similar to the approach used for the purposes of measuring ECL under IFRS 9.

- Other receivables that are not credit-impaired on initial recognition are classified in 'Stage 1' and have their credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.

- If a significant increase in credit risk (specifically, when the debtor is more than 30 day past due on its contractual payments) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.

- If the financial instrument is credit-impaired (specifically, when the debtor is more than 90 days past due on its contractual payments), the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis.

As there has been no significant increase in credit risk since initial recognition, all of the Group's other receivables as at December 31, 2020, 2021 and 2022 were classified in Stage 1 and their expected credit losses were measured on a 12-month basis, except for the balance of other receivable from a third party customer as at December 31, 2022 of which the expected credit loss was measured on lifetime basis due to the receivable had been long past due (Note 22(a)).

Write-off policy

Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents or adjust financing arrangements to meet the Group's liquidity requirements.

The table below analyzes the Group's non-derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Group						
At December 31, 2020						
Trade payables	84,968	–	–	–	84,968	84,968
Other payables (excluding payroll payables and other taxes payables)	3,105	–	–	–	3,105	3,105
Lease liabilities	22,525	17,967	–	–	40,492	38,775
At December 31, 2021						
Borrowings	3,752	–	15,000	–	18,752	18,752
Trade payables	321,357	–	–	–	321,357	321,357
Other payables (excluding payroll payables and other taxes payables)	68,844	–	–	–	68,844	68,844
Lease liabilities	25,525	6,308	5,096	–	36,929	35,364
Payable for acquisition of subsidiaries	40,930	30,465	50,465	–	121,860	106,306
At December 31, 2022						
Borrowings	49,906	16,378	8,256	–	74,540	72,554
Trade payables	863,234	–	–	–	863,234	863,234
Other payables (excluding payroll payables and other taxes payables)	69,941	–	–	–	69,941	69,941
Lease liabilities	29,116	25,428	19,986	–	74,530	72,032
Payable for acquisition of subsidiaries	42,877	42,877	20,000	–	105,754	95,175

For redemption liabilities, please refer to Note 31 for more details.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is not significant.

The Group believes that the Group's available cash and cash equivalents as well as access to borrowing facilities, will be sufficient to fund capital expenditures, debt servicing, dividend payments and other cash requirements going forward.

3.3 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).

The following tables present the Group's assets that are measured at fair value at December 31, 2020, 2021 and 2022.

At December 31, 2020:

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Long-term investments measured at fair value through profit or loss *(Note 19)*	–	–	20,936	20,936
Short-term investments measured at fair value through profit or loss *(Note 19)*	–	–	174,408	174,408
	–	–	195,344	195,344

At December 31, 2021:

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Long-term investments measured at fair value through profit or loss *(Note 19)*	–	–	246,128	246,128
Short-term investments measured at fair value through profit or loss *(Note 19)*	–	–	2,535,763	2,535,763
	–	–	2,781,891	2,781,891

At December 31, 2022:

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Long-term investments measured at fair value through profit or loss *(Note 19)*	-	-	477,889	477,889
Short-term investments measured at fair value through profit or loss *(Note 19)*	–	–	1,330,166	1,330,166
	–	–	1,808,055	1,808,055

The following table presents the changes in level 3 instruments of long-term investments measured at fair value through profit or loss for the years ended December 31, 2020, 2021 and 2022.

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	7,754	20,936	246,128
Additions	7,300	225,800	183,992
Transfers	–	–	67,246
Disposals	–	–	(17,304)
Changes in fair value	5,882	(608)	(2,173)
At the end of the year	20,936	246,128	477,889
Net unrealized gains/(losses) for the year	5,882	(608)	(2,477)

The following table presents the changes in level 3 instruments of short-term investments measured at fair value through profit or loss for the years ended December 31, 2020, 2021 and 2022.

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	71,900	174,408	2,535,763
Additions	2,656,199	7,650,820	2,763,507
Acquisition of subsidiaries	–	–	5,009
Disposals	(2,566,171)	(5,375,097)	(4,027,642)
Changes in fair value	12,480	85,632	53,529
At the end of the year	174,408	2,535,763	1,330,166
Net unrealized (losses)/gains for the year	(7)	32,036	13,770

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.

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 (Note 19) and short-term investments measured at fair value through profit or loss in wealth management products (Note 19). 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.

	Fair values				Range of inputs			Relationship of unobservable inputs to fair values
	As at December 31,			Significant unobservable inputs	As at December 31,			
Description	2020	2021	2022		2020	2021	2022	
	RMB'000	*RMB'000*	*RMB'000*					
Long-term investments measured at fair value through profit or loss:								
– Unlisted equity securities and preferred shares investments	9,804	36,065	101,165	Expected volatility	48.58%-57.90%	48.80%-59.33%	45.75%-72.96%	The higher the expected volatility, the lower the fair value
				Discount for lack of marketability ("DLOM")	22.00%-25.00%	21.00%-25.00%	18.50%-26.00%	The higher the DLOM, the lower the fair value
				Risk-free rate	2.69%-2.71%	2.57%-2.59%	2.24%-2.52%	The higher the risk-free rate, the higher the fair value
– Fund investments *(a)*	11,132	210,063	376,724	N/A	N/A	N/A	N/A	N/A
	20,936	246,128	477,889					
Short-term investments measured at fair value through profit or loss:								
– Wealth management products	174,408	2,535,763	1,330,166	Expected rate of return	2.38%-3.42%	2.30%-4.26%	1.60%-4.30%	The higher the expected rate of return, the higher the fair value

Note:

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

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 years ended December 31, 2020, 2021 and 2022 would have been approximately RMB977,000, RMB13,909,000 and RMB9,040,000 lower/higher, respectively.

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 years.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2020, 2021 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Fair value of financial assets

Fair value of financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks, associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in Note 3.3 to the Historical Financial Information.

(b) Impairment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. Judgment is required to identify any impairment indicators existing for any of the Group's goodwill to determine appropriate impairment approaches, i.e., FVLCOD or VIU, for impairment review purposes, and to select key assumptions applied in the adopted valuation models, including discounted cash flows and market approach. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and in turn affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statement of comprehensive income.

(c) Business combinations

Business combinations are accounted for under the acquisition method. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment. Although the Group believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

(d) Credit loss allowance for trade receivables

The credit loss allowance for trade receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Notes 3.1(b) and 21.

(e) Principal versus agent considerations

Determining whether the Group is acting as a principal or as an agent in the provision of certain services to its customers require judgment and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or agent, the Group considers, individually or in combination, whether the Group (i) controls the specified good or service before it is transferred to the customer, (ii) is primarily responsible for fulfilling the contract, (iii) is subject to inventory risk, and (iv) has discretion in establishing prices.

(f) Valuation of share-based payments

The fair value of share options and awarded shares at the grant date and the incremental fair value upon modification are determined by using valuation techniques. Significant estimates on assumptions, such as risk-free interest rate, volatility, dividend yield and lack of marketability discount are made based on management's best estimates. Further details are included in Note 26.

(g) Income taxes

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

For temporary differences or tax losses which give rise to deferred income tax assets, the Group assesses the likelihood that the deferred income tax assets could be recovered. Deferred income tax assets are recognized based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

5 SEGMENT INFORMATION

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 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 years ended December 31, 2020, 2021 and 2022, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue.

6 REVENUE

Disaggregation of revenue from contracts with customers:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Sage Platform and applications	618,929	1,014,554	1,491,851
Application development and other services	323,309	1,003,845	1,590,786
	942,238	2,018,399	3,082,637

The Group derives revenue from the transfer of goods and services at a point in time and over time are analyzed as follows:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Point in time	925,630	1,980,750	3,018,068
Over time	16,608	37,649	64,569
	942,238	2,018,399	3,082,637

(a) Contract assets

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

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets			
– Current portion	1,198	4,575	31,976
– Non-current portion	708	1,195	16,949
	1,906	5,770	48,925
Credit loss allowance	(8)	(141)	(1,537)
	1,898	5,629	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 December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	77,099	173,881	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 contact liabilities are recognized in the following year.

The substantial increase in contract liabilities during the Track Record Period was due to an increase in overall contract activities, achievement from the Group's business expansion and more contract orders were secured (with prepayments made by customers).

The following table shows the revenue recognized in the current reporting year related to carried-forward contract liabilities:

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognized that was included in the contract liabilities at the beginning of the year	20,781	73,128	149,365

7 OTHER INCOME

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Government grants	18,518	5,174	5,275
Value-added tax and other tax refunds	24,065	36,453	52,397
Others	–	–	4,990
	42,583	41,627	62,662

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

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Fair value changes on financial assets at fair value through profit or loss			
– Unlisted equity securities	2,504	461	2,710
– Preferred shares investments	–	–	304
– Fund investments	3,378	(1,069)	(5,187)
– Wealth management products	12,480	85,632	53,529
Fair value changes on financial liabilities at fair value through profit or loss	(888)	–	–
Foreign exchange (losses)/gains, net	(2,878)	(607)	7,398
Net gains on disposal/transfer/dilution of investments accounted for using the equity method	13,781	8,086	5,158
Others	1,227	1,011	(408)
	29,604	93,514	63,504

9 EXPENSES BY NATURE

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Employee benefit expenses *(Note 10)*	563,769	1,126,528	1,107,799
Technology service fees	446,308	1,336,218	2,002,438
Cost of finished goods sold	323,595	434,021	613,183
Advertising and marketing expenses	99,570	167,060	198,035
Depreciation and amortization			
– property and equipment	14,103	16,348	16,763
– right-of-use assets	27,430	25,958	27,610
– intangible assets	5,782	25,872	36,472
Cloud service and other technical service fees	42,303	67,097	35,504
Auditor's remuneration	392	1,095	975
[**REDACTED**] expenses *(Note 22(a)(ii))*	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Other professional fees	16,789	32,410	15,591
Business travel expenses	9,852	23,531	24,955
Credit loss allowance *(Note (a))*	1,992	15,206	48,914
Impairment provision for inventories *(Note 20)*	–	1,920	1,125
Others	22,606	52,410	60,621
	1,574,491	3,326,346	4,234,705

Note:

(a) Mainly include the credit loss allowance on trade receivables, contract assets and other receivables. Please refer to Notes 21, 6(a) and 22(a).

10 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	337,858	431,240	589,119
Contributions to pension plans	15,323	34,466	44,915
Other social security costs, housing benefits and other employee benefits	35,955	54,705	58,839
Share-based payment expenses *(Note 26)*	173,665	603,634	433,403
	562,801	1,124,045	1,126,276
Add/(less): capitalized in contract fulfilment cost	968	2,483	(18,477)
	563,769	1,126,528	1,107,799
Representing amounts charged to:			
– cost of sales	24,181	78,644	154,022
– selling and marketing expenses	131,605	246,384	166,380
– general and administrative expenses	196,907	465,013	417,404
– research and development expenses	211,076	336,487	369,993
	563,769	1,126,528	1,107,799

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include none of the directors or supervisors of the Company for the years ended December 31, 2020 and 2022 and include two directors of the Company for the year ended December 31, 2021, whose emoluments are reflected in the note (b) below. The emoluments payable to the five highest paid individuals, excluding the two highest paid directors for the year ended December 31, 2021, are as follows:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	11,031	3,977	9,643
Contributions to pension plans	81	76	236
Other social security costs, housing benefits and other employee benefits	310	194	336
Share-based payment expenses	126,964	92,417	394,446
	138,386	96,664	404,661

The emoluments of the five highest paid individuals, excluding the two highest paid directors for the year ended December 31, 2021, fell within the following bands:

	Year ended December 31,		
	2020	**2021**	**2022**
Nil to HKD1,000,000	–	–	–
HKD4,500,001 to HKD5,000,000	1	–	–
HKD5,000,001 to HKD5,500,000	1	–	–
HKD8,500,001 to HKD9,000,000	1	–	–
HKD10,500,001 to HKD11,000,000	–	–	1
HKD18,500,001 to HKD19,000,000	1	–	–
HKD25,000,001 to HKD25,500,000	–	1	–
HKD33,500,001 to HKD34,000,000	–	1	–
HKD45,000,001 to HKD45,500,000	–	–	1
HKD57,500,001 to HKD58,000,000	–	1	–
HKD60,500,001 to HKD61,000,000	–	–	1
HKD97,500,001 to HKD98,000,000	–	–	1
HKD118,000,001 to HKD118,500,000	1	–	–
HKD256,000,001 to HKD256,500,000	–	–	1
	5	3	5

(b) Benefits and interests of directors and supervisors

The remuneration of each director and supervisor of the Company for the year ended December 31, 2020 are set out as follows:

	Wages, salaries and bonuses	Contributions to pension plans	Other social security costs, housing benefits and other employee benefits	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
– Dai Wenyuan	1,032	39	73	–	1,144
– Chen Yuqiang	2,167	39	73	–	2,279
Non-executive directors					
– Wu Ming	98	39	73	–	210
– Yang Qiang	–	–	–	–	–
– Wang Hua	–	–	–	–	–
– Ji Yue	–	–	–	–	–
– Peng Zhijian	–	–	–	–	–
Supervisor					
– Hu Shiwei	1,658	39	73	–	1,770
	4,955	156	292	–	5,403

The remuneration of each director and supervisor of the Company for the year ended December 31, 2021 are set out as follows:

	Wages, salaries and bonuses	Contributions to pension plans	Other social security costs, housing benefits and other employee benefits	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
– Dai Wenyuan	1,009	53	78	42,913	44,053
– Chen Yuqiang	1,890	53	78	3,086	5,107
– Yu Zhonghao *(Note (a))*	1,632	14	52	57,936	59,634
Non-executive directors					
– Wu Ming *(Note (f))*	50	25	1	–	76
– Yang Qiang	–	–	–	635	635
– Ji Yue *(Note (b))*	–	–	–	–	–
– Wang Hua *(Note (c))*	–	–	–	–	–
– Peng Zhijian *(Note (f))*	–	–	–	–	–
– Neil Nanpeng Shen *(Note (d))*	–	–	–	–	–
– Zhang Jing *(Note (e))*	–	–	–	–	–
– Dou Shuai *(Note (e))*	–	–	–	–	–
Independent non-executive directors					
– Li Jianbin *(Note (g))*	–	–	–	–	–
– Liu Chijin *(Note (g))*	–	–	–	–	–
– Hou Xiaodi *(Note (g))*	–	–	–	–	–
– Ni Lionel Ming-shuan *(Note (g))*	–	–	–	–	–
Supervisors					
– Hu Shiwei *(Note (h))*	924	25	39	3,086	4,074
– Chai Yifei *(Note (i))*	1,889	57	83	–	2,029
– Zhou Wenjing *(Note (i))*	1,509	53	78	–	1,640
– Shao Liling *(Note (i))*	623	53	78	–	754
	9,526	333	487	107,656	118,002

The remuneration of each director and supervisor of the Company for the year ended December 31, 2022 are set out as follows:

	Wages, salaries and bonuses	Contributions to pension plans	Other social security costs, housing benefits and other employee benefits	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
– Dai Wenyuan	1,064	58	82	–	1,204
– Chen Yuqiang	2,097	58	83	–	2,238
– Yu Zhonghao	2,030	61	101	–	2,192
Non-executive directors					
– Yang Qiang	–	–	–	–	–
– Neil Nanpeng Shen *(Note (d))*	–	–	–	–	–
– Zhang Jing	–	–	–	–	–
– Dou Shuai	–	–	–	–	–
Independent non-executive directors					
– Li Jianbin	–	–	–	–	–
– Liu Chijin	–	–	–	–	–
– Hou Xiaodi *(Note (g))*	–	–	–	–	–
– Ni Lionel Ming-shuan *(Note (g))*	–	–	–	–	–
– Ke Yele *(Note (j))*	–	–	–	–	–
Supervisors					
– Chai Yifei	2,090	63	91	–	2,244
– Zhou Wenjing	2,014	58	83	–	2,155
– Shao Liling	789	58	83	–	930
	10,084	356	523	–	10,963

Notes:

(a) Mr. Yu Zhonghao was appointed as an executive director in February 2021.

(b) Mr. Ji Yue resigned from the position of a non-executive director in April 2021.

(c) Mr. Wang Hua resigned from the position of a non-executive director in February 2021.

(d) Mr. Neil Nanpeng Shen was appointed as a non-executive director in April 2021 and tendered resignation from the position of non-executive director in June 2022.

(e) Mr. Zhang Jing and Mr. Dou Shuai were appointed as non-executive directors in February 2021.

(f) Ms. Wu Ming and Mr. Peng Zhijian resigned from the positions of non-executive directors in July 2021.

(g) Mr. Li Jianbin, Mr. Liu Chijin, Dr. Hou Xiaodi and Dr. Ni Lionel Ming-shuan were appointed as independent non-executive directors in July 2021. Dr. Hou Xiaodi and Dr. Ni Lionel Ming-shuan tendered resignation from the positions of independent non-executive directors in June 2022 and July 2022, respectively.

(h) Mr. Hu Shiwei resigned from the position of a supervisor in July 2021.

(i) Mr. Chai Yifei, Ms. Zhou Wenjing and Ms. Shao Liling were appointed as supervisors in July 2021.

(j) Ms. Ke Yele was appointed as an independent non-executive director in August 2022.

(c) Directors' and supervisors' termination benefits

No termination benefits were paid or payable to the directors or supervisors during the years ended December 31, 2020, 2021 and 2022.

(d) Consideration provided to third parties for making available directors' and supervisors' services

No consideration provided to third parties for making available directors' or supervisors' services during the years ended December 31, 2020, 2021 and 2022.

(e) Information about loans, quasi-loans and other dealings in favor of directors and supervisors, controlled body corporates by and connected entities with such directors and supervisors

No loans, quasi-loans and other dealings in favor of directors or supervisors, controlled body corporates by and connected entities with such directors or supervisors subsisted as at December 31, 2020, 2021 and 2022.

(f) Directors' and supervisors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted as at December 31, 2020, 2021 and 2022.

11 FINANCE INCOME AND FINANCE COSTS

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Finance income:			
Interest income from bank deposits	2,709	24,416	46,103
Interest income from loan to a third party	3,329	–	–
Interest income from loan to a related party	–	–	80
	6,038	24,416	46,183
Finance costs:			
Interest expense on redemption liabilities *(Note 31)*	(186,240)	(638,682)	(670,963)
Interest expense on lease liabilities *(Note 14)*	(2,453)	(1,954)	(1,552)
Interest expense on borrowings	–	(713)	(1,225)
Amortized amounts on payable for acquisition of subsidiaries	–	(5,451)	(8,201)
Others	(285)	(311)	(234)
	(188,978)	(647,111)	(682,175)

12 INCOME TAX EXPENSES/(CREDIT)

The income tax expenses/(credit) of the Group for the years ended December 31, 2020, 2021 and 2022 are analyzed as follows:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	–	3,743	2,180
Deferred income tax	727	6,626	(13,853)
Income tax expenses/(credit)	727	10,369	(11,673)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the Group as follows:

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Loss before income tax	(749,483)	(1,791,699)	(1,665,094)
Tax calculated at statutory income tax rate of 25% in mainland China *(Note (a))*	(187,371)	(447,925)	(416,274)
Tax effects of:			
– Effect of lower tax rates in other jurisdictions *(Notes (b), (c))*	3,557	10,586	1,946
– Preferential income tax rate applicable to subsidiaries *(Note (d))*	19,052	84,832	77,228
– Tax losses and temporary differences for which no deferred income tax assets was recognized	98,605	124,459	116,596
– Expenses not deductible for income tax purposes	75,148	264,611	236,310
– Super Deduction for research and development expenses *(Note (e))*	(5,912)	(15,483)	(22,874)
– Impact of share of results and net gains on disposal/transfer/dilution of investments accounted for using the equity method	(2,345)	(3,147)	(1,030)
– Utilization of previously unrecognized tax losses	(7)	(7,564)	(3,575)
Income tax expenses/(credit)	727	10,369	(11,673)

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 year 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 HKD2 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 Track Record Period.

(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 Track Record Period.

(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. 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.

Beijing Ideal Information Technology Co., Ltd. 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., a subsidiary newly acquired in June 2022 (Note 33(c)), 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.

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. 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 Track Record Period.

13 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 year. In determining the weighted average number of ordinary shares in issue, 400,000,000 shares issued on July 9, 2021, the date that the Company was converted into a joint stock company, are treated as if have been in issue since January 1, 2019, moreover, the contingently returnable shares, i.e. shares with preferred rights, are excluded from the calculation. The impact of excluded contingently returnable shares was 212,573,619 shares, 203,677,321 shares and 170,286,193 shares for the years ended December 31, 2020, 2021 and 2022, respectively.

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 years, 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 years ended December 31, 2020, 2021 and 2022 are the same as basic loss per share of the respective years.

	Year ended December 31,		
	2020	2021	2022
Loss attributable to owners of the Company (RMB'000)	(749,650)	(1,785,655)	(1,644,897)
Weighted average number of ordinary shares in issue (thousand shares) *(a)*	187,426	234,029	267,463
Basic and diluted loss per share for loss attributable to owners of the Company (expressed in RMB per share)	(4.00)	(7.63)	(6.15)

Note:

(a) Weighted average number of ordinary shares in issue for the year ended December 31, 2022 were taken into account the effect of the contingently issuable ordinary shares (Note 26).

14 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 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 years ended December 31, 2020, 2021 and 2022 are as follows, respectively:

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	66,451	37,814	34,074
Additions	704	14,319	63,364
Acquisition of subsidiaries *(Note 33)*	–	7,899	174
Depreciation charge	(27,430)	(25,958)	(27,610)
Terminations	(1,911)	–	–
At the end of the year	37,814	34,074	70,002

(b) Lease liabilities

The carrying amounts of the Group's lease liabilities as at December 31, 2020, 2021 and 2022 are as follows, respectively:

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Current	21,185	24,364	28,311
Non-current	17,590	11,000	43,721
	38,775	35,364	72,032

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

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets *(Note 9)*	27,430	25,958	27,610
Interest expense *(Note 11)*	2,453	1,954	1,552
Expense relating to short-term leases and variable lease payments not included in lease liabilities	860	–	65

The total cash outflows for leases during the years ended December 31, 2020, 2021 and 2022 was RMB27,039,000, RMB27,479,000 and RMB28,429,000, respectively, including principal elements of lease payments of approximately RMB24,586,000, RMB25,525,000 and RMB26,877,000, respectively, and related interest paid of approximately RMB2,453,000, RMB1,954,000 and RMB1,552,000 during the years ended December 31, 2020, 2021 and 2022, respectively.

15 PROPERTY AND EQUIPMENT

The movement information of property and equipment during the Track Record Period is as below:

	Server and electronic equipment	**Office equipment**	**Leasehold improvements**	**Construction in progress**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2020					
Cost	14,747	20,928	5,839	2,725	44,239
Accumulated depreciation	(4,967)	(4,191)	(2,129)	–	(11,287)
Net book amount	9,780	16,737	3,710	2,725	32,952
Year ended December 31, 2020					
Opening net book amount	9,780	16,737	3,710	2,725	32,952
Additions	6,448	7,743	–	14,845	29,036
Transfer	–	–	17,570	(17,570)	–
Disposals	(128)	(99)	–	–	(227)
Depreciation charge *(Note 9)*	(4,968)	(4,275)	(4,860)	–	(14,103)
Closing net book amount	11,132	20,106	16,420	–	47,658
At December 31, 2020					
Cost	20,919	28,457	23,409	–	72,785
Accumulated depreciation	(9,787)	(8,351)	(6,989)	–	(25,127)
Net book amount	11,132	20,106	16,420	–	47,658

	Server and electronic equipment	Office equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2021					
Opening net book amount	11,132	20,106	16,420	–	47,658
Additions	3,872	7,121	–	4,481	15,474
Acquisition of subsidiaries *(Note 33)*	965	1,017	3,237	–	5,219
Transfer	–	–	3,874	(3,874)	–
Disposals	(89)	(2,107)	–	–	(2,196)
Depreciation charge *(Note 9)*	(5,812)	(5,834)	(4,702)	–	(16,348)
Closing net book amount	10,068	20,303	18,829	607	49,807
At December 31, 2021					
Cost	25,252	34,282	30,520	607	90,661
Accumulated depreciation	(15,184)	(13,979)	(11,691)	–	(40,854)
Net book amount	10,068	20,303	18,829	607	49,807
Year ended December 31, 2022					
Opening net book amount	10,068	20,303	18,829	607	49,807
Additions	6,219	7,153	1,881	291	15,544
Acquisition of subsidiaries	354	147	–	–	501
Transfer	–	–	898	(898)	–
Disposals	(661)	(7)	–	–	(668)
Depreciation charge *(Note 9)*	(4,900)	(6,384)	(5,479)	–	(16,763)
Closing net book amount	11,080	21,212	16,129	–	48,421
At December 31, 2022					
Cost	29,549	41,564	33,299	–	104,412
Accumulated depreciation	(18,469)	(20,352)	(17,170)	–	(55,991)
Net book amount	11,080	21,212	16,129	–	48,421

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

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Research and development expenses	8,257	9,063	9,129
General and administrative expenses	4,479	5,539	5,960
Selling and marketing expenses	1,367	1,746	1,674
	14,103	16,348	16,763

16 INTANGIBLE ASSETS

	Goodwill	Software and copyright	Technology	Customer relationship	Brand name	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2020						
Cost	–	4,561	–	–	–	4,561
Accumulated amortization	–	(1,102)	–	–	–	(1,102)
Net book amount	–	3,459	–	–	–	3,459
Year ended December 31, 2020						
Opening net book amount	–	3,459	–	–	–	3,459
Additions	–	22,239	–	–	–	22,239
Amortization charge *(Note 9)*	–	(5,782)	–	–	–	(5,782)
Closing net book amount	–	19,916	–	–	–	19,916
At December 31, 2020						
Cost	–	26,800	–	–	–	26,800
Accumulated amortization	–	(6,884)	–	–	–	(6,884)
Net book amount	–	19,916	–	–	–	19,916
Year ended December 31, 2021						
Opening net book amount	–	19,916	–	–	–	19,916
Additions	–	5,673	–	–	–	5,673
Acquisition of subsidiaries *(Note 33)*	259,727	4,745	43,000	81,500	6,700	395,672
Amortization charge *(Note 9)*	–	(9,837)	(5,895)	(9,805)	(335)	(25,872)
Closing net book amount	259,727	20,497	37,105	71,695	6,365	395,389
At December 31, 2021						
Cost	259,727	37,218	43,000	81,500	6,700	428,145
Accumulated amortization	–	(16,721)	(5,895)	(9,805)	(335)	(32,756)
Net book amount	259,727	20,497	37,105	71,695	6,365	395,389
Year ended December 31, 2022						
Opening net book amount	259,727	20,497	37,105	71,695	6,365	395,389
Additions	–	976	–	–	–	976
Acquisition of subsidiaries *(Note 33)*	76,074	339	5,300	15,700	–	97,413
Amortization charge *(Note 9)*	–	(10,562)	(9,130)	(16,110)	(670)	(36,472)

	Goodwill	Software and copyright	Technology	Customer relationship	Brand name	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Closing net book amount	335,801	11,250	33,275	71,285	5,695	457,306
At December 31, 2022						
Cost	335,801	38,533	48,300	97,200	6,700	526,534
Accumulated amortization	–	(27,283)	(15,025)	(25,915)	(1,005)	(69,228)
Net book amount	335,801	11,250	33,275	71,285	5,695	457,306

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

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
General and administrative expenses	3,709	6,280	9,689
Research and development expenses	2,073	9,486	9,397
Selling and marketing expenses	–	10,106	17,386
	5,782	25,872	36,472

Impairment of goodwill

The goodwill balance mainly arose from the acquisitions of Guangzhou Jianxin Technology Co., Ltd. ("Guangzhou Jianxin") on March 31, 2021, Beijing Ideal Information Technology Co., Ltd. ("Ideal Technology") on June 30, 2021 and EpicHust Technology (Wuhan) Co., Ltd. ("EpicHust") on June 30, 2022, amounting to RMB94,088,000, RMB165,639,000 and RMB76,074,000 (Note 33), respectively. Guangzhou Jianxin and its subsidiaries are primarily engaged in provision of intelligent platform and solutions in energy and power industry. Ideal Technology is mainly engaged in provision of digital operation and maintenance platform and solutions. EpicHust and its subsidiaries are primarily engaged in provision of intelligent platform and solutions in manufacturing industry. Goodwill is attributable to the acquired market share and economies of scale expected to be derived from combining with the operations of the Group following these acquisitions.

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts of CGU or group of CGUs to the carrying amounts. Goodwill arising from the acquisition of Guangzhou Jianxin, Ideal Technology and EpicHust was monitored separately and assessed as separate CGUs for the purpose of impairment testing.

CGU of Guangzhou Jianxin

The impairment reviews of the goodwill arising from the acquisition of Guangzhou Jianxin in March 2021 have been conducted by the management as at December 31, 2021 and 2022. For the purposes of the impairment review, the recoverable amount of the CGU of Guangzhou Jianxin is determined based on VIU calculations by using the discounted cash flow method. For goodwill related to acquisition of Guangzhou Jianxin, management forecasted that the revenue compound annual growth rate in the five-year period from the balance sheet date of December 31, 2021 and 2022 was 16.2% and 11.4%, respectively, and the cash flows beyond the five-year period were extrapolated using the estimated annual growth rates ("terminal growth rate") of 3.0%. Pre-tax discount rate of 20.9% and 20.8% was used to reflect market assessment of time value and the specific risks relating to the CGU for the impairment review as at December 31, 2021 and 2022, respectively. The values assigned to the key assumptions and discount rates are consistent with external information sources. The estimated recoverable amount of the CGU of Guangzhou Jianxin exceeded its carrying amount by approximately RMB34,180,000 and RMB89,429,000 as at December 31, 2021 and 2022, respectively, and management therefore concluded such goodwill was not impaired. The directors of the Company have considered and assessed that any reasonably possible changes in key parameters would not cause the carrying amount of the CGU of Guangzhou Jianxin exceed its recoverable amount.

For sensitivity analysis conducted during the impairment review as at December 31, 2021, had there been a reduction of the revenue compound annual growth rate of the first five years by 4.3 percentage point, a reduction of terminal growth rate by 3.9 percentage point, or an increase in pre-tax discount rate by 1.5 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of Guangzhou Jianxin would be closed to the breakeven point. For sensitivity analysis conducted during the impairment review as at December 31, 2022, had there been a reduction of the revenue compound annual growth rate of the first five years by 11.3 percentage point, a reduction of terminal growth rate by 15.6 percentage point, or an increase in pre-tax discount rate by 4.3 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of Guangzhou Jianxin would be closed to the breakeven point.

CGU of Ideal Technology

The impairment reviews of the goodwill arising from the acquisition of Ideal Technology in June 2021 have been conducted by the management as at December 31, 2021 and 2022. For the purposes of the impairment review, the recoverable amount of the CGU of Ideal Technology is determined based on VIU calculations by using the discounted cash flow method. For goodwill related to acquisition of Ideal Technology, management forecasted that the revenue compound annual growth rate in the five-year period from the balance sheet date of December 31, 2021 and 2022 was 26.0% and 23.4%, respectively, and the cash flows beyond the five-year period were extrapolated using a terminal growth rate of 4.0%. Pre-tax discount rate of 17.6% was used to reflect market assessment of time value and the specific risks relating to the CGU for the impairment reviews as at December 31, 2021 and 2022. The values assigned to the key assumptions and discount rates are consistent with external information sources. The estimated recoverable amount of the CGU of Ideal Technology exceeded its carrying amount by approximately RMB34,793,000 and RMB39,243,000 as at December 31, 2021 and 2022, respectively, and management therefore concluded such goodwill was not impaired. The directors of the Company have considered and assessed that any reasonably possible changes in key parameters would not cause the carrying amount of the CGU of Ideal Technology exceed its recoverable amount.

For sensitivity analysis conducted during the impairment review as at December 31, 2021, had there been a reduction of the revenue compound annual growth rate of the first five years by 2.6 percentage point, a reduction of terminal growth rate by 1.4 percentage point, or an increase in pre-tax discount rate by 1.1 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of Ideal Technology would be closed to the breakeven point. For sensitivity analysis conducted during the impairment review as at December 31, 2022, had there been a reduction of the revenue compound annual growth rate of the first five years by 2.9 percentage point, a reduction of terminal growth rate by 1.6 percentage point, or an increase in pre-tax discount rate by 1.3 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of Ideal Technology would be closed to the breakeven point.

CGU of EpicHust

The impairment review of the goodwill arising from the acquisition of EpicHust in June 2022 has been conducted by the management as at December 31, 2022. For the purposes of the impairment review, the recoverable amount of the CGU of EpicHust is determined based on VIU calculations by using the discounted cash flow method. For goodwill related to acquisition of EpicHust, management forecasted that the revenue compound annual growth rate in the five-year period from the balance sheet date of December 31, 2022 was 13.3%, and the cash flows beyond the five-year period were extrapolated using a terminal growth rate of 3.0%. Pre-tax discount rate of 20.4% was used to reflect market assessment of time value and the specific risks relating to the CGU. The values assigned to the key assumptions and discount rates are consistent with external information sources. The estimated recoverable amount of the CGU of EpicHust exceeded its carrying amount by approximately RMB3,980,000 as at December 31, 2022 and management therefore concluded such goodwill was not impaired. As the Group just acquired EpicHust on June 30, 2022 and the acquisition consideration was determined on an arm's length basis, the directors of the Company considered that it is remote for any reasonably possible changes in key parameters that would exceed the percentage points as disclosed in the sensitivity analysis below and therefore concluded that any reasonably possible changes in those key parameters would not cause the carrying amount of the CGU of EpicHust exceed its recoverable amount.

For sensitivity analysis conducted during the impairment review, had there been a reduction of the revenue compound annual growth rate of the first five years by 0.7 percentage point, a reduction of terminal growth rate by 0.6 percentage point, or an increase in pre-tax discount rate by 0.4 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of EpicHust would be closed to the breakeven point.

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Investments accounted for using the equity method			
– Associates	69,898	101,092	45,865
– Joint ventures	16,740	14,081	–
	86,638	115,173	45,865

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	68,357	86,638	115,173
Additions	30,000	15,000	6,224
Disposals *(Note (a))*	(14,188)	–	(5,719)
Transfers *(Note (b))*	–	–	(72,415)
Share of (losses)/profits	(6,477)	3,802	(3,200)
Share of other comprehensive income	–	9,160	4,345
Dividends	–	(7,513)	–
Increase in share of net assets due to the dilution gains *(Note (c))*	8,946	8,086	1,457
At the end of the year	86,638	115,173	45,865

In the opinion of the directors of the Company, none of associates or joint ventures are individually material to the Group during the Track Record Period.

Notes:

(a) In December 2020, the Group entered into an agreement with other shareholders of Shenzhen Huayun Information System Co., Ltd. ("Huayun"), an associate acquired in January 2018, pursuant to which, the Group and Huayun reached consensus that the Group's unpaid contingent consideration of RMB20,000,000 was no longer to pay, and accordingly the equity interests held by the Group was reduced from 40.00% to 23.33%, which was deemed as a disposal with a net gain of RMB4,835,000 recognized (Note 8).

During the year ended December 31, 2022, the Group partially disposed its investment in another associate.

(b) In September 2022, the Group lost significant influence over Huayun through resignation from the board of Huayun. As a result, the investment of approximately RMB48,641,000 was transferred to financial assets measured at fair value through profit and loss, with a net gain of RMB6,757,000 recognized.

In December 2022, the Group acquired the remaining 60% equity interests of Paradigm Cloud (Beijing) Retail Technology Co., Ltd. ("Paradigm Cloud"), a joint venture established in November 2019, at a total consideration of approximately RMB16,489,000 based on the net assets value of Paradigm Cloud. As a result, the investment of approximately RMB11,926,000 was transferred to a wholly owned subsidiary of the Group, with a remeasurement loss of approximately RMB2,637,000 recognized.

During the year ended December 31, 2022, the Group lost significant influence over another associate, as a result, the investment of approximately RMB11,848,000 was transferred to financial assets measured at fair value through profit and loss.

(c) Dilution gains of RMB8,946,000 and RMB6,490,000 was recognized due to the assets or cash injected by Huayun's controlling shareholder and new shareholders as their capital contributions to Huayun in December 2020 and January 2021, respectively. As a result, the equity interests held by the Group was further diluted to 15.56% and 12.97%, respectively. Up to December 31, 2021, Huayun had still been measured as an associate as the Group had significant influence through the board representation and other relevant facts and circumstances, even though the Group's equity interests in Huayun is below 20%.

Dilution gains of RMB1,596,000 and RMB1,457,000 was recognized due to the capital contribution injected by the new shareholders of Beijing Juyun Weizhi Information Technology Co., Ltd. ("Juyun", an associate) in July 2021 and August 2022, respectively. As a result, the equity interests held by the Group was diluted from 4.35% to 3.81% and further to 3.60%, respectively. Juyun has been measured as an associate as the Group has significant influence through the board representation and other relevant facts and circumstances, even though the Group's equity interests in Juyun is below 20%.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Assets as per balance sheets			
Financial assets at fair value through profit or loss:			
– Wealth management products *(Note 19)*	174,408	2,535,763	1,330,166
– Unlisted equity securities *(Note 19)*	9,804	19,065	77,173
– Preferred shares investments *(Note 19)*	–	17,000	23,992
– Fund investments *(Note 19)*	11,132	210,063	376,724
Financial assets at amortized cost:			
– Trade receivables *(Note 21)*	262,699	778,321	1,493,238
– Prepayments and other receivables (excluding prepayments to suppliers, deductible value-added input tax and [**REDACTED**] expenses to be capitalized) *(Note 22 (a))*	21,180	78,829	74,580
– Long-term bank deposits *(Note 23 (c))*	–	510,203	685,039
– Short-term bank deposits *(Note 23 (c))*	95,602	20,000	–
– Restricted cash *(Note 23 (b))*	18,201	8,010	6,916
– Cash and cash equivalents *(Note 23 (a))*	1,052,073	1,292,686	1,326,818
	1,645,099	5,469,940	5,394,646

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Liabilities as per balance sheets			
Financial liabilities at amortized cost:			
– Trade payables *(Note 27)*	84,968	321,357	863,234
– Other payables and accruals (excluding payroll payables and other taxes payables) *(Note 28)*	3,105	68,844	69,941
– Borrowings *(Note 30)*	–	18,752	72,554
– Redemption liabilities *(Note 31)*	2,147,031	5,822,196	6,493,159
– Payable for acquisition of subsidiaries *(Note 32)*	–	106,306	95,175
Lease liabilities *(Note 14)*	38,775	35,364	72,032
	2,273,879	6,372,819	7,666,095

19 INVESTMENTS

Group

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Long-term investments measured at fair value through profit or loss			
– Unlisted equity securities (i)	9,804	19,065	77,173
– Preferred shares investments (ii)	–	17,000	23,992
– Fund investments (iii)	11,132	210,063	376,724
	20,936	246,128	477,889
Current assets			
Short-term investments measured at fair value through profit or loss			
– Wealth management products (iv)	174,408	2,535,763	1,330,166

(i) Unlisted equity securities

The following table presents the changes in long-term investments in unlisted equity securities measured at fair value through profit or loss for the years ended December 31, 2020, 2021 and 2022.

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	–	9,804	19,065
Additions	7,300	8,800	–
Transfers *(Note 17(b))*	–	–	55,398
Changes in fair value	2,504	461	2,710
At the end of the year	9,804	19,065	77,173

(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 3.3).

(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 3.3).

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 can redeem its fund shares after a lockup period of 540 days.

(iv) Wealth management products

The wealth management products are all denominated in RMB and have expected rates of return ranging from 1.63% to 6.25%, 2.20% to 4.74% and 1.60% to 4.43% per annum for the years ended December 31, 2020, 2021 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 3.3).

(v) Gains/(losses) recognized in profit or loss

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Fair value changes on long-term investments measured at fair value through profit or loss	5,882	(608)	(2,173)
Fair value changes on short-term investments measured at fair value through profit or loss	12,480	85,632	53,529
	18,362	85,024	51,356

Company

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current asset			
Short-term investments measured at fair value through profit or loss			
– Wealth management products	58,066	1,036,180	–

20 INVENTORIES

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	3,187	20,633	99,397
Contract fulfilment cost	24,999	165,786	252,269
	28,186	186,419	351,666
Less: provision for impairment	–	(1,920)	(1,794)
	28,186	184,499	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 consolidated statements of comprehensive income. Provision for impairment movements for the years ended December 31, 2020, 2021 and 2022 are as below:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	–	–	(1,920)
Provision for impairment	–	(1,920)	(1,125)
Written off	–	–	1,251
At the end of the year	–	(1,920)	(1,794)

21 TRADE RECEIVABLES

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Third parties	266,643	796,261	1,554,420
Related parties	1,366	2,221	–
	268,009	798,482	1,554,420
Less: credit loss allowance	(5,310)	(20,161)	(61,182)
	262,699	778,321	1,493,238

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

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

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	(3,251)	(5,310)	(20,161)
Credit loss allowance recognized, net	(2,059)	(14,851)	(43,695)
Receivables written off as uncollectable	–	–	2,674
At the end of the year	(5,310)	(20,161)	(61,182)

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 December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
Up to 3 months	126,601	403,264	957,044
3 to 6 months	87,412	231,336	278,486
6 months to 1 year	24,432	128,141	130,321
Over 1 year	29,564	35,741	188,569
	268,009	798,482	1,554,420

The credit loss allowance of trade receivables as at December 31, 2020, 2021 and 2022 were determined as follows:

	As at December 31, 2020		
	Gross carrying amount	Expected credit loss rate	Credit loss allowance
	in thousands, except for percentages		
For credit loss allowance measured individually	54,109	3.61%	1,951
For credit loss allowance measured by industry			
– Telecommunication, computer and software	31,549	2.24%	707
– Education, science and technology	156,871	0.94%	1,482
– Wholesale and retail	19,497	5.66%	1,103
– Others	5,983	1.12%	67
	213,900	1.57%	3,359
	268,009	1.98%	5,310

	As at December 31, 2021		
	Gross carrying amount	Expected credit loss rate	Credit loss allowance
	in thousands, except for percentages		
For credit loss allowance measured individually	73,347	2.83%	2,076
For credit loss allowance measured by industry			
– Telecommunication, computer and software	169,239	1.35%	2,282
– Education, science and technology	196,850	1.67%	3,286
– Wholesale and retail	56,814	4.58%	2,602
– Leasing and business services	62,510	0.68%	428
– Manufacturing	38,279	4.56%	1,744
– Others	19,476	1.33%	259
	543,168	1.95%	10,601

	As at December 31, 2021		
	Gross carrying amount	**Expected credit loss rate**	**Credit loss allowance**
	in thousands, except for percentages		
For credit loss allowance measured by aging			
– Up to 1 year	153,311	2.98%	4,566
– 1 year to 2 years	25,388	6.46%	1,640
– Over 2 years	3,268	39.11%	1,278
	181,967	4.11%	7,484
	798,482	2.52%	20,161

	As at December 31, 2022		
	Gross carrying amount	**Expected credit loss rate**	**Credit loss allowance**
	in thousands, except for percentages		
For credit loss allowance measured individually	255,512	12.12%	30,969
For credit loss allowance measured by industry			
– Telecommunication, computer and software	657,222	1.51%	9,919
– Education, science and technology	308,740	1.75%	5,413
– Wholesale and retail	27,208	4.30%	1,170
– Leasing and business services	1,931	0.78%	15
– Manufacturing	3,155	4.25%	134
– Others	30,752	1.64%	505
	1,029,008	1.67%	17,156
For credit loss allowance measured by aging			
– Up to 1 year	209,998	2.77%	5,818
– 1 year to 2 years	50,498	6.84%	3,452
– Over 2 years	9,404	40.27%	3,787
	269,900	4.84%	13,057
	1,554,420	3.94%	61,182

22 PREPAYMENTS AND OTHER RECEIVABLES AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Prepayments and other receivables

Group

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments to suppliers	130,061	100,861	176,516
Deductible value-added input tax	18,739	46,631	80,001
Rental, bidding and other deposits	9,034	16,454	17,491
Interest receivables	7,027	2,722	61
[**REDACTED**] expenses to be capitalized *(Note (ii))*	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Other receivable from a third party customer *(Note (i))*	–	50,959	47,000
Others	5,119	8,694	10,028
	169,980	272,002	380,064

As at December 31, 2020, 2021 and 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 and other receivable from a third party customer 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. Except for the balance of other receivable from a third party customer as at December 31, 2022 of which the expected credit loss was measured on lifetime basis due to the receivable had been long past due, all of the Group's other receivables as at December 31, 2020, 2021 and 2022 were considered to be of low credit risk, and thus the impairment provision recognized was limited to 12 months expected losses.

Notes:

(i) During the year ended December 31, 2021, the Group cooperated with a hardware supplier to deliver software and hardware together to a customer. Pursuant to the sales agreement with the customer, 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. As at December 31, 2021, the entire project was completed and both the Group and the hardware supplier had fulfilled their performance obligations under the respective sales and purchase contracts. Therefore, the Group's amounts recoverable from the customer and the Group's amounts payable to the hardware supplier in connection with the hardware component have been recognized as other receivables and other payables (Note 28), respectively in the consolidated balance sheet. As at December 31, 2022, the other receivables and other payables have not been settled.

(ii) In accordance with the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies published and implemented by the China Securities Regulatory Commission (the "CSRC") on November 14, 2019, the issued domestic unlisted shares of any H-share companies could only be listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") subsequent to the CSRC's approval.

The Company had no intention and did not file any application for a "full circulation" of its domestic unlisted shares until March 2022. On March 29, 2022, the Company filed an application to the CSRC for a "full circulation" of its domestic unlisted shares which was approved by the CSRC on June 14, 2022. Upon completion of the [**REDACTED**] of the Company's shares on the Stock Exchange and the [**REDACTED**], certain of the Company's domestic unlisted shares will be converted into H shares and to be [**REDACTED**] and [**REDACTED**] on the Stock Exchange.

The CSRC's approval on the "full circulation" of the Company's domestic unlisted shares and the resultant change in the Company's capital structure upon [**REDACTED**] are considered as non-adjusting events subsequent to the year ended December 31, 2021. The Company adjusted the portion of [**REDACTED**] expenses eligible for capitalization prospectively during the year ended December 31, 2022 without adjusting the accounting estimates previously made before December 31, 2021.

Company

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
[**REDACTED**] expenses to be capitalized	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Others	996	5,133	1,626
	996	50,814	50,593

(b) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

23 CASH AND BANK BALANCES

(a) Cash and cash equivalents

Cash and cash equivalents are denominated in the following currencies:

Group

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
RMB	950,133	1,288,283	1,308,212
USD	100,758	3,971	14,983
HKD	714	310	1,680
SGD	408	111	1,935
EUR	60	11	8
	1,052,073	1,292,686	1,326,818

Company

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
RMB	872,928	575,006	585,038
USD	97,905	13	15
	970,833	575,019	585,053

(b) Restricted cash

Restricted cash are denominated in the following currencies:

Group

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
RMB	18,201	8,010	6,916

As at December 31, 2020, 2021 and 2022, restricted cash was held at bank as security deposits mainly for bidding, issuance of letter of guarantee or bank acceptance bills.

(c) Term bank deposits

Term bank deposits are all denominated in RMB:

Group

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Short-term bank deposits	95,602	20,000	–
Long-term bank deposits	–	510,203	685,039
	95,602	530,203	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 short-term bank deposits were 2.28% per annum and 1.98% to 2.28% per annum for the years ended December 31, 2020 and 2021, respectively. The effective interest rate for the long-term bank deposits was 3.80% per annum and 2.50% to 3.90% per annum for the years ended December 31, 2021 and 2022, respectively.

24 SHARE CAPITAL/PAID-IN CAPITAL

Group and Company

(a) Paid-in capital

Paid-in capital are generated from founders' and investors' capital injection. The excess of total consideration raised over paid-in capital was credited to the Company's capital reserve (Note 25).

(b) Share capital

	Number of ordinary shares	**Nominal value of ordinary shares**
		RMB'000
Authorized and issued:		
At January 1, 2021	–	–
Issuance of ordinary shares upon conversion into a joint stock company *(Note (i))*	400,000,000	400,000
Capital contribution from shareholders *(Note (ii))*	37,705,989	37,706
At December 31, 2021 and 2022	437,705,989	437,706

Notes:

(i) On July 9, 2021, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as at May 31, 2021, the conversion base date, amounting to approximately RMB954,290,000 were converted into 400,000,000 ordinary shares at RMB1 each, share capital of RMB400,000,000 was recorded accordingly.

(ii) After the conversion into a joint stock company, the Company completed its Series D+ and Series D+2 financing and the foreign exchange registration procedures for the Series D financing, the share capital of the Company has then been increased by approximately RMB37,706,000 accordingly (with a total number of 37,705,989 ordinary shares being issued).

25 TREASURY STOCK AND RESERVES

Group

		Reserves				
	Treasury stock *(Note (a))*	Capital reserve	Share-based payment reserve	Currency translation reserve *(Note (b))*	Other reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2020	(1,313,614)	1,527,113	450,053	(272)	–	1,976,894
Currency translation differences	–	–	–	1,451	–	1,451
Capital contribution from shareholders	–	476,242	–	–	–	476,242
Recognition of redemption liabilities	(432,610)	–	–	–	–	–
Share-based payments	–	–	173,665	–	–	173,665
Balance at December 31, 2020	(1,746,224)	2,003,355	623,718	1,179	–	2,628,252
Balance at January 1, 2021	(1,746,224)	2,003,355	623,718	1,179	–	2,628,252
Currency translation differences	–	–	–	1,837	–	1,837
Capital contribution from shareholders *(Note (c))*	–	5,000,884	–	–	–	5,000,884
Conversion into a joint stock company	–	(1,644,690)	(49,938)	–	–	(1,694,628)
Recognition of redemption liabilities	(4,848,767)	–	–	–	–	–
Derecognition of redemption liabilities	1,696,897	115,387	–	–	–	115,387
Share-based payments	–	–	582,942	–	–	582,942
Share of other comprehensive income of investments accounted for using the equity method	–	–	–	–	9,160	9,160
Balance at December 31, 2021	(4,898,094)	5,474,936	1,156,722	3,016	9,160	6,643,834
Balance at January 1, 2022	(4,898,094)	5,474,936	1,156,722	3,016	9,160	6,643,834
Currency translation differences	–	–	–	(7,162)	–	(7,162)
Share-based payments	–	–	433,403	–	–	433,403
Share of other comprehensive income of investments accounted for using the equity method	–	–	–	–	4,345	4,345
Transfer of share of other comprehensive income to accumulated losses upon disposal of an associate	–	–	–	–	(2,630)	(2,630)
Transactions with non-controlling interests	–	(8,456)	–	–	–	(8,456)
Balance at December 31, 2022	(4,898,094)	5,466,480	1,590,125	(4,146)	10,875	7,063,334

Notes:

(a) Treasury stock is recorded to reflect the carrying amount of the redemption liabilities when it is reclassified from equity (Note 31).

(b) Currency translation reserve represents the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.

(c) During the year ended December 31, 2021, the Company completed its Series D, Series D+ and Series D+2 financing and the total net [**REDACTED**] raised in excess of the nominal value of the paid-in capital/share capital issued of approximately RMB5,000,884,000 has been credited to the Company's capital reserve.

Company

		Reserves			
	Treasury stock	Capital reserve	Share-based payment reserve	Other reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2020	(1,313,614)	1,527,113	6,253	–	1,533,366
Capital contribution from shareholders	–	476,242	–	–	476,242
Recognition of redemption liabilities	(432,610)	–	–	–	–
Share-based payments	–	–	522	–	522
Balance at December 31, 2020	(1,746,224)	2,003,355	6,775	–	2,010,130
Balance at January 1, 2021	(1,746,224)	2,003,355	6,775	–	2,010,130
Capital contribution from shareholders	–	5,000,884	–	–	5,000,884
Conversion into a joint stock company	–	(1,644,690)	(49,938)	–	(1,694,628)
Recognition of redemption liabilities	(4,848,767)	–	–	–	–
Derecognition of redemption liabilities	1,696,897	115,387	–	–	115,387
Share-based payments	–	–	43,163	–	43,163
Share of other comprehensive income of investments accounted for using the equity method	–	–	–	9,160	9,160
Balance at December 31, 2021	(4,898,094)	5,474,936	–	9,160	5,484,096
Balance at January 1, 2022	(4,898,094)	5,474,936	–	9,160	5,484,096
Share of other comprehensive income of investments accounted for using the equity method	–	–	–	1,697	1,697
Balance at December 31, 2022	(4,898,094)	5,474,936	–	10,857	5,485,793

26 SHARE-BASED PAYMENTS

Share-based payments of the Group mainly relates to (a) options granted to certain co-founders of the Group without any vesting condition; (b) option rewards granted to certain directors, senior management, core technicians, key employees and other suitable person identified for their contribution to the Group with vesting conditions; (c) an acceleration of vesting conditions with modification to prior schemes; and (d) awarded shares granted to certain senior management, core technicians and key employees identified for their contribution to the Group without any vesting condition.

Share option schemes

(a) Employee incentive scheme to co-founders – the Scheme 2016

In December 2016, shareholders of the Company granted four co-founders with employee incentive scheme (the "Scheme 2016") for the purpose of providing incentives and rewards to eligible participants who contribute to the Group to the success of the Group's operations. Eligible participants of the Scheme 2016 include four co-founders of the Company, who were granted 119,977,292 share options without performance nor service conditions, which were immediately exercisable with an exercise price of nil. The total expenses for share-based payments granted under the Scheme 2016 were approximately RMB93,582,000, which were recognized as a one-off expense in profit or loss for the year ended December 31, 2016.

(b) Employee incentive scheme of Paradigm Investment – the Scheme 2018

Paradigm (Tianjin) Management Consulting Partnership (Limited Partnership) ("Paradigm Investment") , previously known as Paradigm (Ningbo Free Trade Zone) Investment Partnership (Limited Partnership), was established as the Employee Incentive Platform on March 29, 2018. Ms. Wu Ming, one of the controlling shareholders, transferred her 19.42% equity interests in the Company to Paradigm Investment at a nominal consideration of RMB1.

Starting from 2018, eligible participants were entitled to be granted share options in the form of equity interests in the Employee Incentive Platform, with the purpose of attracting, motivating, retaining and rewarding certain directors or senior management, core technicians or middle-level management, key employees and other suitable person identified (the "Scheme 2018"). Through the Scheme 2018, as a maximum, a total of 171,007,476 share options would be granted to the eligible participants through the Employee Incentive Platform, with an exercise price of nil.

The eligible participants are granted rewards conditional upon the achievement of a performance condition and remaining in the Group's employment until that performance condition is satisfied. The length of the vesting period varies depending on when that performance condition is satisfied, the Company estimates the length of the expected vesting period at grant date, based on the most likely outcome of the performance condition. Basing on historical individual performance evaluation results of those eligible participants and considering the performance condition not difficult to meet, the Scheme 2018 has graded vesting terms and vest in different schedules from the grant date over 1 year, 3 years, 3.5 years and 4 years. For vesting schedule as one year, all granted rewards are vested on the first anniversary of the grant date. For vesting schedule as 3 years, 50% of the aggregate number of granted rewards are vested on the first anniversary of the grant date, 25% of granted rewards are vested on the second anniversary of the grant date, and the remaining granted rewards are vested on the third anniversary of the grant date. For vesting schedule as 3.5 years, 25% of the aggregate number of granted rewards are vested on the first half year of the grant date, every 25% of granted rewards are vested on the remaining 3 years. For vesting schedule as 4 years, the granted rewards are vested through 4 years with 10% to 60% vested each year unequally to eligible participants. During the Track Record Period, 17,307,015, 37,446,539 and no share options were granted for the years ended December 31, 2020, 2021 and 2022, respectively.

(c) Modifications of the Scheme 2018

On April 25, 2021, the Employee Incentive Platform modified the terms and conditions on which the rewards granted in the Scheme 2018, primarily included: (i) the service and performance vesting conditions in the Scheme 2018 were cancelled, therefore, the Group accounted for the cancellation as an acceleration of vesting conditions, and therefore recognized immediately a share-based payment expense of RMB461,400,000 to profit or loss; (ii) the exercise price per share increased from nil in the Scheme 2018 to RMB35.87 per the underlying share of the Company and as a compensation of the increase exercise price, the eligible participants obtained the additional number of the Company's shares. This modified term would be not otherwise beneficial to the employees, the Group therefore continued to account for the share-based payment as if that modification had not occurred. A total of 290,984,768 share options accelerated vested in May, 2021, and there is no outstanding share option as at December 31, 2021 and 2022.

Movements in the number of share options granted to co-founders and employees under the Scheme 2016 and Scheme 2018 are set out as below:

	Number of share options
Outstanding as at January 1, 2020	240,249,219
Granted	17,307,015
Forfeited	(2,868,013)
Outstanding as at December 31, 2020	254,688,221
Outstanding as at January 1, 2021	254,688,221
Granted	37,446,539
Forfeited	(1,149,992)
Exercised	(290,984,768)
Outstanding as at December 31, 2021 and 2022	–

Fair value of share options

The Group has used discounted cash flow method and the straight-line interpolation method to determine the underlying equity fair value of the Company and adopted the equity allocation model to determine the fair value of the underlying share capitals. Key assumptions, such as discount rate and projections of future performance, are determined by the Group with best estimate.

Based on fair value of the underlying share capitals, the Group has used Binomial option-pricing model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

	Year ended December 31,		
	2020	**2021**	**2022**
Fair value per share option (RMB)	7.28-8.35	8.35-9.77	N/A
Exercise price (RMB)	–	–	N/A
Risk-free interest rate	2.59%-3.15%	3.10%-3.19%	N/A
Dividend yield	–	–	N/A
Expected volatility	50%-51%	50%	N/A

The weighted-average fair value of granted share options was RMB3.16 and RMB3.96 per share for the years ended December 31, 2020 and 2021, respectively.

Share award scheme

Employee incentive scheme of Nanjing Paradigm - the Scheme 2022

In December 2022, under the overall employee incentive scheme approved and adopted on April 25, 2021, the directors of the Company approved and adopted a new share incentive batch (the "Scheme 2022") for the purpose of attracting, motivating, retaining and rewarding certain senior management, core technicians and key employees. Pursuant to the Scheme 2022, Nanjing Paradigm Enterprises Management Consulting Partnership (Limited Partnership) ("Nanjing Paradigm") was established as the Employee Incentive Platform on December 29, 2022, and eligible participants were entitled to be granted share awards in the form of equity interests in the Employee Incentive Platform. As at December 31, 2022, 9,344,614 awarded shares have been granted to eligible employees of the Group without performance nor service conditions. The awarded shares vested immediately on the grant date and had a grant date fair value of RMB46.38 per share. The total expenses for share-based payments granted under the Scheme 2022 were RMB433,403,000, which were recognized as a one-off expense in profit or loss in the year ended December 31, 2022.

Fair value of awarded shares

The fair value of each awarded share under the Scheme 2022 at the grant date is determined by reference to the fair value of the Company's underlying ordinary share. The Group has used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation model to determine the fair value of underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are determined by the Group with best estimate.

The total expenses recognized in profit and loss for the aforementioned share-based payments are RMB173,665,000, RMB560,721,000 and RMB433,403,000 for the years ended December 31, 2020, 2021 and 2022, respectively.

During the year ended December 31, 2021, a Series D investor acquired the Company's equity interests from the founder Mr. Dai Wenyuan at the subscription price of Series D financing and was entitled preferred rights as set out in Note 31. As the transaction price was higher than the fair value of the capital transferred by the founder, a share-based payment expense of RMB42,913,000 has been recognized accordingly.

27 TRADE PAYABLES

Trade payables primarily include payables for inventories and outsourcing service fees. As at December 31, 2020, 2021 and 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 December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Up to 3 months	79,059	216,443	710,871
3 to 6 months	5,906	53,964	65,314
Over 6 months	3	50,950	87,049
	84,968	321,357	863,234

28 OTHER PAYABLES AND ACCRUALS

Group

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Payroll payables	50,763	75,301	118,223
[**REDACTED**] expenses payables	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Other taxes payables	19,498	39,718	37,997
Expense reimbursement	921	6,178	6,998
Payable to a third party hardware supplier *(Note 22(a)(i))*	–	31,000	32,300
Accrual expenses and others	2,184	14,353	2,369
	73,366	183,863	226,161

Company

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Amount due to a subsidiary	5,112	5,786	1,931
Payroll payables	1,197	–	–
[**REDACTED**] expenses payables	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Accrual expenses and others	27	11,190	1
	6,336	34,289	30,206

The carrying amounts of other payables approximated their fair values as at December 31, 2020, 2021 and 2022. The other payables were primarily denominated in RMB.

29 DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates at which are expected to be applied at the time of reversal of the temporary differences.

The amounts of offsetting deferred income tax assets and liabilities are nil, nil and RMB5,650,000 as at December 31, 2020, 2021 and 2022, respectively. The analysis of deferred income tax assets and liabilities before offsetting is as follows:

	As at December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Deferred income tax assets:			
– to be recovered after 12 months	–	–	4,556
– to be recovered within 12 months	–	–	1,094
	–	–	5,650
Deferred income tax liabilities:			
– to be settled after 12 months	(889)	(14,592)	(13,977)
– to be settled within 12 months	(106)	(10,435)	(5,997)
	(995)	(25,027)	(19,974)

The gross movement on the deferred income tax assets is as follows:

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	–	–	–
Acquisitions of subsidiaries *(Note 33)*	–	2,274	–
(Charged)/credit to profit or loss	–	(2,274)	5,650
At the end of the year	–	–	5,650

Deferred income tax assets are recognized for deductible temporary differences and tax losses to the extent that the realization of the related tax benefits through future taxable profits is probable. As at December 31, 2020, 2021 and 2022, the Group did not recognize deferred income tax assets of RMB253,272,000, RMB374,912,000 and RMB478,239,000, respectively, in respect of deductible temporary differences and cumulative tax losses amounting to RMB1,159,224,000, RMB1,894,390,000 and RMB2,493,785,000, respectively, that can be carried forward against future taxable income. As at December 31, 2020, 2021 and 2022, tax losses of RMB35,881,000, RMB62,161,000 and RMB85,718,000, can be carried forward indefinitely, respectively, and the remaining tax losses of RMB1,111,620,000, RMB1,803,860,000 and RMB2,317,620,000 will expire within 5 or 10 years from the respective balance sheet dates.

The gross movement on the deferred income tax liabilities is as follows:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	(268)	(995)	(25,027)
(Charged)/credited to profit or loss	(727)	(4,352)	8,203
Acquisitions of subsidiaries *(Note 33)*	–	(19,680)	(3,150)
At the end of the year	(995)	(25,027)	(19,974)

The detailed movements in deferred income tax assets and liabilities during the years are as follows:

Deferred income tax assets:

	Credit loss allowance	**Tax losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2020 and December 31, 2020	–	–	–
Acquisitions of subsidiaries *(Note 33)*	798	1,476	2,274
Charged to profit or loss	(798)	(1,476)	(2,274)
At December 31, 2021	–	–	–
At January 1, 2022	–	–	–
Credited to profit or loss	–	5,650	5,650
At December 31, 2022	–	5,650	5,650

Deferred income tax liabilities:

	Fair value changes of financial assets	**Intangible assets acquired in business combination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2020	(268)	–	(268)
Charged to profit or loss	(727)	–	(727)
At December 31, 2020	(995)	–	(995)
At January 1, 2021	(995)	–	(995)
(Charged)/credited to profit or loss	(6,757)	2,405	(4,352)
Acquisitions of subsidiaries *(Note 33)*	–	(19,680)	(19,680)
At December 31, 2021	(7,752)	(17,275)	(25,027)

	Fair value changes of financial assets	Intangible assets acquired in business combination	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2022	(7,752)	(17,275)	(25,027)
Credited to profit or loss	4,316	3,887	8,203
Acquisitions of subsidiaries *(Note 33)*	–	(3,150)	(3,150)
At December 31, 2022	(3,436)	(16,538)	(19,974)

30 BORROWINGS

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Included in current liabilities			
Secured borrowings *(Note (a))*	–	–	11,000
Factoring borrowings	–	3,752	5,894
Unsecured borrowings *(Note (b))*	–	–	31,660
	–	3,752	48,554
Included in non-current liabilities			
Secured borrowings *(Note (a))*	–	–	9,000
Unsecured borrowings *(Note (b))*	–	15,000	15,000
	–	15,000	24,000

Notes:

(a) As at December 31, 2022, the secured borrowings of RMB9,000,000 were borrowed by EpicHust and bear interests at fixed interest rates ranging from 4.30%-5.00% per annum, which are repayable by April or June 2023.

As at December 31, 2022, Guangzhou Jianxin has a bank borrowing of RMB1,000,000 with fixed interest rate 3.85% per annum, which is repayable by December 2023, and a 3-year bank borrowing of RMB10,000,000 with interest rate of 1-year Loan Prime Rate ("LPR", announced by National Interbank Funding Center) + 0.8% per annum, which 5% of the principal should be repaid every half year and the remaining principal should be repaid by September 2025. These borrowings are guaranteed by the Company and secured by the pledge over Guangzhou Jianxin's patent rights.

(b) On April 22, 2021, Guangzhou Jianxin borrowed RMB15,000,000 from its non-controlling shareholder, Guangzhou Shibei Commercial Partnership (Limited Partnership) (formerly known as Yulin Shibei Business Partnership (Limited Partnership)), which is unsecured, interest-free and repayable on demand after June 30, 2024.

As at December 31, 2022, Guangzhou Jianxin has bank borrowings of RMB25,660,000 with fixed interest rates ranging from 4.50%-4.85% per annum, which are repayable by May or June 2023 and guaranteed by the Company.

As at December 31, 2022, EpicHust has bank borrowings of RMB6,000,000 with fixed interest rates ranging from 4.00%-4.20% per annum, which are unsecured and repayable by November or December 2023.

31 REDEMPTION LIABILITIES

Group and Company

Since the date of incorporation of the Company to December 31, 2022, 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 key terms of the preferred rights granted to the abovementioned investors are summarized as follows:

(i) Redemption right

Investors have a right to require the Company to redeem their investments if (a) the Company fails to achieve a [**REDACTED**] ("[**REDACTED**]") by the third anniversary of the initial closing date of Series D (closed in January 2021) or the Deemed Liquidation Event (as defined in shareholder agreement) occurs; (b) the Company or the founder is convicted by the judicial authority or the authority with the right to punish that it has committed any crime or serious illegal act before the [**REDACTED**]; (c) the labor relation between the founder and the Group is terminated; (d) the Company has uninformed revenue from off account cash sales or significant internal control deficiencies due to the founder's deliberate act; or (e) the founder or the Company has severely violated the provisions of the transaction documents and fails to take timely remedial action within ten business days after the investor gives written notice to request the remedy, and has had a significant adverse impact on the Company's operations, resulting in the Company's failure to complete the [**REDACTED**] within the limited period or the occurrence of Deemed Liquidation Event.

The redemption amount is the original investment principal from the investors, plus an annual rate of 10% of the original investment principal for a period of time commencing from the relevant payment date of investments to the registration change date for the redeemed shares (calculated as 365 days in a calendar year) and any accumulated or declared but undistributed profit.

(ii) Liquidation preferences

In the event of a Legal Liquidation Event (refers to the liquidation, dissolution or closure of the Company) or a Deemed Liquidation Event, the distributable liquidation property (after satisfaction of all creditors' claims and claims that may be preferred by law in a Legal Liquidation Event and the total consideration received by the Company or the shareholders in a Deemed Liquidation Event) shall be distributed in the amount equal to the higher of (1) 100% of the original investment principal, plus the accumulated dividends or declared but undistributed dividends (and retained earnings) on the equity held; or (2) the distributable liquidation property can be distributed according to the equity proportion at that time, and in the priority order of Series D+/Series D, Series C-2, Series C-1, Series C, Series B, Series A-2, Series A-1 to Series A.

(iii) Anti-dilution right

If the Company increases its registered capital at a price lower than the price paid by the Anti-Dilution Right Holder (the Series D+, Series D, Series C-2, Series C-1, Series C or Series B investors with preferred rights referred) (the "New Low Financing"), the subscription price per unit invested by the Anti-dilution Right Holder in the Company will be adjusted.

The Anti-Dilution Right Holder has the right to require the Company to issue new capitals or the founder to transfer capitals for a nominal consideration or a minimum price permitted by applicable laws or the Company and the founder to compensate the Anti-Dilution Right Holder in cash and permit the Anti-Dilution Right Holder to increase capitals then, so that the equity proportion held by the Anti-Dilution Right Holder can reach that can be subscribed according to the adjusted subscription price per unit.

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Redemption liabilities	2,147,031	5,822,196	6,493,159

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 New Low Financing would never occur before the Company's success in the [**REDACTED**].

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 CSRC for the [**REDACTED**] and the [**REDACTED**] of its overseas-listed foreign shares (H Shares) on the Stock Exchange by the Company, provided such redemption right shall automatically be reinstated upon the occurrence of certain agreed uncontrollable events, all redemption liabilities were still being recognized and will be re-classified to equity upon the successful [**REDACTED**] of the Company.

On January 15, 2023, the Company and respective investors signed a supplemental agreement, pursuant to which, if the [**REDACTED**] and [**REDACTED**] and [**REDACTED**] on stock exchange does not occur before December 30, 2023, the respective investors' redemption rights shall be reinstated and become exercisable immediately. Up to the date of this accountant's report, [a majority of] the investors have provided undertakings to the Company that they will not exercise their redemption rights prior to [June 30, 2024] if the Company does not suspend/terminate its [**REDACTED**] plan and the related redemption liabilities were amounting to RMB[●] as at December 31, 2022.

The movements of redemption liabilities during the years ended December 31, 2020, 2021 and 2022 are set out below:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	1,528,181	2,147,031	5,822,196
Recognition	432,610	4,848,767	–
Charged to finance costs *(Note 11)*	186,240	638,682	670,963
Derecognition *(Note (a))*	–	(1,812,284)	–
At the end of the year	2,147,031	5,822,196	6,493,159

Note:

(a) On May 31, 2021, the Company and certain investors agreed to terminate the abovementioned preferred rights with immediate effect. The redemption liabilities of approximately RMB1,812,284,000 and the treasury stock of approximately RMB1,696,897,000 were derecognized, with the difference of approximately RMB115,387,000 credited to the capital reserve.

32 OTHER NON-CURRENT LIABILITIES

Group

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Deferred government grants	400	151	–
Advance from investors *(Note (a))*	771,661	–	–
Payable for acquisition of subsidiaries *(Note 33)*	–	106,306	95,175
	772,061	106,457	95,175
Less: current portion of payable for acquisition of subsidiaries included in other current liabilities	–	(39,916)	(41,493)
	772,061	66,541	53,682

Company

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Advance from investors *(Note (a))*	771,661	–	–

Note:

(a) Advance from investors represented the investment considerations received from investors before the closing date of the transactions as determined in relevant capital purchase agreements.

33 BUSINESS COMBINATION

During the Track Record Period, business combinations mainly comprised the following:

(a) Acquisition of Guangzhou Jianxin

On March 31, 2021, the Group acquired 66% of equity interests of Guangzhou Jianxin and its wholly owned subsidiaries at a cash consideration of RMB197,976,000, of which RMB156,116,000 was paid immediately and the remaining shall be repayable by instalments prior to May 2024.

Details of the purchase consideration, the net assets acquired and goodwill as at the acquisition date are as follows:

	As at March 31, 2021
	RMB'000
Purchase consideration	
Cash paid	156,116
Present value of deferred consideration	37,674
	193,790
Identifiable assets and liabilities:	
Cash and cash equivalents	7,756
Trade receivables	100,300
Prepayments and other receivables	7,393
Inventories	27,696
Deferred income tax assets	2,274
Property and equipment	3,838
Right-of-use assets	6,206
Intangible assets	
– Customer relationship *(Note (i))*	50,700
– Technology *(Note (i))*	31,900
– Software	4,712
Other non-current assets	1,000
Deferred income tax liabilities	(12,390)
Borrowings	(35,417)
Trade payables	(18,251)
Other payables and accruals	(18,521)
Contract liabilities	(1,875)
Lease liabilities	(6,257)
Net identifiable assets acquired	151,064
Less: non-controlling interests	(51,362)
Add: goodwill *(Note (ii))*	94,088
Net assets acquired	193,790

Notes:

(i) The identified intangible assets for the acquisition primarily consist of customer relationship and technology. They are initially recognized and measured at fair value as they are acquired in business combinations.

(ii) Goodwill acquired was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill is expected to be deductible for income tax purpose.

The acquired business contributed revenue of approximately RMB247 million and net loss of approximately RMB29 million to the Group for the period from March 31, 2021, the acquisition date, to December 31, 2021. If the acquisition had occurred on January 1, 2021, consolidated pro-forma revenue and net loss for the year ended December 31, 2021 would have been approximately RMB2,043 million and approximately RMB1,810 million, respectively.

(b) Acquisition of Ideal Technology

On June 30, 2021, the Group acquired 54.44% equity interest in Ideal Technology by way of acquiring from other shareholders and capital increase at a total cash consideration of RMB245,000,000, of which RMB165,000,000 was paid immediately and the remaining shall be repayable by instalments prior to May 2025.

Details of the purchase consideration, the net assets acquired and goodwill as at the acquisition date are as follows:

	As at June 30, 2021
	RMB'000
Purchase consideration	
Cash paid	165,000
Present value of deferred consideration	63,181
	228,181
Identifiable assets and liabilities:	
Cash and cash equivalents	58,659
Restricted cash	3,446
Trade receivables	10,055
Prepayments and other receivables	2,169
Inventories	17,547
Property and equipment	1,381
Right-of-use assets	1,693
Intangible assets	
– Customer relationship *(Note (i))*	30,800
– Technology *(Note (i))*	11,100
– Brand name *(Note (i))*	6,700
– Software	33
Deferred income tax liabilities	(7,290)
Borrowings	(300)
Trade payables	(949)
Other payables and accruals	(5,205)
Contract liabilities	(13,416)
Lease liabilities	(1,538)
Net identifiable assets acquired	114,885
Less: non-controlling interests	(52,343)
Add: goodwill *(Note (ii))*	165,639
Net assets acquired	228,181

Notes:

(i) The identified intangible assets for the acquisition primarily consist of customer relationship, technology and brand name. They are initially recognized and measured at fair value as they are acquired in business combinations.

(ii) Goodwill acquired was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill is expected to be deductible for income tax purpose.

The acquired business contributed revenue of approximately RMB41 million and net loss of approximately RMB3 million to the Group for the period from June 30, 2021, the acquisition date, to December 31, 2021. If the acquisition of Ideal Technology had occurred on January 1, 2021, consolidated pro-forma revenue and net loss for the year ended December 31, 2021 would have been approximately RMB2,044 million and approximately RMB1,813 million, respectively.

(c) Acquisition of EpicHust

On June 30, 2022, the Group acquired 79.66% of equity interests of EpicHust and its subsidiaries at a cash consideration of RMB118,988,000, of which RMB85,778,000 was paid by June 30, 2022, RMB8,386,000 was paid in July 2022, and the remaining shall be repayable by instalments prior to June 2024.

Details of the purchase consideration, the net assets acquired and goodwill as at the acquisition date are as follows:

	As at June 30, 2022
	RMB'000
Purchase consideration	
Cash paid	85,778
Present value of deferred consideration	29,984
	115,762
Identifiable assets and liabilities:	
Cash and cash equivalents	7,637
Restricted cash	172
Trade receivables	42,258
Prepayments and other receivables	11,108
Inventories	30,474
Contract assets	10,252
Property and equipment	364
Right-of-use assets	174
Intangible assets	
– Customer relationship *(Note (i))*	15,700
– Technology *(Note (i))*	5,300
– Software	339
Deferred income tax liabilities	(3,150)
Borrowings	(11,000)
Trade payables	(18,548)
Other payables and accruals	(5,593)
Contract liabilities	(34,710)
Lease liabilities	(181)
Other current liabilities	(774)
Net identifiable assets acquired	49,822
Less: non-controlling interests	(10,134)
Add: goodwill *(Note (ii))*	76,074
Net assets acquired	115,762

Notes:

(i) The identified intangible assets for the acquisition primarily consist of customer relationship and technology. They are initially recognized and measured at fair value as they are acquired in business combinations.

(ii) Goodwill acquired was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill is expected to be deductible for income tax purpose.

The acquired business contributed revenue of approximately RMB88 million and net profit of approximately RMB9 million to the Group for the period from June 30, 2022, the acquisition date, to December 31, 2022. If the acquisition of EpicHust had occurred on January 1, 2022, consolidated pro-forma revenue and net loss for the year ended December 31, 2022 would have been approximately RMB3,119 million and approximately RMB1,669 million, respectively.

34 CONTINGENCIES AND COMMITMENTS

The Group did not have any material contingent liabilities as at December 31, 2020, 2021 and 2022.

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Investments	35,000	20,000	–

(b) Operating lease commitments

The Group leases certain offices under short-term operating lease agreements. The Group's future aggregate minimum lease payments under operating leases are as follows which are mainly related to short-term leases exempted from IFRS 16:

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Not later than 1 year	30	–	49

35 DIVIDENDS

No dividends have been paid or declared by the Company or the companies now comprising the Group during each of the years ended December 31, 2020, 2021 and 2022.

36 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 significant transactions and/or balances with the Group during the Track Record Period.

Names of the major related parties	Relationship
Huayun	Associate of the Group (before resignation from the board of Huayun) *(Note 17(b))*
Paradigm Cloud	Joint venture of the Group (before acquisition by the Group) *(Note 17(b))*
Beijing Paradigm Private Fund Management Co., Ltd. (formerly known as Beijing Paradigm Fund Management Co., Ltd.) ("Paradigm Fund Management")	Associate of the ultimate controlling shareholder
Yijing Zhilian (Beijing) Technology Co., Ltd. ("Yijing Zhilian")	Associate of the Group

(b) Significant transactions with related parties

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
(i) Sales of goods and services			
Huayun	1,509	1,957	802
Paradigm Cloud	2,922	–	–
	4,431	1,957	802
(ii) Purchases of goods and services			
Huayun	4,775	3,375	1,617
Paradigm Cloud	918	283	–
Yijing Zhilian	–	–	965
	5,693	3,658	2,582
(iii) Loan to a related party			
Loan to Yijing Zhilian:			
At the beginning of the year	–	–	–
Loan advanced	–	–	4,000
Loans repaid	–	–	(4,000)
Interest charged	–	–	80
Interest received	–	–	(80)
At the end of the year	–	–	–

(c) Significant balance with related parties

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
(i) Other receivables from related parties			
Paradigm Fund Management	200	–	–
(ii) Trade receivables from related parties			
Huayun	1,366	2,221	—
(iii) Trade payables to related parties			
Huayun	1,343	942	—
Paradigm Cloud	450	750	—
Yijing Zhilian	–	–	1,023
	1,793	1,692	1,023

The other receivables from related parties were non-trade in nature. The trade receivables from related parties and the trade payables to related parties were trade in nature.

(d) Key management personnel compensation

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

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	19,095	18,834	22,586
Contributions to pension plans	354	502	590
Other social security costs, housing benefits and other employee benefits	802	795	873
Share-based payment expenses *(Note 26)*	124,614	190,030	38,461
	144,865	210,161	62,510

37 CASH FLOW INFORMATION

(a) Cash used in operations

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Loss before income tax	(749,483)	(1,791,699)	(1,665,094)
Adjustments for:			
– Depreciation and amortization			
– property and equipment	14,103	16,348	16,763
– right-of-use assets	27,430	25,958	27,610
– intangible assets	5,782	25,872	36,472
– Credit loss allowance	1,992	15,206	48,914
– Impairment provision for inventories	–	1,920	1,125
– Share-based payment expenses	173,665	603,634	433,403
– Interest income	(6,038)	(24,416)	(46,183)
– Interest expenses	188,693	646,800	681,941
– Losses/(gains) on disposal of property and equipment	105	(44)	–
– Gains on termination of right-of-use assets	(998)	–	–
– Fair value changes on financial assets at fair value through profit or loss	(18,362)	(85,024)	(51,356)
– Fair value changes on financial liabilities at fair value through profit or loss	888	–	–
– Share of losses/(profits) of investments accounted for using the equity method	6,477	(3,802)	3,200
– Net gains on disposal/transfer/dilution of investments accounted for using the equity method	(13,781)	(8,086)	(5,158)
– Foreign exchange losses, net	3,568	1,197	2,206
– Decrease/(increase) in contract assets	53	(3,864)	(32,903)
– Increase in inventories	(7,177)	(112,990)	(135,154)
– Increase in trade receivables	(85,548)	(420,118)	(715,904)
– Increase in prepayments and other receivables	(80,562)	(51,306)	(78,314)
– (Increase)/decrease in restricted cash	(17,865)	13,637	1,266
– Increase in trade payables	69,737	217,189	522,962
– (Decrease)/increase in other payables and accruals	(23,810)	73,751	25,691
– Increase in contract liabilities	56,318	81,491	116,857
– Increase/(decrease) in other current and non-current liabilities	975	(88)	9,982
Cash used in operations	(453,838)	(778,434)	(801,674)

(b) Reconciliation of liabilities from financing activities

This section sets out an analysis and the movements of liabilities from financing activities for the years ended December 31, 2020, 2021 and 2022, respectively.

	Liabilities from financing activities			
	Redemption liabilities *(Note 31)*	**Lease liabilities** *(Note 14)*	**Borrowings** *(Note 30)*	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2020	1,528,181	65,566	–	1,593,747
Cash flows	–	(27,039)	–	(27,039)
Accrued interest expenses	186,240	2,453	–	188,693
Addition of redemption liabilities	432,610	–	–	432,610
Addition of new leases	–	704	–	704
Termination of leases	–	(2,909)	–	(2,909)
As at December 31, 2020	2,147,031	38,775	–	2,185,806
As at January 1, 2021	2,147,031	38,775	–	2,185,806
Cash flows	–	(27,479)	(17,678)	(45,157)
Accrued interest expenses	638,682	1,954	713	641,349
Addition of redemption liabilities	4,848,767	–	–	4,848,767
Derecognition of redemption liabilities	(1,812,284)	–	–	(1,812,284)
Addition of new leases	–	14,319	–	14,319
Acquisition of subsidiaries *(Note 33)*	–	7,795	35,717	43,512
As at December 31, 2021	5,822,196	35,364	18,752	5,876,312
As at January 1, 2022	5,822,196	35,364	18,752	5,876,312
Cash flows	–	(28,429)	41,577	13,148
Accrued interest expenses	670,963	1,552	1,225	673,740
Addition of new leases	–	63,364	–	63,364
Acquisition of subsidiaries *(Note 33)*	–	181	11,000	11,181
As at December 31, 2022	6,493,159	72,032	72,554	6,637,745

(c) Major non-cash investing and financing activities

The major non-cash investing and financing activities during the Track Record Period mainly include (i) the addition of right-of-use assets and lease liabilities described in Note 14, (ii) the deemed disposals of interests in an associate due to the agreement on the waiver for settling the unpaid contingent consideration, increase in share of net assets of associates due to the dilution gains, and transfers of investments accounted for using equity method to financial assets measured at fair value through profit and loss as described in Note 17, and (iii) the recognition of redemption liabilities due to the founder's direct disposal of his equity interest in the Company to a Series D investor (with preferred rights granted by the Company) as described in Note 26, the interest amortization on redemption liabilities and the derecognition of redemption liabilities as described in Note 31.

38 SUBSEQUENT EVENTS

In March 2023, the Company completed the share registration procedures for the 2022 share award scheme as described in Note 26. The share capital of the Company was finally increased by approximately RMB7,959,000 accordingly, with a total number of 7,958,544 ordinary shares being issued.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2022 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2022.