北京第四範式智能技術股份有限公司

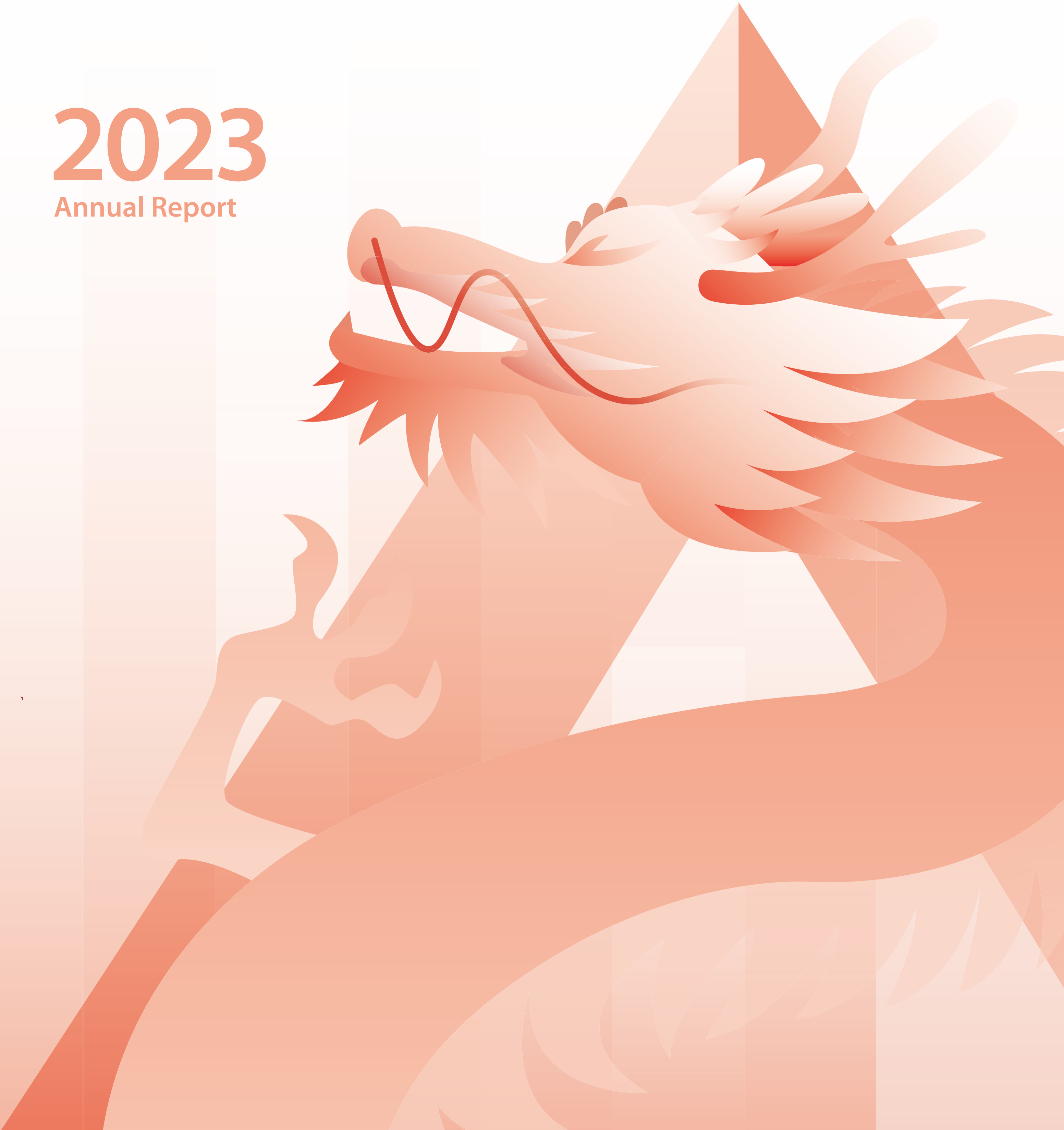
Beijing Fourth Paradigm Technology Co., Ltd.

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

Stock Code : 6682

2023

Annual Report



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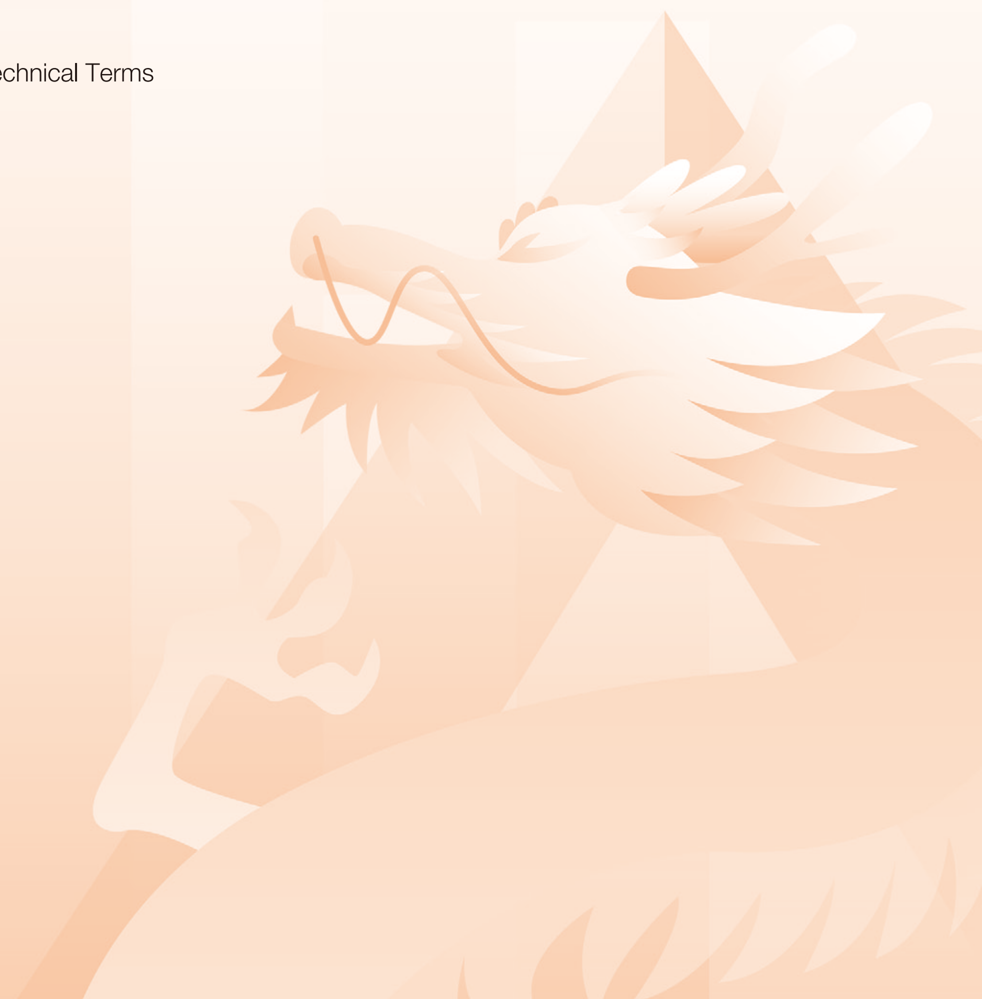

BOARD OF DIRECTORS

Executive Directors

Dr. Dai Wenyuan (戴文淵)
(Chairman, Chief Executive Officer and General Manager)
Mr. Chen Yuqiang (陳雨強) *(Chief Research Scientist)*
Mr. Yu Zhonghao (于中灝)
(Chief Financial Officer and Vice President)

Non-executive Directors

Dr. Yang Qiang (楊強)
Mr. Dou Shuai (竇帥)
Mr. Zhang Jing (張晶)

Independent non-executive Directors

Mr. Li Jianbin (李建濱)
Mr. Liu Chijin (劉持金)
Ms. Ke Yele (柯燁樂)

AUDIT COMMITTEE

Mr. Li Jianbin (李建濱) *(Chairman)*
Mr. Liu Chijin (劉持金)
Dr. Yang Qiang (楊強)

REMUNERATION COMMITTEE

Ms. Ke Yele (柯燁樂) *(Chairlady)*
Dr. Yang Qiang (楊強)
Mr. Li Jianbin (李建濱)

NOMINATION COMMITTEE

Dr. Dai Wenyuan (戴文淵) *(Chairman)*
Mr. Liu Chijin (劉持金)
Mr. Li Jianbin (李建濱)

SUPERVISORS

Mr. Chai Yifei (柴亦飛)
Ms. Zhou Wenjing (周文靜)
Ms. Shao Liling (邵麗玲)

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Haidian District, Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

H SHARE REGISTRAR

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

AUDITOR

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

HONG KONG LEGAL ADVISER

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

COMPLIANCE ADVISER

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

AUTHORIZED REPRESENTATIVES

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

JOINT COMPANY SECRETARIES

Ms. Guo Qingyuan (郭清媛)[1]
Ms. Yeung Siu Wai Kitty (楊小慧)

PRINCIPAL BANKS

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

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

STOCK CODE

6682

COMPANY'S WEBSITE

www.4paradigm.com

Note:

(1) Ms. Guo Qingyuan was appointed as the Joint Company Secretary of the Company, with effect from January 19, 2024. Mr. Xiong Fei resigned as the Joint Company Secretary of the Company, with effect from January 19, 2024.

Financial Highlights for the Year

	Year ended December 31,				
	2023		2022		
	Amount (RMB'000)	Percentage of total revenue	Amount (RMB'000)	Percentage of total revenue	YoY change
Revenue	4,204,142	100.0	3,082,637	100.0	36.4%
Gross profit	1,979,548	47.1	1,486,646	48.2	33.2%
Loss for the year	(920,569)	(21.9)	(1,653,421)	(53.6)	-44.3%
Non-IFRS measures:					
Adjusted net loss	(415,459)	(9.9)	(504,335)	(16.4)	-17.6%

Financial Highlights for Four Years

	Year ended December 31/As at December 31			
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Revenue	942,238	2,018,399	3,082,637	4,204,142
Gross profit	429,735	953,475	1,486,646	1,979,548
Operating loss	(560,066)	(1,172,806)	(1,025,902)	(545,434)
Loss before income tax	(749,483)	(1,791,699)	(1,665,094)	(930,829)
Loss for the year	(750,210)	(1,802,068)	(1,653,421)	(920,569)
Assets				
Non-current assets	213,667	1,352,969	1,800,817	1,490,748
Current assets	1,802,342	5,095,715	4,918,167	5,656,526
Total assets	2,016,009	6,448,684	6,718,984	7,147,274
Equity and liabilities				
Equity attributable to owners of the Company	(1,178,023)	(351,021)	(1,574,712)	5,349,122
Non-controlling interests	(4,976)	103,008	113,701	103,392
(Deficit on total equity)/total equity	(1,182,999)	(248,013)	(1,461,011)	5,452,514
Non-current liabilities	2,937,677	5,939,764	6,628,886	51,610
Current liabilities	261,331	756,933	1,551,109	1,643,150
Total liabilities	3,199,008	6,696,697	8,179,995	1,694,760
Total equity and liabilities	2,016,009	6,448,684	6,718,984	7,147,274

Note: The Company was listed on the Main Board of the Stock Exchange on September 28, 2023. The Company published financial information since 2020 in the Prospectus, and therefore the above table sets out the financial highlights for the four accounting years since 2020.

Dear Shareholders,

I am pleased to present our annual report for the year ended December 31, 2023 to our shareholders.

BUSINESS REVIEW AND OUTLOOK

In 2023, amidst a volatile global economic environment, we steadfastly supported enterprise customers in achieving digital and intelligent transformation through technological innovation. This support enabled us to achieve stable business growth and contributed to our sustainable development.

In 2023, the Company's total revenue amounted to RMB4,204 million, representing a year-on-year growth of 36.4%. Its gross profit amounted to RMB1,980 million, representing a year-on-year increase of 33.2% and a gross profit margin of 47.1%. We emphasized technology investment. R&D expenses exceeded RMB1.7 billion in 2023, with a R&D expense ratio of more than 40%. The Company has set a clear goal of profitability. Full-year adjusted net loss amounted to RMB415 million, a year-on-year decline of RMB88.88 million or 17.6%. We have reduced losses year-on-year since 2021.

During the Reporting Period, we continued to expand our customer base, significantly increased our industry influence, and contributed value to many industries with our AI technology. We are deeply engaged in the finance, energy and power, telecommunications, and transportation and other industries, and continue to proactively expand our presence in strategic fields, such as manufacturing, healthcare and retail. In 2023, the total number of users increased to 445, with 139 lighthouse users[1], representing a year-on-year growth of 33.7%. We insist on creating value for our customers. The average revenue from our lighthouse users was RMB18.38 million, and their NDER (net dollar expansion rate)[2] was 115% in 2023.

Currently, we have established three major business segments: 4Paradigm Sage AI Platform (4ParadigmSage), SHIFT Intelligent Solutions (4Paradigm SHIFT), and 4Paradigm SageGPT AIGS Services (4Paradigm AIGS).

The 4Paradigm Sage AI Platform, the base platform for developing AI models, is the core of all business. The SHIFT Intelligent Solutions are our intelligent solutions for various industries. 4Paradigm SageGPT AIGS Services are dedicated to empowering software development through generative AI technology to increase development efficiency.

1 Lighthouse users are the Fortune Global 500 companies or listed companies.

2 NDER (net dollar expansion rate) reflects our customer stickiness and willingness to pay. In this report, the denominator is the revenue contribution of lighthouse users in 2022, and the numerator is the revenue generated by the retained lighthouse users in 2023.

Performance by Business Segments

4Paradigm Sage AI Platform (4ParadigmSage)

In 2023, the revenue of the 4Paradigm Sage AI Platform (the "**Sage AI Platform**") business grew by 68.0% year on year to RMB2,506 million, and the scale of revenue growth exceeded RMB1.0 billion. The proportion of the revenue of the Sage AI Platform to the total revenue of the Group increased from 48.4% to 59.6%.

The Sage AI Platform is our platform for developing AI models. Our core product, 4Paradigm Sage AI Platform, can support model training with over a trillion parameters, millisecond real-time reasoning, and model self-learning. In the meantime, based on 4Paradigm's world-leading AutoML (automated machine learning) technology, we realize low-threshold AI model building and help enterprises build models with a low cost and a high efficiency.

Our products have been market leaders for many years. According to the research conducted by IDC, an international authoritative research institution, the Sage AI Platform has come first in terms of China's machine learning platform market share for five consecutive years since 2018[3], and gained the top spot among Chinese vendors in the Worldwide Machine Learning Operations Platforms (MLOps) Vendor Assessment[4]. The SageGPT large model has already been registered in accordance with the Provisional Administrative Measures for Generative Artificial Intelligence Services and has been selected as one of Beijing's first seven large model partners.

The 4Paradigm Sage AI Platform supports the scaled coverage of AI scenarios with a low threshold and a low cost.

As the core of all 4Paradigm businesses, the Sage AI Platform greatly reduces the threshold of AI model building, produces standardized models and efficiently reuses them via powerful AI infrastructure, which reduces the average model building cycle from half a year to days, and facilitates the extensive AI applications. Currently, the number of models built on the Sage AI Platform exceeds 10,000.

In the evolution of AI development and application, we continue to devote ourselves to solving the pain points of AI application in various stages of enterprises. The Sage AI Platform 1.0 version (in 2015) significantly improves the model accuracy through high-dimensional, real-time, and self-learning frameworks, which solves the problem of the poor effect of the early models. The Sage AI Platform 2.0 version (in 2017) significantly lowers the model development threshold through the automated modeling tool HyperCycle, allowing tens of millions of programmers in China to develop AI models directly, thus solving the bottleneck in the supply of scientists. Our Sage AI Platform 3.0 version (in 2020) solves the "last kilometer" problem from model building to application by standardizing AI data governance and start of production. The Sage AI Platform 4.0 version (in 2022) introduces the North Star methodology and platform[5] to truly help enterprises enhance their core competitiveness and maximize the business value of AI applications.

Currently, we are about to release version 5.0 of the Sage AI Platform to further promote the extensive use of AI technology by the end of March 2024.

Our Sage AI Platform supports flexible deployment and meets the different needs of various customers for the runtime environment, including software licenses and servers. At the same time, our AI models and applications can also be massively distributed at the edge to be carried as AIoT.

3 Information sources: IDC China Artificial Intelligence Software Market Share Report 2022

4 Information sources: IDC MarketScape Worldwide Machine Learning Operations Platforms Vendor Assessment

5 The North Star Metric is the absolute core indicator of a company's business strategy. This indicator helps the company focus on the most important growth drivers and guides decision-making and resource allocation, which is the best reflection of the company's long-term success and the realization of its core values. For example, the North Star Metric might be "daily active users" (DAU) on social media platforms.

During the Reporting Period, the Company's AIoT business saw remarkable growth, and the potential to reach more markets increased abruptly. The business covers a variety of markets such as transportation, industrial automation, healthcare, agriculture and smart home furnishings. For example, AIoT technology enables the full-time and panoramic management of all generating units in hydropower stations, which has been applied in a giant hydropower station to ensure the safe operation of the hydropower station. Based on AI vision robotic arm intelligent control technology, it helps a new-energy vehicle manufacturer realize intelligent defect detection. AIoT controls all equipment in operating rooms, which enables human-machine collaborative decision making in the entire process of surgeries, and operating room monitoring and management scheduling. The AIoT business further broadens the boundaries of our products and increases our solution offerings to meet a wider range of market needs.

SHIFT Intelligent Solutions (4Paradigm SHIFT)

In 2023, the SHIFT Intelligent Solutions business recorded revenue of RMB1,283 million, representing a year-on-year growth of 7.4%, accounting for 30.5% of the Group's total revenue. The SHIFT Intelligent Solutions are a series of intelligent solutions for various industries developed based on the underlying AI capabilities of 4Paradigm and the industry practice experience of 4Paradigm and its partners. It aims to empower the digital and intelligent transformation of many industries with leading AI capabilities to enhance the core competitiveness of enterprises.

We have a rich collection of models and solutions that can continuously help users transform digitally and bring us a steady stream of revenue for the Company's future development.

We emphasize on high-value solutions in a particular domain or industry, which can bring considerable market share and provide a stable revenue stream for us. The Company's solutions are widely used in key industries such as finance, energy and power, telecommunications and transportation, driving the digital transformation of enterprises and industries. New layout and development plans are being carried out in strategic sectors such as manufacturing, healthcare and retail.

During the Reporting Period, we released dozens of solution products, including an intelligent material control solution for the manufacturing industry, which can predict the supply and demand of materials in real time through AI to dynamically adjust rationing schemes. The intelligent supply chain solution for the retail industry covers end-to-end supply chain capabilities such as sales forecasting, distribution capabilities, inventory management starting from fulfillment rate. The medical chronic disease management solution, which predicts early screening and early diagnosis of diabetes and complications with AI models, and facilitates the interaction process between doctors and patients with generative AI, has been selected as one of the first typical digital products and services for chronic disease prevention and treatment by the National Health Commission and the Ministry of Industry and Information Technology (MIIT) in 2023.

Moreover, there are a large number of solutions based on multimodal data such as texts, images and videos in our work with many enterprises. For example, in the retail sector, a lot of marketing generative demands emerged after the large model, and we provided customers with solutions such as video generation, poster generation and digital humans. The data query solution, which is a hybrid of underlying large-model capabilities and expert system, allows the large model to perform controllable execution, correct errors and provide trustable answers when processing the query of enterprises' internal data. It ensures that the results of the query are 100% controllable.

Based on the industry influence of 4Paradigm, we began to organize the SHIFT Digital Transformation Summit in 2022. We will define the future direction of intelligent transformation with enterprise top operators, managers, and industry opinion leaders. A total of 70 chairmen and opinion leaders were invited to attend the SHIFT Summit 2023. The SHIFT Summit will continue to reinforce the authority of 4Paradigm's brands and its influence on the future direction of the industry.

Paradigm Ecology was unveiled in November 2023. Paradigm Ecology is committed to providing end-to-end solutions for various industries based on our definition of the future direction of the industry (the "**North Star System**") and our core technical capabilities, in partnership with our ecological partners. The value of the North Star System lies in the fact that it ensures that solutions serve the enhancement of the core competitiveness of enterprises and avoids the common problem of the disconnection between "digitalization" and "intelligence" and the core competitiveness of enterprises in the current industry. Under the Paradigm Ecology, 4Paradigm provides the North Star System and core AI technology to ecological partners. Ecological partners offer the ability to create end-to-end solutions for the industry. The first batch of more than 40 partners joined Paradigm Ecology, with applications in dozens of industry scenarios.

The SHIFT Summit and the Paradigm Ecology are our key business development directions in the future, including strengthening our market leadership by organizing higher-quality summit events, as well as actively expanding the business layout of the Paradigm Ecology in various industries and the provision of various types of solutions. Through the SHIFT Summit and the Paradigm Ecology, we continue to enhance our position as an industry leader while expanding our market reach and hence our business footprint.

4Paradigm SageGPT AIGS Services (4Paradigm AIGS)

In February 2023, we announced SageGPT 1.0; in April of the same year, we formally announced SageGPT 3.0. SageGPT positioned as a software development platform built upon large model capabilities, and put forward AIGS (AI-Generated Software: Refactoring enterprise software with generative AI) technical strategy. In 2023, the revenue of the 4Paradigm SageGPT AIGS Services segment amounted to RMB416 million, representing a year-on-year growth of 4.7%, accounting for 9.9% of the Group's total revenue.

The AIGS platform is a generative AI software development platform built upon the capabilities of 4Paradigm SageGPT large model. AIGS reshapes the development mode, bringing a clearer path to large-scale development.

Generative AI has huge room for reconstruction and transformation in the field of enterprise software, which can effectively improve the user experience and software development efficiency. Traditional enterprise software usually requires a high operational threshold. Meanwhile, limited by the hierarchical menu design, each feature update and iteration often requires a development cycle of several months.

As an AI software company serving enterprise users, we focus on solving the problems of complex interactive experience and extremely low development efficiency in traditional business-end enterprise software. For example, when serving the industrial process for a large transportation manufacturer in China, we utilized AIGS to transform the traditional industrial designing software. The modified software can accurately and efficiently enable part search operations like 3D search via 2D and 3D search via 3D by simply giving commands using natural voice, and realize automated assembly of multiple parts, which helps customers significantly increase part reuse rate and reduce manufacturing costs.

In addition, generative AI can help developers improve their efficiency in an effective manner. In the face of complex intelligence needs of enterprises, we provide customers with high-quality and high-efficiency custom development services. Our execution team usually consists of experienced IT software developers, and human resources are allocated according to customer needs. Using generative AI to assist developers in programming can significantly improve developers' software development efficiency, thus realizing the economies of scale.

Specifically, the AIGS platform can shorten manual coding time, lower developer training costs, improve code quality and operational efficiency through automatic generation of code snippets, knowledge base application, automated code review and deployment, among others, which in turn help us maximize developer utilization, improve project quality, enhance customer stickiness, and promote large-scale development of business segment. In 2023, we estimated that the AIGS platform helped our developers realize more than a 30% increase in terms of development efficiency.

We will continue to invest in the R&D of the AIGS platform in the future and promote the empowerment of a wider developer group to use it through our ecosystem. As we use the AIGS platform for more clients and projects and target more partners for effective empowerment in the future, it will effectively enhance the efficiency, innovation and overall competitiveness of our ecosystem.

Important Strategies during the Reporting Period

SageGPT industrial large model makes breakthroughs in commercialization in multiple domains, and generative AI accelerates innovation

We are committed to creating complete, mature, and leading AI platform-based products. Our deep AI technology accumulation helps us make accurate predictions for future technology directions and carry out forward-looking plans in important R&D areas.

4Paradigm has been deeply engaged in high-dimensional modeling for nearly 10 years, with systematic large model development capability and productization capability. We have been accumulating in large models for more than 4 years. In February 2023, we were the first to release "SageGPT" 1.0, a self-developed platform product for developing industrial large model, which was among the first commercialized large model products in China. SageGPT large model is in the global leading position in terms of technical indicators like understanding, reasoning and generative capability. In 2023, it was selected as one of the first 7 model partners in Beijing, and then selected as one of the first "2023 Trusted AI Cases – Excellent Cases of Large Model R&D Application and Tool Platform" by the China Academy of Information and Communications Technology. The SageGPT large model has already been registered in accordance with the Provisional Administrative Measures for Generative Artificial Intelligence Services in China.

In addition to building first-class large model products, we have also injected considerable R&D resources to make large models more "intelligent" in multimodality, copilot and Chain-of-Thought (CoT). In the future, we will continue to invest in optimizing and upgrading the above capabilities to further consolidate our leading position in the SageGPT large model.

- Multimodality: Based on the generative dialogue capability, the SageGPT large model has multi-modal input and output capabilities such as text, voice, image, table and video. For instance, in the field of computer vision, large models can combine image and text information for object recognition and scene understanding, enhancing the accuracy and comprehensiveness of image recognition tasks;

- Copilot: Using the enterprise-level Copilot capability, the SageGPT can connect with enterprises' internal application libraries and private data to analyze the information and data, answer employees' questions or perform related tasks, making it a business assistant;

- Chain-of-Thought (CoT): The SageGPT large model has Chain-of-Thought ability, which forms a complete thought process based on a series of logically related thought steps.

In April 2023, along with the release of SageGPT 3.0, we first proposed our AIGS (AI-Generated Software) strategy to refactor enterprise software with generative AI and positioned our products as a new development platform based on multi-modal large models to enhance the experience and development efficiency of enterprise software.

In 2023, our large model business was widely expanded to such fields as finance, manufacturing, healthcare, retail, real estate brokerage, education and energy, enhancing generative related services for hundreds of enterprises and partners. In the past year, "SageGPT" built a network operation platform intelligent assistant for a telecommunication client to empower its frontline employees, co-built a large model of real estate brokerage together with a leading real estate brokerage firm, refactored the industrial designing software of an transportation manufacturer, enabling the search and automated assembly for 3D parts through a large model. Such case was listed in the MIT Technology Review as an "Advanced Application Case of China's Large AI Model".

R&D Investment and Talent Strategy

We recognize that talent and innovation are the core drivers of sustainable growth, so we are committed to implementing forward-looking R&D investments and talent strategies. We reinvest a significant percentage of our annual revenue in R&D areas that drive long-term strategic value. In 2023, our R&D spending exceeded RMB1.7 billion, with a R&D expense ratio of more than 40%. These investments are made not only in research and development of new technologies, but also in the continuous enhancement of existing products and solutions to ensure that we remain at the forefront of the industry and maintain competitive advantages.

In 2023, we made significant breakthroughs in many cutting-edge technologies, received numerous recognitions from academia and industry, and had 25 papers accepted by top-class AI conferences and journals. Our biocomputing technology was featured in a sub-journal of Nature.

In terms of model development and product R&D, our ability to code based on large models has significantly improved our development efficiency. This means that we are able to quickly iterate model effects with greater efficiency.

In the meantime, we uphold the spirit of openness and sharing to promote technological development. OpenMLDB, an open-source machine learning database led by us, featured in the flagship magazine of ACM. In addition, we developed an open-source reinforcement learning framework, which has gained widespread attention in the field. We worked closely with renowned institutions at home and abroad to build an industry-academia-research collaborative innovation community, conduct research on core technologies, organize high-standard training of innovative talents, and create an innovative ecosystem that combines academic research and industrial applications.

Corporate Social Responsibility

From the very beginning, we have been committed to using AI technology to contribute to a wide range of industries and to assume environmental, social and governance responsibilities. We are not only concerned about how to utilize AI technology to promote business development, but also focus on developing and deploying technological solutions aimed at solving social problems and fulfilling social responsibilities through AI technology, so as to make positive contributions to the development of a fairer and more sustainable social environment.

We use our AI technology to promote the conservation of biodiversity. Our AI technology allows people to identify, analyze and capture images of endangered wild animals with high precision, providing a valuable source of information for the research of animal behavior, the discovery of wild animals' life patterns, and the entire environmental ecosystem.

Antiques and antiquarian books contain an important part of human history and culture. However, due to technical difficulties in physically preserving these books and identifying ancient literature, we may lose a great deal of the information contained in them.

Learning ancient texts is an extremely difficult tasks for human beings, whereas AI technologies are at an advantage: By processing large amounts of illegible texts, our AI solutions are able to discover patterns and rules and therefore learn to identify the texts in an accurate and efficient manner.

To permanently preserve and inherit the Buddhist canonical text, Tripitaka, Fourth Paradigm employs deep learning and transfer learning techniques to process a large volume of illegible texts. This has resulted in a recognition accuracy of over 98% for ancient manuscript text. By infusing artificial intelligence into the restoration of ancient books, this work provides a new paradigm for cultural inheritance.

FINANCIAL REVIEW

In 2023, the Group recorded robust growth in total revenue, up by 36.4% year on year to RMB4,204.1 million. Net loss narrowed for two consecutive years since 2021, down by 44.3% year on year to RMB920.6 million. We maintain our leading position in China's enterprise AI software industry, and have been ranked No. 1 by IDC in terms of the Chinese machine learning platform market share for five consecutive years since 2018.

Revenue

As a steadily growing and developing AI software company, Fourth Paradigm have further expanded our industry influence and business boundary by virtue of our deep technology accumulation and industry application experience. Currently, the Company has established three major business segments: Sage AI Platform, SHIFT Intelligent Solutions and SageGPT AIGS Services. During the Reporting Period, our total revenue amounted to RMB4,204.1 million (corresponding period in 2022: RMB3,082.6 million), representing a year-on-year increase of 36.4%, which was mainly driven by the significant increase in revenue from our Sage AI Platform. For the year ended December 31, 2023, revenue from the Sage AI Platform rose by 68.0% from the preceding year to RMB2,505.7 million, accounting for 59.6% of the total revenue, revenue from the SHIFT Intelligent Transformation Solutions grew by 7.4% from preceding year to RMB1,282.9 million, accounting for 30.5% of the total revenue, and revenue from the SageGPT AIGS Services increased by 4.7% from preceding year to RMB415.5 million. The following table sets forth a breakdown of our revenue by business segment for the periods indicated.

	Year ended December 31,		
	2023 RMB in millions	2022 RMB in millions	Change
Sage AI Platform	**2,505.7**	1,491.9	68.0%
SHIFT Intelligent Solutions	**1,282.9**	1,194.0	7.4%
SageGPT AIGS Services	**415.5**	396.7	4.7%
Total	**4,204.1**	3,082.6	36.4%

Sage AI Platform

During the Reporting Period, our revenue from the Sage AI Platform amounted to RMB2,505.7 million (corresponding period in 2022: RMB1,491.9 million), representing a year-on-year increase of 68.0%, and the proportion of revenue from the Sage Platform and products to total revenue grew from 48.4% for the year ended December 31, 2022 to 59.6% for the year ended December 31, 2023, which was primarily due to the strong growth in revenue from the Sage AI Platform benefiting from the growth in demand of the overall AI market and the empowerment of the Company's products by its large model and generative AI.

SHIFT Intelligent Solutions

During the Reporting Period, revenue generated from the SHIFT Intelligent Solutions amounted to RMB1,282.9 million (the corresponding period in 2022: RMB1,194.0 million), representing a year-on-year increase of 7.4%, and the proportion of revenue generated from SHIFT Intelligent Solutions to total revenue decreased from 38.7% for the year ended December 31, 2022 to 30.5% for the year ended December 31, 2023, mainly due to an increase in the share of revenue from the Sage AI Platform.

SageGPT AIGS Services

During the Reporting Period, revenue generated from the SageGPT AIGS Services amounted to RMB415.5 million (the corresponding period in 2022: RMB396.7 million), representing a year-on-year increase of 4.7%, and the proportion of revenue generated from the SageGPT AIGS Services to total revenue decreased from 12.9% for the year ended December 31, 2022 to 9.9% for the year ended December 31, 2023, which was mainly attributable to an increase in the share of revenue from the Sage AI Platform.

Cost of Sales

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

During the Reporting Period, our cost of sales amounted to RMB2,224.6 million (the corresponding period in 2022: RMB1,596.0 million), representing a year-on-year increase of 39.4%. Such increase was mainly due to the increase in hardware procurement costs and technical service fees.

Gross Profit and Gross Profit Margin

Our gross profit grew by 33.2% from RMB1,486.6 million for the year ended December 31, 2022 to RMB1,979.5 million for the year ended December 31, 2023, while our overall revenue increased. Our gross profit margin fell slightly from 48.2% for the year ended December 31, 2022 to 47.1% for the year ended December 31, 2023, primarily due to an increase in hardware and technical service fees as a percentage of revenue because of the penetration of our business into new fields and an increase in new users.

Selling and Marketing Expenses

During the Reporting Period, our selling and marketing expenses were RMB423.4 million (corresponding period in 2022: RMB412.2 million), representing a year-on-year increase of 2.7%, mainly due to the increase in marketing and branding activities.

General and Administrative Expenses

During the Reporting Period, our general and administrative expenses amounted to RMB341.9 million (the corresponding period in 2022: RMB527.6 million), representing a decrease of 35.2% year-on-year, which was mainly due to a decrease in related employee benefit expenses.

Research and Development Expenses

We continuously invest in the development and enhancement of our solutions and technologies as in the past. During the Reporting Period, the total research and development expenses of the Group further increased to RMB1,769.0 million (corresponding period in 2022: RMB1,650.0 million), representing a year-on-year increase of 7.2%, which was largely due to the increase in technical service fees in relation to research and development.

Credit Loss Allowance

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

During the Reporting Period, our credit loss allowance was RMB79.5 million as compared to RMB48.9 million during the same period in 2022, primarily due to the year-on-year increase in trade receivables.

Other Income

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

During the Reporting Period, our other income was RMB89.4 million (corresponding period in 2022: RMB62.7 million).

Other (Losses)/Gains, Net

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

During the Reporting Period, our other losses, net amounted to RMB0.5 million, representing a year-on-year decrease of 100.9% (other gains, net for the corresponding period in 2022: RMB63.5 million), primarily due to the decrease in fair value gains on financial assets at fair value through profit or loss.

Operating Loss

As a result of the foregoing, during the Reporting Period, our operating loss amounted to RMB545.4 million, representing a year-on-year decrease of 46.8% (operating loss for the corresponding period in 2022: RMB1,025.9 million).

Finance Income

During the Reporting Period, our finance income amounted to RMB54.2 million, representing a year-on-year increase of 17.4% (corresponding period in 2022: RMB46.2 million), primarily due to the increase in interest income from bank deposits.

Finance Costs

During the Reporting Period, our finance costs amounted to RMB438.0 million, representing a year-on-year decrease of 35.8% (corresponding period in 2022: RMB682.2 million), primarily due to the decrease in interests from redemption liabilities.

Loss for the year

As a result of the foregoing, during the Reporting Period, we reported a loss for the year of approximately RMB920.6 million, representing a year-on-year decrease of 44.3% (loss for the year for the corresponding period in 2022: RMB1,653.4 million).

Non-IFRS Measures

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

Adjusted Net Loss

We define adjusted net loss as loss for the year adding back share-based compensation, interest expense on redemption liabilities and listing expenses.

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

	Year ended December 31,		
	2023 RMB'000	2022 RMB'000	Change %
Reconciliation of loss for the year and adjusted net loss			
Loss for the year	(920,569)	(1,653,421)	–44.3%
Share-based compensation	–	433,403	–100.0%
Interest expense on redemption liabilities	425,016	670,963	–36.7%
Listing expenses	80,094	44,720	79.1%
Adjusted net loss	(415,459)	(504,335)	–17.6%

Liquidity and Financial Resources

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

As at December 31, 2023, all the Group's borrowings were denominated in RMB. Save for the interest-free borrowing of RMB15.0 million from a non-controlling shareholder, the Group's borrowings bear fixed interest rates between 3.75%–4.85%. In terms of maturity profile, borrowings repayable (i) less than 1 year, (ii) between 1 year and 2 years, (iii) between 2 years and 5 years and (iv) over 5 years amounted to RMB96.2 million, RMB8.5 million, RMB4.0 million and nil, respectively.

Cash and Cash Equivalents and Term Deposits

As at December 31, 2023, cash and cash equivalents and term deposits of the Group totalled approximately RMB2,675.0 million (December 31, 2022: RMB2,011.9 million). Most of the cash and cash equivalents of the Group were denominated in RMB. The term deposits of the Group were denominated in RMB.

Liquid Cash Resources

The Group's liquid cash resources comprise cash and cash equivalents, short-term and long-term bank deposits, short-term investments measured at fair value through profit or loss, and restricted cash. As at December 31, 2023, the Group had liquid cash resources of approximately RMB3,295.3 million (December 31, 2022: RMB3,348.9 million).

Net Current Assets

Our net current assets increased from RMB3,367.1 million as at December 31, 2022 to RMB4,013.4 million as at December 31, 2023, primarily due to the increase in cash and cash equivalents following the completion of the Global Offering by the Company.

The carrying amount of redemption liabilities has been derecognized upon listing, and the difference between redemption liabilities and treasury shares is credited to capital reserve.

Current Ratio

As at December 31, 2023, net current assets of the Group were approximately RMB4,013.4 million (December 31, 2022: RMB3,367.1 million). As at December 31, 2023, the current ratio of current assets to current liabilities was approximately 3.4, up from 3.2 as at December 31, 2022.

Capital Management and Gearing Ratio

In order to maintain or adjust the capital structure, we may issue new shares or sell assets to reduce debt. We monitor capital on basis of the gearing ratio. As at December 31, 2023, our gearing ratio, calculated as total borrowings divided by total equity attributable to equity holders of the Company, was approximately 2.0% (December 31, 2022: –4.6%).

Capital Commitments

As at December 31, 2023, we had capital commitments with respect to equity investments amounting to RMB12.0 million (December 31, 2022: Nil).

Contingent Liabilities

As at December 31, 2023, we did not have any material contingent liabilities.

Pledge of Assets

As at December 31, 2023, save for (i) the pledge over patent rights of the Group to secure the borrowings of RMB24.0 million and (ii) restricted cash of RMB58.0 million as security deposits mainly for bidding, issuance of letter of guarantee or bank acceptance bills, the Group had no material pledge of assets.

Foreign Exchange Risk Management

The functional currency of the Company and its major subsidiaries is RMB. The majority of the revenues of the Group are derived from operations in the PRC. Foreign exchange risk primarily arises from recognized assets and liabilities denominated in a currency other than the functional currency of entities comprising the Group. Fluctuations in exchange rates between RMB and other currencies will affect the Group's financial position and results of operations in the course of business. The foreign exchange risk facing the Group mainly comes from the US dollars/RMB and Hong Kong dollars/RMB exchange rates. As at December 31, 2023, the Group did not hold any financial instruments for hedging purposes; neither did it hold any foreign currency investment hedged by currency borrowings nor other hedging instruments.

Credit Risk

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

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

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

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

Fund and Working Capital Management

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

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

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

Material Acquisitions and Disposals and Significant Investments

The financial assets that we invested mainly include investments in wealth management products, unlisted equity securities, preferred shares investments and fund investments. The H Shares of the Company were listed on September 28, 2023 and therefore transactions in these financial assets from January 1, 2023 to September 28, 2023 were not subject to Chapter 14 of the Listing Rules. The Board confirmed that the transactions in these financial assets on standalone and aggregate basis from the Listing Date to the date of this report did not constitute notifiable transactions under Chapter 14 of the Listing Rules.

As of the date of this report, we did not hold any significant investments in other companies' equity interest. For the period from the Listing Date to the date of this report, save for the transfer of part of the equity interest in Guangzhou Jianxin, there were no material acquisitions, disposals or significant investment of subsidiaries, associates and joint venture by the Company. Please refer to the Company's announcement dated February 9, 2024 in relation to the transfer of part of equity interest in Guangzhou Jianxin.

Future Plans for Material Investments and Capital Assets

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

Events after the Reporting Period

On February 9, 2024, the Group entered into an equity transfer agreement with Ningbo Herong Shengjing Investment Management Partnership (Limited Partnership) ("**Transferee**"), pursuant to which the Transferee will acquire from the Group the corresponding equity interest of RMB11,000,000 in the registered capital of Guangzhou Jianxin ("**Target Company**"), representing 22% of the Target Company's registered capital, at a consideration of RMB88,000,000. As at the date of this report, the equity transfer has not been completed yet. Upon completion of the equity transfer and the adoption of the revised article of association of the Target Company, the Group will still hold 44% equity interest in the Target Company, but will no longer control the majority of board of the Target Company. The Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Group. The Target Company will become an associate of the Group and the financial performance of the Target Company will be accounted for using the equity method. The actual gain to be recorded by the Group from the equity transfer is subject to valuation and financial position of the Target Company on the completion date.

EXECUTIVE DIRECTORS

Dr. Dai Wenyuan (戴文淵), aged 40, is the Chairman of our Board, an executive Director, Chief Executive Officer and General Manager of our Company. Dr. Dai has been our Chief Executive Officer since January 2015 and Chairman of the Board since August 2015. He was re-designated as our executive Director on July 16, 2021. He is primarily responsible for the overall strategic planning, business and technology direction and operational management of our Company.

Dr. Dai has approximately 15 years of experience in the AI technology industry. Prior to joining our Company, he served as Chief Research and Development Architect at Baidu Online Network Technology (Beijing) Co., Ltd.* (百度在線網絡技術（北京）有限公司) from May 2009 to May 2013, where he was responsible for the research, development and management of advertising system of the Baidu search.

Dr. Dai is a renowned scholar in AI and his papers were published in the conference proceedings of leading organizations such as NIPS, ICML, AAAI and KDD. In April 2005, Dr. Dai was awarded as a world champion in the 2005 ACM-International Collegiate Programming Contest World Finals, competing with 77 teams from around the world.

Dr. Dai received a Bachelor's degree in Computer Science and Technology in July 2006 and a Master's degree in Computer Application Technology in March 2009 from Shanghai Jiao Tong University (上海交通大學). He obtained a Ph.D degree in Computer Science and Engineering from The Hong Kong University of Science and Technology ("**HKUST**") in Hong Kong in June 2020.

Mr. Chen Yuqiang (陳雨強), aged 36, is an executive Director and Chief Research Scientist of our Company. Mr. Chen joined our Group in March 2015 and has served as our Director since December 2017. He was re-designated as our executive Director on July 16, 2021. He is primarily responsible for the overall management of technology and product research and development.

Prior to joining our Group, Mr. Chen served as Senior Engineer at Baidu Online Network Technology (Beijing) Co., Ltd.* (百度在線網絡技術（北京）有限公司) from April 2012 to May 2014. He then served as Architect at Beijing ByteDance Network Technology Co., Ltd.* (北京字節跳動網絡技術有限公司) from May 2014 to March 2015, where he was responsible for research and development.

Mr. Chen received a Bachelor's degree in Computer Science and Technology in July 2009 and a Master's degree in Computer Applied Technology in March 2012 from Shanghai Jiao Tong University (上海交通大學).

Mr. Chen currently serves as the supervisor of certain subsidiaries of our Company including, 4Paradigm Shenzhen (第四範式深圳), Shanghai SageGPT (上海式説) and 4Paradigm Technology (第四範式科技). He also serves as the director of Snowline Technology, one of the subsidiaries of our Group.

* *For identification purposes only*

Mr. Yu Zhonghao (于中灝), aged 37, is an executive Director, Chief Financial Officer and Vice President of our Company. Mr. Yu joined the Group in May 2018 and has served as our Director since February 2021. He was re-designated as our executive Director on July 16, 2021. He is primarily responsible for the overall management of investment and financing, financial, legal and post-investment related matters.

Prior to joining our Group, Mr. Yu worked as Business Analyst at Macquarie Investment Advisory (Beijing) Company Limited (麥格理投資顧問(北京)有限公司) from January 2011 to March 2012. He then joined the investment banking division of Bank of America Merrill Lynch, Hong Kong Branch in March 2012. Subsequently, Mr. Yu worked at CCB International Asset Management Limited (建銀國際資產管理有限公司) from April 2014 to August 2018, where his last position was Associate Director and Team Head of Direct Investment Division.

Mr. Yu received a Bachelor's degree in Mathematics and Applied Mathematics from Beihang University (北京航空航天大學) in the PRC in July 2008. He earned a Master's degree in Mathematics in October 2010 from the University of Cambridge. Mr. Yu also obtained a Master's degree in Financial Mathematics from the University of Chicago in June 2010.

NON-EXECUTIVE DIRECTORS

Dr. Yang Qiang (楊強), aged 62, is a non-executive Director and a member of each of the Audit Committee and the Remuneration Committee of the Company. Dr. Yang joined our Group in November 2014. He was the Chief Science Consultant of the Company from November 2014 to December 2017. He has served as our Director since November 2016 and was re-designated as our non-executive Director on July 16, 2021. He is primarily responsible for overall Board matters and strategic advice and guidance on product and technology research and development.

Dr. Yang served at School of Computing Science of Simon Fraser University in Canada from September 1995 to August 2004 where he last served as a tenured professor. From September 1989 to August 1995, Dr. Yang worked at the University of Waterloo in Canada where his last position was associate professor. Beginning in August 2001, he was with HKUST where he currently serves as Chair Professor of Computer Science and Engineering. He served as a New Bright Professor of Engineering from November 2014 to October 2019 and Head of the Department of Computer Science and Engineering of HKUST from January 2015 to December 2017. Dr. Yang was an independent director of WeBank Co., Ltd. (深圳前海微眾銀行股份有限公司) ("**WeBank**") from December 2016 to April 2018. Dr. Yang has served as an independent non-executive director of China Mobile Limited (NYSE: CHL; SEHK: 941) since May 2018. From June 2012 to October 2014, Dr. Yang worked at Huawei Tech. Investment Co., Ltd., where his last position was the Head of Noah's Ark Research Lab. Dr. Yang is currently a Management Consultant of WeBank.

Dr. Yang received a Bachelor's degree in Astrophysics from Peking University (北京大學) in July 1982, Master's degrees of Science in Astrophysics and Computer Science from the University of Maryland, College Park in the United States in May 1984 and December 1987, respectively, and a Doctor's degree in Computer Science from the University of Maryland, College Park in August 1989.

Dr. Yang was the President of International Joint Conference on Artificial Intelligence (IJCAI) from 2017 to 2019, and a Councilor of the Association for the Advancement of Artificial Intelligence (AAAI) until 2019. He served as the AAAI Conference Chair in 2021. Dr. Yang is a fellow of several international professional associations, including the Institute of Electrical and Electronics Engineers, Inc. (IEEE), American Association for the Advancement of Science (AAAS), International Association for Pattern Recognition (IAPR), Association for the Advancement of Artificial Intelligence (AAAI), Association for Computing Machinery (ACM), and Chinese Association for Artificial Intelligence (CAAI).

Mr. Dou Shuai (竇帥), aged 34, is a non-executive Director of our Company. Mr. Dou joined the Group as a Director in February 2021 and was re-designated as our non-executive Director on July 16, 2021. He is primarily responsible for overall Board matters and strategic advice and guidance on the business operation of the Group.

Mr. Dou joined Boyu Capital Advisory Company Limited in October 2016, where he currently serves as an executive Director. From June 2014 to October 2016, Mr. Dou worked in the Global Investment Banking Department of J.P. Morgan Securities (Asia Pacific) Limited.

Mr. Dou received a Bachelor's degree in Economics in July 2012 and a Master's degree in Finance in June 2014 from Peking University in the PRC.

Mr. Zhang Jing (張晶), aged 42, is a non-executive Director of our Company. Mr. Zhang joined the Group as a Director in February 2021 and was re-designated as our non-executive Director on July 16, 2021. He overall Board matters and strategic advice and guidance on the business operation of the Group.

Mr. Zhang has served at Primavera Capital Limited since June 2010 where his current position is Partner.

Mr. Zhang obtained a Bachelor's degree in Accounting in July 2003 and a Master's degree in Business Administration in July 2005 from Tsinghua University in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Jianbin (李建濱), aged 45, is an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee of the Company. He was primarily responsible for participating in the decision-making for our Company's significant events and advising on issues relating to corporate governance, audit and remuneration and assessment of our Directors, Supervisors and senior management.

Mr. Li has over 21 years of experience in tax advisory, investment matters and financial management. From April 2020 to September 2023, he served as the Managing Partner at the Strategic Investment Department of a subsidiary of Xiaomi Corporation (SEHK: 1810), and prior to that, between December 2017 and April 2020, he was the Vice President of the Finance Department where he was responsible for optimizing the capabilities of the group's Finance Department, managing its tax matters and overseeing its merger and acquisition projects. From July 2001 to November 2017, he held various positions at PricewaterhouseCoopers Consultants (Shenzhen) Limited Beijing Branch (普華永道諮詢（深圳）有限公司北京分公司), where his last position was Tax and Commercial Advisory Partner. Mr. Li currently also serves as an independent non-executive director of Chaoju Eye Care Holdings Limited (朝聚眼科醫療控股有限公司, SEHK: 2219).

Mr. Li received a Bachelor's degree in Laws and Economics from Peking University (北京大學) in the PRC in July 2001. He has been a member of The Chinese Institute of Certified Public Accountants since September 2010 and a member of the China Certified Tax Agents Association since March 2013 and received his PRC lawyer's practicing licence issued by Ministry of Justice of the PRC in February 2007.

Mr. Liu Chijin (劉持金), aged 61, was appointed as an independent non-executive Director on July 16, 2021. He was primarily responsible for participating in the decision-making for our Company's significant events and advising on issues relating to corporate governance, audit and remuneration and assessment of our Directors, Supervisors and senior management.

Since June 2002, Mr. Liu has been the Chairman of the Board and General Manager of Pan Pacific Beijing Management and Consulting Co., Ltd.* (北京泛太平洋管理諮詢有限公司), where he is responsible for overall management of the company. Mr. Liu currently also serves as the Director of Xiamen Fantai Business Investment Management Co., Ltd.* (廈門泛泰創業投資管理有限公司) since March 2014. From May 2018 to December 2019, Mr. Liu also served as an independent director of Yango Group Co., Ltd. (陽光城集團股份有限公司) (SZ: 000671). Since May 2018, Mr. Liu has served as a director of Sanying Precision Instruments Co., Ltd. (天津三英精密儀器股份有限公司) (NEEQ: 839222). Since November 2019, Mr. Liu has also been an independent director of Yankuang (Shandong) Equity Interest Investment Management Co., Ltd.* (兗礦(山東)股權投資管理有限責任公司).

Mr. Liu received a Bachelor's degree in Physics from Xiamen University (廈門大學) in the PRC in July 1985 and a Master's degree in Business Administration from the Harvard Business School in the United States in June 1997. Mr. Liu obtained both the Professional Qualification of Independent Director from Shenzhen Stock Exchange and Qualification of Fund Practitioners from the Asset Management Association of China in July 2016.

Ms. Ke Yele (柯燁樂), aged 42, is an independent non-executive Director and the chairlady of the Remuneration Committee of the Company. She was primarily responsible for participating in the decision-making for our Company's significant events and advising on issues relating to corporate governance, audit and remuneration and assessment of our Directors, Supervisors and senior management.

Ms. Ke has been serving as the general manager of the Belle Consumer Fund of Belle International (China) Limited since May 2021. From January 2012 to January 2016, Ms. Ke served at Sequoia Capital Consulting (Beijing) Co., Ltd. (紅杉資本顧問諮詢(北京)有限公司), where her last position was the vice president. She was founding partner of Fengshang Investment Management Co., Ltd. (上海峰上投資管理有限公司) (the general partner of Shanghai Fengshang Venture Capital Partnership (Limited Partnership), one of our pre-IPO investors until August 2019) from March 2016 to May 2021.

Ms. Ke received a Bachelor's degree in International Economics and Trade from Fudan University (復旦大學) in the PRC in July 2003. Ms. Ke was admitted as a non-practising member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in September 2006, a registered tax agent of China Certified Tax Agents Association (中國註冊稅務師協會) in October 2007 and a non-practising member of the Shanghai Institute of Certified Public Accountants (上海市註冊會計師協會) in December 2009. She was recognized as a Chartered Financial Analyst by the CFA Institute in July 2015.

SUPERVISORS

Mr. Chai Yifei (柴亦飛), aged 43, is Chairman of our Supervisory Committee, a shareholders' representative Supervisor and Vice President of our Company. Mr. Chai, who joined the Group in October 2015, is primarily responsible for supervising the performance of the Directors and senior management members, and performing other supervisory duties as a shareholders' representative Supervisor.

Prior to joining our Group, Mr. Chai served at IBM (China) Co., Ltd. (國際商業機器(中國)有限公司) from August 2007 to January 2014, where his last position was Big Data Consulting Senior Manager. He was responsible for big data management and analysis for clients in finance industry, and industry consulting for clients in retail and logistics industries. He then served at Deloitte Consulting (Shanghai) Co., Ltd. (德勤管理諮詢(上海)有限公司) from January 2014 to October 2015, where his last position was Management Consulting Manager.

Mr. Chai received a Bachelor's degree in Electronic Information Science and Technology in July 2003 and a Master's degree in Computer System Structure from Fudan University (復旦大學) in the PRC in July 2007.

Ms. Zhou Wenjing (周文靜), aged 41, is a shareholders' representative Supervisor of our Company. Ms. Zhou joined our Group in March 2018. She is primarily responsible for supervising the performance of our Directors and members of senior management, and performing other supervisory duties as a shareholders' representative Supervisor. She is also in charge of post-investment matters and serves as Assistant to our Chief Executive Officer.

Prior to joining our Group, Ms. Zhou served at PricewaterhouseCoopers Zhong Tian LLP Beijing Branch (普華永道中天會計師事務所（特殊普通合夥）北京分所) from August 2006 to August 2011 where her last position was Senior Executive of the Human Resources Department. She then served as Campus Recruiting, Training and Development Manager at John Deere (China) Investment Co., Ltd. (約翰迪爾（中國）投資有限公司) from September 2011 to November 2013. From November 2013 to September 2015, Ms. Zhou worked at Microsoft (China) Co., Ltd. (微軟（中國）有限公司) where her last position was Campus Recruiting Manager. From October 2015 to March 2018, Ms. Zhou served as Senior Campus Recruiting Manager at Sanliuling Technology Co., Ltd. (三六零科技集團有限公司).

Ms. Zhou received a Bachelor's degree in Ideology and Political Education from Peking University (北京大學) in the PRC in July 2006.

Ms. Shao Liling (邵麗玲), aged 40, is our employee Supervisor, and Internal Audit Director of our Company. Ms. Shao joined our Group in December 2015 and is primarily responsible for monitoring financial position of our Group and supervising the performance of Directors and senior management as a representative of our employees.

Prior to joining our Group, Ms. Shao Liling worked at Raffles-BICT International College (北服–萊佛士國際學院) from July 2006 to April 2011. She then served as Head of Finance at Beyondsoft Corporation (博彥科技股份有限公司) from May 2011 to September 2013. From September 2013 to May 2015, she worked at Beijing Star World Technology Co., Ltd. (北京世界星輝科技有限公司). Ms. Shao also served as a Financial Analysis Manager at Thunder Software Technology Co., Ltd. (中科創達軟件股份有限公司) from June 2015 to December 2015, where she was responsible for financial budgeting and operational analysis. From December 2015 to October 2016, Ms. Shao served as Senior Finance Manager at 4Paradigm Beijing where she was responsible for setting up the finance system and building the finance team. She then served as Senior Finance Manager at Beijing Zsvision Co., Ltd. (北京眾盛優視科技有限公司) from November 2016 to June 2017, where she was responsible for developing the finance system and internal control. Ms. Shao rejoined 4Paradigm Beijing in July 2017 and served as deputy Finance Director until August 2021, being responsible for setting up the finance system and building the finance team. Ms. Shao serves as the Internal Audit Director since August 2021.

Ms. Shao received a Bachelor's degree in Management from Renmin University of China (中國人民大學) in January 2009. Ms. Shao obtained the Certificate of Accounting Profession (會計從業資格證書) from Beijing Municipal Finance Bureau in February 2003, and subsequently obtained the Preliminary Accountant Title (會計初級職稱), Intermediate Accountant Title (會計中級職稱), and Senior Accountant Title (會計高級職稱) from Ministry of Finance of the PRC in May 2006, January 2016, and December 2022, respectively. In February 2023, Ms. Shao received the certificate of Certified Internal Auditor from the Institute of Internal Auditors.

SENIOR MANAGEMENT

Dr. Dai Wenyuan (戴文淵), aged 40, is the Chairman of our Board, an executive Director, Chief Executive Officer and General Manager of our Company. For details of his biography, please refer to the section headed "Executive Directors".

Mr. Chen Yuqiang (陳雨強), aged 36, is an executive Director and Chief Research Scientist of our Company. For details of his biography, please refer to the section headed "Executive Directors".

Mr. Hu Shiwei (胡時偉), aged 37, is the President and Chief Architect of the Company. Mr. Hu joined our Group as Chief Architect in March 2015, was the shareholders' representative Supervisor from November 2016 to July 2021, and was appointed President of the Company in January 2024. He is primarily responsible for overall strategic planning, management of business and sales, customer success, overall technology management and product architecture and design.

Prior to joining our Group, Mr. Hu served as a Senior Research and Development Engineer at Baidu.com Times Technology (Beijing) Co., Ltd. (百度時代網絡技術(北京)有限公司) from April 2011 to June 2014, where he was responsible for providing support in relation to technology architecture. Before joining our Group in March 2015, Mr. Hu served as Head of Internet Research and Development Department at Beijing Home Link Real Estate Brokerage Co., Ltd. (北京鏈家房地產經紀有限公司) starting from June 2014. Mr. Hu currently serves as a director of Shanghai Fan'an Technology Co., Ltd. (上海範安科技有限公司), one of the subsidiaries of our Group.

Mr. Hu received a Bachelor's degree in Computer Science and Technology in July 2008 and a Master's degree in Computer Software and Theory in March 2011 from Shanghai Jiao Tong University (上海交通大學) in the PRC.

Mr. Yu Zhonghao (于中灝), aged 37, is an executive Director, Chief Financial Officer and Vice President of our Company. For details of his biography, please refer to the section headed "Executive Directors".

Mr. Zheng Zhao (鄭曌) (formerly known as Mr. Zheng Meng (鄭盟)), aged 34, is Vice President of our Company. Mr. Zheng joined our Group in October 2018. He is primarily responsible for leading our AI technology structure planning and relevant product and technology research.

Prior to joining our Group, Mr. Zheng served as a Research Assistant at HKUST from September 2011 to July 2012, where he was responsible for academic research in the Department of Computer Science and Engineering. From October 2012, Mr. Zheng worked at Google Inc., following which he served as Software Engineer at Pinterest Inc. (NYSE: PINS) from November 2015 to October 2018.

Mr. Zheng received a Bachelor's degree in Computer Science and Technology from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 2011. In 2010, Mr. Zheng was awarded as a world champion in the 2010 ACM-International Collegiate Programming Contest World Finals, competing with 102 teams from around the world.

Ms. Guo Qingyuan (郭清媛), aged 35, is the Secretary to the Board and the General Manager of capital markets of the Company. Ms. Guo joined our Group in November 2023. She is primarily responsible for capital market operations, investor relations and Board-related matters.

Prior to joining our Company, Ms. Guo worked in Xiaomi Corporation (小米集團), a company listed on the Stock Exchange (SEHK: 1810 (HKD counter) and 81810 (RMB counter)), from April 2018 to November 2023, and mainly engaged in financial public relations, investor relations, corporate secretarial matters, management of public opinions and compliance issue, and reviewing crucial information disclosures from functional and business departments, including preparation of disclosure in results announcement and corporate communications, preparation of annual general meeting and review of meeting materials, and overseeing legal department's disclosure review and risk control. Before working in Xiaomi Corporation, Ms. Guo pursued a career in investigative journalism from 2009 to 2018. Her work spanned various areas including but not limited to global policies, finance and legal matters. She held positions at organizations such as Caixin Media Company Limited (財新傳媒有限公司), The Paper (澎湃新聞), and Henan Daily Press Group (河南日報報業集團).

Ms. Guo received a bachelor's degree in Chinese language and literature from Henan University (河南大學) in 2011.

PRINCIPAL BUSINESS

We are a leader in enterprise AI. We are an AI software company which focuses on providing platform-centric AI software which enables enterprises to develop their own decision-making AI applications. Our enterprise-level solutions are designed to serve enterprises, rather than individuals. We offer platform-centric AI solutions that can be rapidly deployed by enterprises on a large scale to uncover hidden patterns in data and comprehensively enhance their decision-making capabilities. There have been no significant changes in the nature of the Group's principal business from the Listing Date to the date of this report. For details of the principal business of the Company's principal subsidiaries, please refer to Note 17(a) to the Group's consolidated financial statements.

RESULTS

The results of the Group for the year ended December 31, 2023 are set out in the Group's consolidated financial statements.

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2023.

SHARE CAPITAL

Details of the issued shares during the year ended December 31, 2023 are set out in Note 25 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended December 31, 2023 are set out in Note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2023, the Company had no distributable reserves.

FINANCIAL HIGHLIGHTS

The Shares were listed on the Stock Exchange on September 28, 2023. A summary of the results, assets, liabilities and equity of the Group for the last four financial years, as extracted from the audited financial information and financial statements, is set out on Page 4 of this annual report.

BANK LOANS AND OTHER BORROWINGS

As at December 31, 2023, bank loans and other borrowings of the Group were approximately RMB108.7 million. Details of the Group's bank loans and other borrowings as at December 31, 2023 are set out in Note 31 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended December 31, 2023 are set out in Note 15 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, the Company's public float meets the requirements in Rule 8.08 of the Listing Rules as at the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the PRC requiring the Company to offer new shares on a pro-rata basis to its existing Shareholders.

BUSINESS REVIEW

Annual Overview and Performance

Pursuant to the requirements of the Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), we are required to carry out an impartial review of the Group's business, including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business, which are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this report. These discussions form part of this report. Events that have occurred since the end of the year ended December 31, 2023 that have had an impact on the Company are set out in the paragraph headed "Management Discussion and Analysis – Events after the Reporting Period" in this report.

Key Relationships with Stakeholders

The Group recognizes that its various stakeholders, including employees, customers, suppliers and other business partners, are key to its success. The Group strives to maintain employment, cooperation and solid relationships with them in order to achieve sustainable development.

The Group believes that attracting, recruiting and retaining quality employees is of paramount importance. In order to maintain the quality, knowledge and skill level of its employees, the Group provides regular training to its employees, including induction training for new hires, technical training, professional and management training, as well as health and safety training. The Group believes that it maintains good relationships with its employees and has not experienced any significant labor disputes or difficulties in recruiting employees for its business operations.

We value customer feedback because good customer service is one of our key sales drivers. We have a designated customer service team to handle various after-sales customer requests in a timely and effective manner with a personalized approach and to enhance overall customer satisfaction. Our large and growing customer base provides us with valuable insights into best industry practices, allowing us to better understand our customers' needs to continuously improve our products and enhance the customer experience.

Details of the Company's key relationships with employees, customers and suppliers and other persons who have significant influence on the Company are set out in its Environmental, Social and Governance Report published on the same date as this report.

Social Responsibility, Environmental Policy and Performance

In 2023, the Group was committed to fulfilling its social responsibilities, improving employee welfare, promoting development, protecting the environment, giving back to the community and achieving sustainable growth.

A separate environmental, social and governance report will be published on the Stock Exchange's website and the Company's website concurrently with the publication of this annual report.

Compliance with Relevant Laws and Regulations

We may be involved in legal proceedings from time to time in the ordinary course of business. During the Reporting Period and up to the date of this report, the Group complied with the relevant laws, regulations and supervisory requirements that have a material impact on the Group in all respects. During the Reporting Period and up to the date of this report, neither the Group nor any of the Directors, Supervisors and senior management of the Company has been subject to investigation or administrative penalty by the China Securities and Regulatory Commission, banned from entering the market, recognized as an unsuitable person, publicly reprimanded by the stock exchange, subject to compulsory measures, referred to the judicial authorities or held criminally liable, nor has it been involved in any other litigation, arbitration or administrative proceeding that would have a material adverse impact on our business, financial condition or results of operations. During the year ended December 31, 2023, the Directors were not aware of any material litigation or claim that was pending or threatened the Group.

Key Risks and Uncertainties

Our operations involve a number of key risks and uncertainties, some of which are beyond our control. The material risks and uncertainties we face are set out below:

- AI technologies are constantly evolving. Any flaws or inappropriate usage of AI technologies, whether actual or perceived, whether intended or inadvertent, whether committed by us or by other third parties, could have negative impact on our business, reputation and the general acceptance of AI solutions by the society.

- Our business depends substantially on continuing efforts of our senior management and other key personnel, as well as a competent pool of talents who support our existing operations and future growth. If we are unable to retain, attract, recruit and train such personnel, our business may be materially and adversely affected.

- The industries in which we operate are characterized by constant changes. If we fail to continuously innovate our technology and provide useful solutions that meet the expectations of our customers, our business, financial condition and results of operations may be materially and adversely affected.

- We recorded a year-on-year increase of 36.4% in total revenue in 2023. We may not be able to sustain our historical growth rates, and our historical growth may not be indicative of our future growth or financial results.

- We are investing heavily on our research and development, and such investment may negatively impact our profitability and operating cash flow in the short term and may not generate the results we expect to achieve.

- We have recorded net losses and operating cash outflow in 2023, and we may not be able to achieve or subsequently maintain profitability.

- Our solutions are primarily not offered on a recurring subscription basis. If we fail to retain existing customers, attract new customers or increase the spending by our customers, our business and results of operations may be materially and adversely affected.

- If we fail to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.

- We may be subject to complex and evolving laws and regulations regarding privacy and data protection. Actual or alleged failure to comply with privacy and data protection laws and regulations could damage our reputation, deter current and potential customers from using our solutions and could subject us to significant legal, financial and operational consequences.

- We are subject to the risks associated with international trade policies, geopolitics and trade protection measures, and our business, financial condition and results of operations could be adversely affected. Effective March 2, 2023, BIS added certain entity(ies) to the Entity List, which restricts their ability to purchase or otherwise access certain goods, software and technology. Out of an abundance of caution and unless or until we receive further clarification from BIS, we will assume that all entities located at the address provided in the Entity List are subject to the Entity List restrictions in order to comply with relevant restrictions.

- The trading price of our H Shares may be volatile, which could result in substantial losses to the Shareholders.

However, the above is not an exhaustive list. Investors should exercise their own judgment or consult an investment advisor before making any investment in the Shares.

PROSPECTS

The "Chairman's Statement" and "Management Discussion and Analysis" sections of this report provide an overview of the future development of the Company's business.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company's H Shares were listed on the Main Board of the Stock Exchange on September 28, 2023. The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering (including the over-allotment option granted in connection with the Global Offering partially exercised) of approximately HK$925.6 million and utilized net proceeds of approximately HK$0.2 million as at December 31, 2023. The remaining net proceeds amounted to approximately HK$925.4 million. Our Company will continue to use the remaining net proceeds for the purposes set out in the Prospectus. The details of intended use of net proceeds from the Global Offering are set out as follows:

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (HK$ million)	Utilized net proceeds from the Global Offering for the year ended December 31, 2023 (HK$ million)	Unutilized net proceeds from the Global Offering for the year ended December 31, 2023 (HK$ million)	Expected timeline of full utilization of the unutilized proceeds
Enhancing our fundamental research, technological capabilities and solution development					
(a) Strengthening our research and development team					
(i) Research and development team of our core technologies	20.0%	185.1	–	185.1	Before the end of three years from the Listing Date
(ii) Research and development team of new areas	5.0%	46.3	–	46.3	Before the end of three years from the Listing Date
(b) Strengthening our research and development capabilities					
(i) Procurement and installation of equipment, devices and/or software to support our increasing business needs	4.0%	37.0	–	37.0	Before the end of three years from the Listing Date
(ii) Establishment of our new research and development centers	7.0%	64.8	–	64.8	Before the end of three years from the Listing Date
(iii) Strengthening our relationship with third-party R&D service providers to further expand our R&D capabilities	20.0%	185.1	–	185.1	Before the end of three years from the Listing Date
(iv) Cultivation of the OpenMLDB community	4.0%	37.0	–	37.0	Before the end of three years from the Listing Date

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (HK$ million)	Utilized net proceeds from the Global Offering for the year ended December 31, 2023 (HK$ million)	Unutilized net proceeds from the Global Offering for the year ended December 31, 2023 (HK$ million)	Expected timeline of full utilization of the unutilized proceeds
Expanding our offerings, building our brand and entering new sectors					
(a) Recruiting and retaining talents in various industries	12.0%	111.1	–	111.1	Before the end of five years from the Listing Date
(b) Promoting our solutions and offerings by engaging in more marketing activities through both offline and online channels					
(i) Organizing and sponsoring high impact events	6.0%	55.5	–	55.5	Before the end of three years from the Listing Date
(ii) Collaborating with online media partners	2.0%	18.5	–	18.5	
Seeking strategic investment and acquisition opportunities	10.0%	92.6	–	92.6	Before the end of three years from the Listing Date
General corporate purposes	10.0%	92.6	0.2	92.4	
Total	100.0%	925.6	0.2	925.4	

The net proceeds utilized have been converted from Renminbi to Hong Kong dollars at the rate of RMB1 to HK$1.0862, being the reference exchange rate adopted in the Prospectus. No representation is made that any amounts in Hong Kong dollars or Renminbi have been or could be converted at the above rate.

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

For more information on events after the end of the Reporting Period, please refer to the section "Management Discussion and Analysis – Events after the Reporting Period" in this report.

DIRECTORS

The Directors during the Reporting Period and up to the date of this report were as follows:

Executive Directors

Dr. Dai Wenyuan (戴文淵) *(Chairman, Chief Executive Officer and General Manager)*
Mr. Chen Yuqiang (陳雨強) *(Chief Research Scientist)*
Mr. Yu Zhonghao (于中灝) *(Chief Financial Officer and Vice President)*

Non-executive Directors

Dr. Yang Qiang (楊強)
Mr. Dou Shuai (竇帥)
Mr. Zhang Jing (張晶)

Independent non-executive Directors

Mr. Li Jianbin (李建濱)
Mr. Liu Chijin (劉持金)
Ms. Ke Yele (柯燁樂)

SUPERVISORS

The Supervisors during the Reporting Period and up to the date of this report were as follows:

Mr. Chai Yifei (柴亦飛)
Ms. Zhou Wenjing (周文靜)
Ms. Shao Liling (邵麗玲)

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the Directors, Supervisors and senior management of the Company as at the date of this report are set out in the section headed "Directors, Supervisors and Senior Management" of this report.

CHANGES TO DIRECTORS' INFORMATION

Save as otherwise disclosed in this report, there are no other changes in the Directors, Supervisors and Chief Executive Officer that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

For details of the Directors' and Supervisors' service contracts, please refer to the paragraph headed "Appointment and Re-election of Directors" under the Corporate Governance Report contained in this report.

The Company has not entered into, and does not propose to enter into, any service contract with any of the Directors or Supervisors in their respective capacities which cannot be terminated by the employer within one year without payment of any compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of the Directors. In our opinion, all the independent non-executive Directors are independent.

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

As the Company's H Shares were listed on September 28, 2023, Divisions 7 and 8 of Part XV of the SFO and Section 352 of the SFO were not applicable to the Directors, Supervisors or chief executives of the Company during the period from January 1, 2023 to September 27, 2023.

As far as the Company is aware, as at December 31, 2023, the interests and/or short positions (if applicable) of our Directors, Supervisors and the chief executive of our Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations of our Company (within the meaning of Part XV of the SFO), which were required (a) to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to our Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in our Company

Name	Title	Capacity/ Nature of Interest	Number of Shares interested	Approximate percentage of shareholding in Domestic Shares of the Company(2)	Approximate percentage of shareholding in the total share capital of the Company(3)
Dr. Dai(4)	Chairman of the Board, Executive Director and Chief Executive Officer	Beneficial owner	106,164,523 Domestic Shares (L)	32.13%	22.79%
		Interest in controlled corporations	74,068,383 Domestic Shares (L)	22.42%	15.90%

Notes:

(1) (L) – long position

(2) This is based on the total number of 330,418,283 issued Domestic Shares of the Company as at December 31, 2023.

(3) The calculation is based on the total number of 330,418,283 Domestic Shares and 135,440,450 issued H Shares of the Company as at December 31, 2023.

(4) As at December 31, 2023, Dr. Dai beneficially owned 106,164,523 Domestic Shares of the Company. In addition to his direct shareholding, Dr. Dai is also deemed to be interested in 74,068,383 Domestic Shares of the Company through the intermediaries he controlled under the SFO. Paradigm Investment and Paradigm Yinyuan own 63,962,734 Domestic Shares and 10,105,649 Domestic Shares of the Company, respectively. Dr. Dai, through Beijing New Wisdom, is the sole general partner of Paradigm Investment and Paradigm Yinyuan. The spouse of Dr. Dai is also deemed to be interested in the Shares in which Dr. Dai is interested under the SFO.

Save as disclosed above and to the best knowledge of our Directors, as at December 31, 2023, we were not aware of any Director or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (b) were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

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

As the Company's H Shares were listed on September 28, 2023, Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable to the substantial Shareholders of the Company during the period from January 1, 2023 to September 27, 2023.

As far as the Company is aware, as at December 31, 2023, the persons, other than our Directors or the chief executive of our Company, who had interests or short positions in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by our Company pursuant to Section 336 of the SFO are as follows:

Interests in the Shares of the Company

Name of Shareholder	Capacity/Nature of Interest	Number of Shares interested	Approximate percentage of shareholding in Domestic Shares/H Shares of the Company(2)	Approximate percentage of shareholding in the total share capital of the Company(2)
Beijing New Wisdom(3)(4)	Interest in controlled corporations	74,068,383 Domestic Shares (L)	22.42%	15.90%
Paradigm Investment(3)	Beneficial owner	63,962,734 Domestic Shares (L)	19.36%	13.73%
Paradigm Chuqi(4)	Interest in controlled corporations	63,962,734 Domestic Shares (L)	19.36%	13.73%
HongShan Venture(5)	Beneficial owner	32,259,066 H Shares (L)	23.82%	6.92%
SCCV Shareholders(5)	Interest in controlled corporations	32,259,066 H Shares (L)	23.82%	6.92%
Guoxin Qidi	Beneficial owner	12,117,394 H Shares (L)	8.95%	2.60%
Guoxin Qidi Shareholders(6)	Interest in controlled corporations	12,117,394 H Shares (L)	8.95%	2.60%
Purui Tianjin	Beneficial owner	11,301,027 H Shares (L)	8.34%	2.43%
Purui Tianjin Shareholders(7)	Interest in controlled corporations	11,301,027 H Shares (L)	8.34%	2.43%
Zhou Kui(8)	Interest in controlled corporations	18,941,724 Domestic Shares (L)	5.73%	4.07%
Beijing Innovation	Beneficial owner	7,115,539 H Shares (L)	5.25%	1.53%
Beijing Innovation Shareholders(9)	Interest in controlled corporations	7,115,539 H Shares (L)	5.25%	1.53%
Zhongyi Equity Fund	Beneficial owner	7,020,480 H Shares (L)	5.18%	1.51%
Zhongyi Equity Fund Shareholders(10)	Interest in controlled corporations	7,020,480 H Shares (L)	5.18%	1.51%

Notes:

(1) (L) – long position

(2) The calculation is based on the total number of 330,418,283 Domestic Shares and 135,440,450 issued H Shares as at December 31, 2023.

(3) Paradigm Investment and Paradigm Yinyuan are indirectly controlled by Beijing New Wisdom, being the sole general partner of Paradigm Investment and Paradigm Yinyuan. Paradigm Investment and Paradigm Yinyuan holds 63,962,734 Domestic Shares and 10,105,649 Domestic Shares, respectively. By virtue of SFO, each of Dr. Dai and Beijing New Wisdom (through his/its interest in a controlled corporation or controlled corporations, as the case may be) are deemed to be interested in the Shares held by each of Paradigm Investment and Paradigm Yinyuan.

(4) Paradigm Chuqi (whose general partner is Beijing New Wisdom) is interested in more than one third of the limited partnership interest in Paradigm Investment. By virtue of SFO, Paradigm Chuqi is deemed to be interested in the Shares held by Paradigm Investment.

(5) To the best knowledge of the Company, HongShan Venture is wholly owned by HongShan Capital Venture Fund V, L.P.. HSG Venture V Management, L.P. is the general partner of HongShan Capital Venture Fund V, L.P., while HSG Holding Limited is the general partner of HSG Venture V Management, L.P.. HSG Holding Limited is wholly owned by SNP China Enterprises Limited, which is in turn wholly owned by Mr. Neil Nanpeng Shen, our former Director. By virtue of SFO, each of HongShan Capital Venture Fund V, L.P., HSG Venture V Management, L.P., HSG Holding Limited, SNP China Enterprises Limited and Mr. Neil Nanpeng Shen (through its/his interest in a controlled corporation or controlled corporations, as the case may be) (together the "**SCCV Shareholders**") are deemed to be interested in the Shares held by HongShan Venture.

(6) To the best knowledge of the Company, Henan Guoxin Qidi Fund Management Co., Ltd., a limited liability company established in the PRC, is the general partner of Guoxin Qidi. Henan Guoxin Qidi Fund Management Co., Ltd. is owned as to 35% by Guoxin Risk Investment Management (Shenzhen) Co., Ltd. which is in turn wholly owned by Guoxin Science and Technology Innovation Fund Management Co., Ltd.. Guoxin Science and Technology Innovation Fund Management Co., Ltd. is owned as to 40% by China Guoxin Fund Management Co., Ltd., which is in turn wholly owned by China Guoxin Holding Co., Ltd.. By virtue of SFO, China Guoxin Holding Co., Ltd., China Guoxin Fund Management Co., Ltd., Guoxin Science and Technology Innovation Fund Management Co., Ltd., Guoxin Risk Investment Management (Shenzhen) Co., Ltd. and Henan Guoxin Qidi Fund Management Co., Ltd. (together "**Guoxin Qidi Shareholders**") are deemed to be interested in the Shares held by Guoxin Qidi.

(7) To the best knowledge of the Company, the general partner of Purui Tianjin is Purui Management, which is ultimately controlled by individuals, who are Independent Third Parties. Purui Tianjin has one limited partner, Purui Investment, the general partner of which is also Purui Management. Purui Investment has one limited partner, Parade II Technology Investment Company Limited, holding approximately 99.8% of partnership interest in Purui Investment. Parade II Technology Investment Company Limited is ultimately controlled by Mr. Fang Fenglei. By virtue of SFO, Purui Management, the individual ultimate controllers of Purui Management, Purui Investment, Parade II Technology Investment Company Limited, Mr. Fang Fenglei (together "**Purui Tianjin Shareholders**") are deemed to be interested in the Shares held by Purui Tianjin.

(8) To the best knowledge of the Company, the general partner of Shenzhen HongShan Hanchen Equity Investment Partnership (L.P.) ("**HongShan Hanchen**") is Shenzhen HongShan Antai Equity Investment Partnership (L.P.) ("**HongShan Antai**") and the limited partner which holds more than one-third of the partnership interest in HongShan Hanchen is Shenzhen HongShan Yuechen Investment Partnership (L.P.) ("**HongShan Yuechen**"). The general partner of HongShan Yuechen is HongShan Antai and the limited partner holding more than one-third of the partnership interest in HongShan Yuechen is Shenzhen HongShan Yuchen Equity Investment Partnership (L.P.) ("**HongShan Yuchen**"). The general partner of HongShan Yucheng is HongShan Antai. The general partner of HongShan Antai is Shenzhen HongShan Huanyu Investment Consulting Co., Ltd. ("**HongShan Huanyu**"), which is owned as to 70% by Zhou Kui.

Beijing HongShan Mingde Equity Investment Center (Limited Partnership) ("**HongShan Mingde**") directly owns 6,352,978 Domestic Shares of the Company, its general partner is Beijing HongShan Kunde Investment Management Center (Limited Partnership) ("**HongShan Kunde**"), and its limited partners holding more than one-third of the partnership interest in HongShan Mingde are Beijing HongShan Shengde Equity Investment Center (Limited Partnership) ("**HongShan Shengde**") and Beijing HongShan Kangde Equity Investment Center (Limited Partnership) ("**HongShan Kangde**"). The general partner of HongShan Kunde is Shanghai Huanyuan Investment Management Co., Ltd. ("**Shanghai Huanyuan**") and Ningbo Meishan Bonded Port Area HongShan Huide Investment Management Partnership (Limited Partnership) ("**HongShan Huide**") is the general partner of HongShan Shengde and HongShan Kangde respectively. The general partner of HongShan Huide is Shanghai Huanyuan, which is owned as to 70% by Zhou Kui.

Ningbo Meishan Bonded Port Area HongShan Zhisheng Equity Investment Partnership (Limited Partnership) ("**HongShan Zhisheng**") directly owns 4,112,972 Domestic Shares of the Company, its general partner is Jiaxing HongShan Kunsheng Investment Management Partnership (Limited Partnership) ("**HongShan Kunsheng**"), and the limited partners who hold more than one-third of the partnership interest in HongShan Zhisheng are Ningbo Meishan Bonded Port Area HongShan Mingsheng Equity Investment Partnership (Limited Partnership) ("**HongShan Mingsheng**") and Ningbo Meishan Bonded Port Area HongShan Jiasheng Equity Investment Partnership (Limited Partnership) ("**HongShan Jiasheng**"). HongShan Kunsheng is the general partner of HongShan Mingsheng and HongShan Jiasheng respectively, and the general partner of HongShan Kunsheng is Ningbo Meishan Bonded Port Area HongShan Huanjia Investment Management Co., Ltd. ("**HongShan Huanjia**"). HongShan Huanjia is owned as to 70% by Zhou Kui.

By virtue of the SFO, Zhou Kui is deemed to be interested in HongShan Hanchen, HongShan Mingde and the Shares held by them.

(9) To the best knowledge of the Company, Beijing Hulian Sinovation Ventures Investment Management Limited (北京互聯創新工場投資管理有限公司), a limited liability company established in the PRC, is the general partner and sole executive partner of Beijing Innovation, and is ultimately controlled by Li Puyu (李璞玉). Beijing Innovation has 33 limited partners and its largest limited partner is Innovation Works (Xiamen) VC Partnership (Limited Partnership) (創新工場(廈門)創業投資合夥企業(有限合夥)) ("**Innovation Works Xiamen**"), holding approximately 35.1% of partnership interest in Beijing Innovation. The executive partner of Innovation Works Xiamen is Sinovation Ventures (Xiamen) Investment Management Limited (創新工場(廈 門)投資管理有限公司), which is wholly-owned by Beijing Hulian Sinovation Ventures Investment Management Limited, a limited liability Company controlled by Li Puyu. By virtue of SFO, Beijing Hulian Sinovation Ventures Investment Management Limited, Li Puyu, Innovation Works Xiamen, and Sinovation Ventures (Xiamen) Investment Management Limited (together the "**Beijing Innovation Shareholders**") are deemed to be interested in the Shares held by Beijing Innovation.

(10) To the best knowledge of the Company, China Mobile Equity Fund Management Co., Ltd. (中移股權基金管理有限公司), a limited liability company established in the PRC, is the sole executive partner of Zhongyi Equity Fund, which is in turn held as to 55% by China Mobile Capital Holding Co., Ltd. (中移資本控股有限責任公司) ("**China Mobile Capital**"). China Mobile Capital is wholly owned by China Mobile Communications Group Co., Ltd. (中國移動通信集團公司). Zhongyi Equity Fund has five limited partners and its largest limited partner is also China Mobile Capital, holding approximately 43.6% of partnership interest in Zhongyi Equity Fund. By virtue of SFO, China Mobile Equity Fund Management Co., Ltd., China Mobile Capital, and China Mobile Communications Group Co., Ltd. (together the "**Zhongyi Equity Fund Shareholders**") are deemed to be interested in the Shares held by Zhongyi Equity Fund.

Save as disclosed above and to the best knowledge of our Directors, as at December 31, 2023, we were not aware of any other person (other than the Directors or the chief executive of our Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred therein.

EQUITY-LINKED AGREEMENTS

During the Reporting Period, the Company did not enter into any equity-linked agreements.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors or Supervisors to acquire interests by means of acquisition of Shares in or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 had any right to subscribe for interests or debentures of the Company or any other body corporate or had exercised any such right.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or their respective close associates (as defined in the Listing Rules) is interested in any business (other than being a Director of the Company and/or its subsidiaries) which competes or is likely to compete, directly or indirectly, with the businesses of the Group.

RELATED-PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the Group's related-party transactions during the Reporting Period are set out in Note 37 to the consolidated financial statements contained in this report. None of the related-party transactions disclosed in Note 37 to the consolidated financial statements during the year ended December 31, 2023 constituted any connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. During the year ended December 31, 2023, we did not enter into any non-exempt connected transactions or continuing connected transactions that would be required to be disclosed under Rules 14A.49 and 14A.71 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed in this report, during the Reporting Period, none of the Directors/Supervisors or entities connected with the Directors/Supervisors had an interest, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as otherwise disclosed in this report, no contract of significance for the provision of services has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the year ended December 31, 2023.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period and up to the date of this report with persons other than the Directors or persons employed by the Company on a full-time basis.

PERMITTED INDEMNITY PROVISIONS

During the Reporting Period and up to the date of this report, the Company had appropriate liability insurance in place for its Directors.

INFORMATION ON TAX RELIEF FOR H SHAREHOLDERS

The Company is not aware of any tax relief available to Shareholders for holding its securities. Shareholders should seek expert advice if they are unsure of the tax implications of purchasing, holding, selling, dealing in the Shares, or exercising any of the rights attached to them.

REMUNERATION POLICY AND REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at December 31, 2023, we had a total of 1,801 employees (as at December 31, 2022: 1,917 employees). For the year ended December 31, 2023, the total staff costs of the Group amounted to approximately RMB661.5 million, including wages, salaries, bonuses, pension costs, other social security costs, housing benefits and other employee benefits. The Group has optimized its incentive system and implemented a competitive remuneration policy to cater to the business development needs.

During the year ended December 31, 2023, our Directors and Supervisors received their remuneration in the form of salaries, social security, housing benefits and other employee benefits, contributions to employee pension plans, and discretionary bonuses.

During the Reporting Period, no emoluments were paid by the Group to any of the Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. During the year ended December 31, 2023, no Director or Supervisor waived or agreed to waive any emoluments. Save as disclosed in this annual report, there were no loans, quasi-loans and other transactions in favor of the Directors, controlled corporations of the Directors and connected entities at the end of the Reporting Period or at any time during the period. There were no significant transactions, arrangements and contracts concerning the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, at the end of the Reporting Period or at any time during the period.

Details of the remuneration of the Directors and Supervisors during the Reporting Period are set out in Note 10(b) to the consolidated financial statements.

PENSION PLANS

Employees of the Group's subsidiaries in the PRC are required to contribute a certain percentage of their salaries to a pension plan to fund the benefits. The Group's only obligation with respect to the pension plan is to make specified contributions. During the Reporting Period, the Group did not use forfeited contributions to reduce the current level of contributions.

EMPLOYEE INCENTIVE SCHEME

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2023, the revenue of the five largest customers of the Group accounted for less than 30% of the total revenue of the Group.

For the year ended December 31, 2023, the purchase of the five largest suppliers of the Group accounted for less than 30% of the total purchases of the Group.

To the reasonable knowledge of the Directors, none of the Directors or any of their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the issued share capital of the Company) has any interest in any of the five largest suppliers or customers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CHARITABLE DONATIONS

During the Reporting Period, the Group donated money and supplies totaling RMB250,000 to external parties.

CONTINUING DISCLOSURE OBLIGATIONS UNDER THE LISTING RULES

The Company did not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to the high standards of corporate governance and has adopted the code provisions set out in the CG Code. After the Listing and as at the date of this report, the Company complied with all applicable code provisions set out in the CG Code except for deviations from Code Provision C.2.1.

In order to maintain the high standards of corporate governance, the Board will review and monitor the Company's Corporate Governance Code on an ongoing basis.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on Pages 45 to 61 of this report.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2023 have been audited by PricewaterhouseCoopers.

There has been no change in the auditor of the Company in the past three years.

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

Beijing, PRC, March 20, 2024

COMPOSITION OF SUPERVISORY COMMITTEE

As of December 31, 2023, the Supervisory Committee consisted of three Supervisors, including two Supervisors appointed by the General Meeting of Shareholders and one employee representative Supervisor. The Supervisors serve three-year term, and can be re-elected upon expiration of their term of office.

The composition of the Supervisory Committee of the Company is as follows:

Name	Title	Date of appointment	Duties and responsibilities
Mr. Chai Yifei (柴亦飛)	Chairman of the Supervisory Committee and a shareholders' representative Supervisor	July 9, 2021	Supervising the performance of our Directors and members of senior management, and performing other supervisory duties as a shareholders' representative Supervisor
Ms. Zhou Wenjing (周文靜)	Shareholders' representative Supervisor	July 16, 2021	Supervising the performance of our Directors and members of senior management, and performing other supervisory duties as a shareholders' representative Supervisor
Ms. Shao Liling (邵麗玲)	Employee representative Supervisor	July 9, 2021	Monitoring financial position of our Group and supervising the performance of Directors and senior management as a representative of our employees.

PRINCIPAL ACTIVITIES OF SUPERVISORY COMMITTEE IN 2023

In 2023, the Supervisory Committee attended all the Board meetings in accordance with the powers and functions conferred by the laws of the PRC and the rules and regulations of the Company. The Supervisory Committee performed its supervisory duties with due diligence in the interests of the Shareholders and employees of the Company. The Supervisory Committee is of the view that the Board operated in a standardized manner, made decisions according to law, faithfully executed the resolutions of the general meetings, and faithfully fulfilled its obligations of integrity. The Company has established a relatively sound internal control system, and there is no violation of laws, rules and regulations and the Company's rules and regulations by Directors and senior management in the performance of their duties, or any behavior that is detrimental to the interests of the Company and its Shareholders.

In 2023, the Supervisory Committee supervised and inspected the Company's financial standing and the implementation of the financial management system, and reviewed the Company's financial reports. The Supervisory Committee is of the opinion that the Company is in a sound financial position and standardized in financial operations, and that the financial reports published by the Company reflect the Company's financial position and operating results in an objective, all-round and fair manner.

2024 WORK PLAN OF SUPERVISORY COMMITTEE

In 2024, the Supervisory Committee will continue to fulfill its supervisory duties, abide by the principle of integrity, exercise effective supervision over the Company and its Directors and senior management, pay close attention to the Company's operations and management and major initiatives, and faithfully protect the interests of the Company and all Shareholders.

CORPORATE GOVERNANCE CULTURE

The Company strives to ensure that it operates its business with high ethical business standards, reflecting its firm belief that it must be act with integrity, transparency and accountability if it is to achieve its long-term business objectives. The Company believes that adherence to this philosophy will maximize returns for Shareholders in the long run, and that employees, business partners and the communities in which the Company operates will also benefit from it.

Corporate governance is the process by which the Board guides the Group's management on how to operate the business to ensure that business objectives are achieved. The Board is committed to maintaining and establishing sound corporate governance practices to ensure:

– Satisfactory and sustainable returns to Shareholders;

– Protection of the interests of those who do business with the Company;

– Understanding and appropriate management of overall business risk;

– Provision of quality products and services to satisfy its customers; and

– Maintaining of high standards of business ethics.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards.

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

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices.

In the opinion of the Directors, throughout the period from the Listing Date to the Reporting Period, the Company complied with all code provisions set out in the CG Code save as Code Provision C.2.1 of the Corporate Governance Code set out below.

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between Chairman and Chief Executive Officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Dr. Dai currently performs these two roles. Details of the roles of the Chairman and the Chief Executive Officer are set out on Page 47 in the section headed "Board of Directors – Chairman and Chief Executive Officer" of this Corporate Governance Report.

Save as disclosed in this report, the Group complied with the code provisions set out in the CG Code throughout the Reporting Period and up to the date of this report.

The Company will continue to review and monitor its corporate governance practices on a regular basis to ensure compliance with the CG Code and to maintain its high standards of corporate governance practices.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. After the Company made specific enquiries with the Directors, all of the Directors confirmed that they had complied with the required standards as set out in the Model Code from the Listing Date to the end of the Reporting Period.

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

BOARD OF DIRECTORS

The Company is headed by an effective Board. The Board oversees the business, strategic decisions and performance of the Group and makes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from the Directors to perform their responsibilities to the Company and whether the Directors are spending sufficient time performing them.

DIRECTORS

The Directors during the Reporting Period and up to the date of this report were as follows:

Executive Directors

Dr. Dai Wenyuan (戴文淵) *(Chairman, Chief Executive Officer and General Manager)*
Mr. Chen Yuqiang (陳雨強) *(Chief Research Scientist)*
Mr. Yu Zhonghao (于中灝) *(Chief Financial Officer and Vice President)*

Non-executive Directors

Dr. Yang Qiang (楊強)
Mr. Dou Shuai (竇帥)
Mr. Zhang Jing (張晶)

Independent non-executive Directors

Mr. Li Jianbin (李建濱)
Mr. Liu Chijin (劉持金)
Ms. Ke Yele (柯燁樂)

SUPERVISORS

The Supervisors during the Reporting Period and up to date of this report were as follows:

Mr. Chai Yifei (柴亦飛)
Ms. Zhou Wenjing (周文靜)
Ms. Shao Liling (邵麗玲)

The biographies of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" of this report.

Save as disclosed under the section headed "Directors, Supervisors and Senior Management", to the best knowledge of the Company, there are no other financial, business, family or other material/relevant relationships among the members of the Board.

Chairman and Chief Executive Officer

Code Provision C.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As at the date of this report, the roles of Chairman and Chief Executive Officer of the Company are performed by Dr. Dai.

Dr. Dai has assumed the role of Chief Executive Officer of our Company since 2015. He has extensive experience in the business operations and management of our Group and in the AI industry. Our Board believes that, in view of his experience, personal profile and his roles in our Company as mentioned above, Dr. Dai is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our Chief Executive Officer. The Board also believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of (i) ensuring consistent leadership within the Group, (ii) enabling more effective and efficient overall strategic planning and execution of strategic initiatives of the Board, and (iii) facilitating the flow of information between the management and the Board for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired, and this arrangement will enable the Company to make and implement decisions promptly and effectively.

The Board will continue to review and consider splitting the roles of Chairman of the Board and Chief Executive Officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Independent non-executive Directors

Throughout the year ended December 31, 2023, the Board complied with the requirements set out in Rules 3.10 and 3.10(A) of the Listing Rules in relation to the appointment of at least three independent non-executive Directors, the possession of appropriate professional qualifications or accounting or related financial management expertise by at least one of the independent non-executive Directors and the appointment of independent non-executive Directors representing at least one-third of the Board.

The Board has received from each of the independent non-executive Directors an annual written confirmation of his/her independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules. Accordingly, the Board considers all independent non-executive Directors to be independent.

Board Independence Assessment

The Board has established a mechanism to ensure that it has access to independent views and opinions. The Board ensures that at least three independent non-executive Directors are appointed and at least one-third of the Board members are independent non-executive Directors. In addition, the independent non-executive Directors will be appointed as members of the Board committees in accordance with the Listing Rules to ensure independent views and opinions as far as practicable. The Nomination Committee strictly adheres to the independence assessment criteria for the nomination and appointment of independent non-executive Directors as set out in the Listing Rules and is obliged to assess the independence of the independent non-executive Directors on an annual basis so as to ensure that they can exercise independent judgment on a continuous basis.

The Board considers the results of the assessment of the Board's independence for the year ended December 31, 2023 were satisfactory.

Appointment and Re-election of Directors

Each of the Directors has entered into a service contract or letter of appointment with the Company. The key elements of such service contracts or letters of appointment include (a) a term of office commencing on the date the election is approved at a general meeting and ending on the date of expiration of the term of office of the Board members; and (b) termination provisions pursuant to the terms of the contracts. A Director shall be eligible for re-election, subject to the approval of the Shareholders. Service contracts or letters of appointment may be renewed in accordance with the Articles of Association and applicable rules.

Each of the Supervisors has entered into a contract with the Company. Each contract contains provisions for compliance with relevant laws and regulations and adherence to the Articles of Association.

Moreover, the Company or its subsidiaries did not enter into any service contracts with the Directors and Supervisors proposed for re-election at the forthcoming annual general meeting of the Company which is not determinable within one year without compensation (other than statutory compensation).

The procedures and processes for the appointment, re-election and removal of the Directors are set out in the Articles of Association.

Pursuant to Article 102 of the Company's Articles of Association, the Directors are elected or replaced by the Shareholders at a general meeting for a term of three years and may be removed from office by the Shareholders at a general meeting prior to the expiration of their terms of office. Directors may be re-elected upon expiration of their terms of office.

The term of office of a Director shall be counted from the date on which the general meeting's resolution of electing him/her as a Director is adopted (unless otherwise provided by the resolution of such general meeting) and shall end upon the expiration of the term of office of such Director. If a Director fails to be re-elected in time upon the expiration of his/her term of office, the original Director shall still perform his/her duties as a Director in accordance with laws, administrative regulations, departmental rules and the Articles of Association until the re-elected Director takes office.

Duties, Responsibilities and Contributions of the Board and Management

The Board shall be responsible for leading and controlling the Company and jointly responsible for directing and supervising the affairs of the Company.

The Board, directly and indirectly through its committees, provides leadership and guidance to management, monitors the Group's operational and financial performance and ensures the establishment of sound internal control and risk management systems by formulating strategies and overseeing their implementation.

All Directors (including non-executive Directors and independent non-executive Directors) bring to the Board a wide range of valuable business experience, knowledge and expertise to enable the Board to operate efficiently and effectively. The independent non-executive Directors are responsible for ensuring that the Company has a high standard of regulatory reporting, acting as an equalizer on the Board, and making effective independent judgments on corporate actions and operations.

All Directors have full and timely access to all information relating to the Company and may request, where appropriate, to seek independent professional advice in the discharge of their duties with the Company at the Company's expense.

The Directors are required to disclose to the Company the details of other offices held by them.

The Board reserves the right to make decisions on all important matters relating to the Company's policies, strategies and budgets, internal control and risk management, major transactions (particularly those that may involve conflicts of interest), financial information, appointment of Directors and other significant operational matters. The responsibilities relating to the execution of Board decisions, direction and coordination of the day-to-day operation and management of the Company are delegated to the management.

The Company has arranged appropriate Directors and Officers Liability Insurance to provide protection against any legal action brought against them as a result of their corporate activities.

Continuing Professional Development for Directors

Directors should keep abreast of regulatory developments and changes in order to perform their duties effectively and ensure that they continue to make informed and relevant contributions to the Board.

Each newly appointed Director has received formal and comprehensive induction training upon his/her first appointment to ensure that the Director has a proper understanding of the business and operations of the Company and fully understands the duties and obligations of a Director under the Listing Rules and relevant statutory requirements. Such induction training should be supplemented by regular meetings with the Group's senior management to understand the Group's business, governance policies and regulatory environment.

Directors should engage in appropriate continuing professional development to develop and update their knowledge and skills. The Company arranges internal briefings for Directors and will provide them with reading materials on relevant topics when appropriate. The Company encourages all Directors to attend relevant training programs at the Company's expense.

During the year ended December 31, 2023, the Directors were provided with information on an ongoing basis on developments in the legal and regulatory regime and in the business and market environment to assist them in discharging their duties. The Company and its professional advisers arrange ongoing briefings and professional development for the Directors.

DIRECTORS	**Participation in continuing professional development**[Note]
Executive Directors	
Dr. Dai Wenyuan (戴文淵)	✓
Mr. Chen Yuqiang (陳雨強)	✓
Mr. Yu Zhonghao (于中灝)	✓
Non-executive Directors	
Dr. Yang Qiang (楊強)	✓
Mr. Dou Shuai (竇帥)	✓
Mr. Zhang Jing (張晶)	✓
Independent non-executive Directors	
Mr. Li Jianbin (李建濱)	✓
Mr. Liu Chijin (劉持金)	✓
Ms. Ke Yele (柯燁樂)	✓

Note: Attendance at training/seminars/meetings organized by the Company or other external organizations, or reading of related materials

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The Board held only six Board meetings during the Reporting Period. The attendance of the Directors at Board and committee meetings and general meetings of the Company, either in person or by electronic communication, during the Reporting Period is detailed in the table below:

	Attendance/number of meetings held during the Reporting Period				
DIRECTORS	**Board of Directors**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Shareholders' General Meetings**
Executive Directors					
Dr. Dai Wenyuan (戴文淵)	6/6	–	–	–	4/4
Mr. Chen Yuqiang (陳雨強)	6/6	–	–	–	4/4
Mr. Yu Zhonghao (于中灝)	6/6	–	–	–	4/4
Non-executive Directors					
Dr. Yang Qiang (楊強)	6/6	1/1	–	–	4/4
Mr. Dou Shuai (竇帥)	6/6	–	–	–	4/4
Mr. Zhang Jing (張晶)	6/6	–	–	–	4/4
Independent non-executive Directors					
Mr. Li Jianbin (李建濱)	6/6	1/1	–	–	4/4
Mr. Liu Chijin (劉持金)	6/6	1/1	–	–	4/4
Ms. Ke Yele (柯燁樂)	6/6	–	–	–	4/4

Note: The Company was listed on the Main Board of the Stock Exchange on September 28, 2023, and therefore, the Remuneration Committee and the Nomination Committee did not hold any meeting during the Reporting Period.

At the Board meetings held during the Reporting Period, the Board discussed a number of matters including the Company's financial and operational performance, the Company's approved interim results, the business outlook and other significant matters.

The CG Code requires that the chairman should at least annually hold one meeting with the independent non-executive directors without the presence of other directors. As the Company was listed on the Main Board of the Stock Exchange on September 28, 2023, the Chairman did not hold any separate meeting with the independent non-executive Directors during the Reporting Period.

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee specific areas of the Company's affairs. All Board committees established by the Company have specific written terms of reference which clearly define their powers and duties and are provided with sufficient resources to discharge their duties. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the website of the Company and the website of the Stock Exchange, and Shareholders may request for such information.

The chairpersons and members of each of the Board committees are listed in the "Corporate Information" section of this annual report.

Audit Committee

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

The Audit Committee has reviewed the financial results and report for the year ended December 31, 2023 and has confirmed that it has complied with all applicable accounting principles, standards and requirements and that adequate disclosures have been made. The Audit Committee has discussed the audit and financial reporting matters. The Audit Committee has reviewed important matters relating to financial reporting, the effectiveness of the risk management and internal control systems and internal audit function, the appointment of an external auditor, and arrangements for employees to report possible misconduct. The Audit Committee conducts an annual review on the risk management and internal control systems.

The attendance record of the Audit Committee for the year ended December 31, 2023 is set out in "Attendance at Board and Committee Meetings".

During the year ended December 31, 2023, the Board did not deviate from any of the recommendations made by the Audit Committee with respect to the selection, appointment, resignation or removal of the external auditor.

The Audit Committee recommended to the Board the re-appointment of PricewaterhouseCoopers as the auditor of the Company for the year ended December 31, 2024, subject to the approval of the general meeting of Shareholders.

Remuneration Committee

The terms of reference of the Remuneration Committee are in compliance with Rule 3.25 of the Listing Rules and do not fall below the requirements set out in Paragraph E.1 of the CG Code. The Remuneration Committee has also adopted written terms of reference which deal clearly with its duties and responsibilities (the terms of reference are available on the websites of the Company and Stock Exchange).

The Remuneration Committee comprises three members, including two independent non-executive Directors and one non-executive Director, namely, Ms. Ke Yele (柯燁樂), Dr. Yang Qiang (楊強) and Mr. Li Jianbin (李建濱). Ms. Ke Yele serves as the chairlady of the Remuneration Committee.

The Remuneration Committee is responsible for determining the policy for remuneration of Directors, assessing performance of executive Directors, approving terms of executive Directors' services contracts and reviewing and approving matters relating to share scheme. The Remuneration Committee makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

As the Company was listed on the Main Board of the Stock Exchange on September 28, 2023, the Remuneration Committee did not hold any meeting during the Reporting Period.

The following table sets out the range of remuneration payable to the Company's senior management (other than Directors) for the year ended December 31, 2023:

Remuneration	Number of members
HK$2 million to HK$3 million	4
HK$4 million to HK$5 million	1
Total	5

Further details of the remuneration payable to the Directors and the five highest paid individuals for the year ended December 31, 2023 are set out in Note 10(b) and Note 10(a) to the consolidated financial statements in this report, respectively.

Nomination Committee

The terms of reference of the Nomination Committee do not fall below the provisions set out in Paragraph B.3 of the CG Code. The Nomination Committee has also adopted written terms of reference which deal clearly with its duties and responsibilities (the terms of reference are available on the websites of the Company and Stock Exchange).

The Nomination Committee comprises three members, including one executive Director and two independent non-executive Directors, namely Dr. Dai Wenyuan (戴文淵), Mr. Li Jianbin (李建濱) and Mr. Liu Chijin (劉持金). Dr. Dai Wenyuan serves as the chairman of the Nomination Committee.

In evaluating the composition of the Board, the Nomination Committee considers a number of dimensions and factors relating to Board diversity as set out in the Company's Board diversity policy (the "**Board Diversity Policy**"). The Nomination Committee discusses and agrees, as necessary, on measurable objectives for Board diversity and makes recommendations to the Board for adoption.

In identifying and selecting suitable candidates for directorship, the Nomination Committee considers, where appropriate, whether a candidate meets the relevant criteria set out in the Company's policy on nomination of directors (the "**Director Nomination Policy**") that are necessary to complement the Company's strategy and to achieve Board diversity before making recommendations to the Board.

The Board has reviewed its structure, size and composition and the independence of the independent non-executive Directors, and considers that the Board maintained an appropriate balance in terms of diversity of membership in 2023.

As the Company was listed on the Main Board of the Stock Exchange on September 28, 2023, the Nomination Committee did not hold any meeting during the Reporting Period.

Board Diversity Policy

The Company is committed to promoting the culture of diversity. It has strived to promote diversity to the extent practicable by taking into consideration a number of factors in its corporate governance structure.

The Company has adopted the Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity of its Board in order to enhance the effectiveness of the Board. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, race, cultural background, educational background, industry experience and professional experience. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, computer science, AI technology, legal, economics, investment and accounting. They obtained degrees in various areas including computer science, law, economics, mathematics, astrophysics, finance. The Board Diversity Policy is well implemented as evidenced by the fact that there are Directors ranging from 34 years old to 62 years old with experience from different industries, sectors and genders.

The Company will continue to take steps to promote gender diversity at all levels, including but not limited to the Board and the senior management levels. It will encourage the incumbent Board members to recommend female candidate Directors and take other actions to help achieve greater Board diversity, for example inviting some of outstanding female staff at mid to senior level to attend and observe Board meetings. This will allow the Board to understand more about these potential female candidates before they are nominated to the Board and provide opportunities for potential female candidates to prepare themselves for director duties. The Company will also continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that it will have a pipeline of female senior management and potential successors to the Board in due time to ensure gender diversity of the Board. The Group will continue to emphasize training of female talent and providing long-term development opportunities for female staff including but not limited to business operation, management, accounting and finance, legal and compliance. As such, the Company is of the view that the Board will be offered chances to identify competent female staff at mid to senior level to be nominated as a Director in future with a pipeline of female candidates.

The composition of the Board is in line with the Company's Board Diversity Policy due to the Company's existing business model and specific needs as well as the diverse backgrounds of the Directors.

The Company is committed to adopting a similar approach to promote diversity in its management, including but not limited to senior management, in order to enhance the overall effectiveness of its corporate governance.

The Nomination Committee has been delegated by the Board to be responsible for compliance with the code relating to Board diversity in the CG Code. The Nomination Committee will review the Board Diversity Policy from time to time to ensure that it remains effective.

As of December 31, 2023, we had 1,801 employees, of which 1,314 were male and 487 were female. The gender ratio of employees, including senior management, is approximately 73.0% male to 27.0% female. The Company aims to achieve a more balanced gender ratio in its workforce. The Company will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness. The Company is not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

Director Nomination Policy

The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the Shareholders for appointment as Directors of the Company at general meetings.

The Company has a Director Nomination Policy that sets out the selection criteria and procedures and the considerations for nomination and appointment of Directors in the Board Succession Plan, which is designed to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and continuity of the Board, as well as appropriate leadership at the Board level.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and the re-election of Directors at general meetings. The Nomination Committee will make recommendations to the Board on the appointment of Directors (including independent non-executive Directors) in accordance with the following selection criteria and nomination procedures:

(a) The Nomination Committee should give consideration to the Rules Governing the Listing Rules, the Company's Articles of Association and applicable laws and regulations in identifying individuals suitably qualified to become Directors;

(b) The Nomination Committee will consider the following factors in evaluating candidates: (i) integrity; (ii) educational background, professional qualifications and working experience (including part-time jobs); (iii) the availability of appropriate skills and experience; (iv) whether they are able to devote sufficient time and attention to the affairs of the Company; (v) the ability to promote diversity of the Board in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; and (vi) whether the candidates for independent non-executive Directors meet the independence requirements under Rule 3.13 of the Listing Rules;

(c) The Nomination Committee is required to convene a meeting and invite nominees, if any, from Board members for consideration by the Nomination Committee prior to the meeting. The Nomination Committee may nominate individuals who have not been nominated by Board members;

(d) In respect of the appointment of any Director candidate, the Nomination Committee shall conduct sufficient due diligence on the candidate and make recommendations to the Board for its consideration; and

(e) For the re-appointment of any existing member of the Board, the Nomination Committee shall make a recommendation for the Board's consideration.

The Nomination Committee will review the Director Nomination Policy from time to time and as appropriate to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in Code Provision A.2.1 of the CG Code.

During the year ended December 31, 2023, the Board reviewed the Company's policies and practices on corporate governance, training and continuing professional development of Directors and senior management, the Company's compliance with the policies and practices as stipulated in laws and regulations and the Model Code, the Company's compliance with the CG Code and the disclosure information in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for risk management and internal control systems and for reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Management and Internal Control Governance Framework

We have established and currently maintain risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continually improving these systems. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations. Our Board of Directors is responsible for the establishment and updating of our internal control systems, while our senior management monitors the daily implementation of the internal control procedures and measures with respect to each subsidiary and functional departments. The Company has established an internal audit department to actively perform internal audit functions.

Financial Reporting Risk Management

We have adopted comprehensive accounting policies in connection with our financial reporting risk management, such as financial management, budget management and financial statement preparation. We also have procedures in place to carry out such accounting policies, and our finance department reviews our management accounts in accordance with such procedures. In addition, we provide ongoing training to our finance staff to ensure that these policies are well-observed and effectively implemented.

Information System Risk Management

Sufficient maintenance, storage and protection of our data and other related information are critical to our success. We have implemented relevant internal procedures and controls to ensure that our data is protected and that leakage and loss of such data are avoided.

We have implemented comprehensive internal policies on protecting data privacy and security under the supervision of our Chief Architect, and we have established a Data and Information Security Committee, members of which include the responsible persons in various departments such as IT, R&D, Solution Deployment, Human Resources and Compliance. The committee is responsible for formulating data and information security strategies, and decision-making in material data and information incidents. We also engage external legal counsel to review and update our internal policies and ensure continuous compliance with all applicable laws and regulations.

We implement a robust internal authentication and authorization system to ensure that our confidential and important data can only be accessed for authorized use and by authorized personnel. We have clear and strict authorization and authentication procedures and policies in place. Our employees only have access to data which is directly relevant and necessary for their responsibilities and for limited purposes and are required to verify authorization upon every access attempt.

We have established an all-round information system in reference to data security requirements, national standards and industry best practices and intend to continually invest heavily in data security and privacy protection. Our information system applies multiple layers of safeguards, including both internal and external firewalls, to identity and protect us against security attacks. We have completed various information security, privacy and compliance certifications/validations, proving the security and reliability of our data protection technologies.

Compliance and Intellectual Property Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations, as well as the protection of our intellectual property rights. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties or us to perform contractual obligations and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements. There was no material and systemic non-compliance event during the Track Record Period and as of the Latest Practicable Date.

We have in place detailed internal procedures to ensure that our in-house legal department reviews our solutions and services, including upgrades to existing solutions, for regulatory compliance before they are made available to the general public. Our legal department is also responsible for obtaining any requisite governmental pre-approvals or consent, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines and ensuring all necessary application, renewals or filings for trademark, copyright and patent registration have been timely made to the competent authorities.

Internal Control Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. We maintain internal procedures to ensure that we have obtained all material requisite licenses, permits and approvals for our business operation, and conduct regular reviews to monitor the status and effectiveness of those licenses and approvals. We obtain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

Human Resources Risk Management

We have established internal control and risk management policies covering various aspects of human resource management such as recruitment, training, work ethics and legal compliance. We maintain high standards in recruitment with strict procedures to ensure the quality of new hires and provide specialized training tailored to the needs of our employees in different departments. We also conduct periodic performance reviews for our employees, and their remuneration is performance-based. We monitor the implementation of internal risk management policies on a regular basis to identify, manage and mitigate internal risks in relation to the potential incompliance with our code of conduct, work ethics, and violations of our internal policies or illegal acts at all levels of our Group.

In particular, we have in place a set of comprehensive anti-corruption and anti-bribery policies within our Company (the "**Anti-corruption Policy**") to promote and support the compliance with applicable anti-corruption laws and regulations, providing guidance on anti-corruption and anti-bribery practices, the whistleblowing channel, as well as the responsibilities for implementing the policies. All of our employees and third-party agents are required to understand and comply with the Anti-corruption Policy, and we from time to time provide anti-corruption trainings to our employees and third-party agents. Under our current whistleblowing policy, one who becomes aware of any possible violations of applicable law or the Anti-corruption Policy should report the relevant incidents to the legal department immediately. Such reports will be treated with confidentiality, and the reported matter will be investigated and handled in a prompt, independent and fair manner.

Investment Risk Management

Our investment department is responsible for investment project sourcing, screening, execution and portfolio management. The department sources investment projects in accordance with our investment strategy, and conducts thorough pre-investment due diligence to assess the risks, business synergies and potential return of the investment projects.

Policy on the Disclosure of Inside Information

The Company has put in place an internal policy for the handling and disclosure of inside information in compliance with the SFO. The internal policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, Supervisors, senior management and relevant employees a general guide in monitoring information disclosure and responding to enquiry.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

Effectiveness of Internal Control and Risk Management

The Audit Committee, on behalf of the Board, has conducted an annual review on the effectiveness of the Group's internal control and risk management systems for the year ended December 31, 2023. The work process of the review included, but was not limited to, listening to the business management team and the external auditor, reviewing the results of the management's self-assessment of the internal control system and the risk assessment, and discussing material risks with the senior management team. The Board is of the view that the Group's internal control and risk management systems were effective and adequate during the Reporting Period and the Group had complied with the code provisions in relation to internal control and risk management in the CG Code.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2023, which give a true and fair view of the affairs of the Company and the Group and of the results and cash flows of the Group.

Management has provided the Board with explanations and information necessary to enable the Board to conduct an informed assessment on the Company's consolidated financial statements, which are presented to the Board for approval. The Directors are not aware of any material uncertainties relating to events or circumstances that may cast significant doubt upon the Company's ability to continue as a going concern.

The declaration of reporting responsibility made by the independent auditor of the Company on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on Pages 62 to 69.

AUDITOR' REMUNERATION

The remuneration paid/payable to the Company's independent auditor, PricewaterhouseCoopers, for its audit and non-audit services for the year ended December 31, 2023 is set out below. The remuneration for the audit services also includes the service fees in connection with the initial public offering. The non-audit service conducted by the auditor is agreed-upon procedures service.

Type of services	**Expenses paid/ payable** RMB'000
Audit services	22,760
Non-audit services	200
Total	22,960

JOINT COMPANY SECRETARIES

During the Reporting Period, Mr. Xiong Fei was one of the joint company secretaries of the Company and was responsible for advising the Board on corporate governance matters and ensuring compliance with the Board's policies and procedures, applicable laws, rules and regulations. On January 19, 2024, Ms. Guo Qingyuan was appointed as a joint company secretary of the Company. On the same date, Mr. Xiong Fei resigned as the joint company secretary of the Company.

During the Reporting Period, the Company appointed Ms. Yeung Siu Wai Kitty ("Ms. Yeung"), a manager of corporate services of Tricor Services Limited, a global corporate services provider, as the other joint company secretary of the Company to assist Mr. Xiong Fei in discharging his duties as the company secretary of the Company, in order to maintain good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws. Following the resignation of Mr. Xiong Fei as joint company secretary of the Company on January 19, 2024, Ms. Yeung has continued with the role and act as the other joint company secretary of the Company. Ms. Guo Qingyuan is her main contact person in the Company.

During the year ended December 31, 2023, each of Mr. Xiong Fei and Ms. Yeung received no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

For more information about Ms. Guo Qingyuan and Ms. Yeung, please refer to the announcement of the Company dated January 21, 2024.

ARTICLES OF ASSOCIATION

With the authorization of the Shareholders at the 2023 second extraordinary general meeting held on April 21, 2023 and further authorization from the Board, the Company made certain amendments to the Articles of Association on November 27, 2023, which were mainly related to the completion of the Global Offering of the Company and the completion of partial exercise of the over-allotment option. For further details, please refer to the announcement of the Company dated November 27, 2023. The latest version of the Articles of Association has been published on the website of the Company and the website of the Stock Exchange.

Save as disclosed above, there were no changes to the Articles of Association during the Reporting Period and up to the reporting date.

SHAREHOLDERS' RIGHTS

The Company communicates with its Shareholders through various communication channels. The Company's information is communicated to Shareholders in the following manner:

- Presentation of annual and interim results and reports to all Shareholders;
- Publication of announcements relating to annual and interim results on the websites of the Stock Exchange and the Company and other announcements and Shareholders' circulars pursuant to the continuous disclosure obligations under the Listing Rules; and
- The Company's general meetings, which are one of the channels for effective communication between the Board and the Shareholders.

In order to protect the interests and rights of the Shareholders, separate resolutions will be proposed at the general meetings of the Company in respect of each significant individual matter, including the election of individual Directors. Pursuant to the Listing Rules, all resolutions proposed at the general meetings will be voted on by way of a poll, the results of which will be posted on the websites of the Company and the Stock Exchange after the conclusion of the general meetings.

CONVENING OF SHAREHOLDERS' GENERAL MEETINGS

The annual general meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

According to Article 50 in the Articles of Association, independent non-executive Directors shall be entitled to propose to the Board to convene an extraordinary general meeting.

Regarding the proposal requesting to convene an extraordinary general meeting by the independent non-executive Directors, the Board shall, pursuant to the relevant laws, administrative regulations and the Articles of Association of the Company, give a written reply stating its consent or reject for the convening of the extraordinary general meeting within 10 days after receiving the proposal.

If the Board agrees to convene the extraordinary general meeting, a notice for convening such meeting shall be issued within five days after the passing of the relevant Board resolution. If the Board does not agree to convene the extraordinary general meeting, it shall state the reasons therefor and make an announcement thereof.

Pursuant to Article 51 of the Company's Articles of Association, the Supervisory Committee is entitled to propose in writing to the Board to convene an extraordinary general meeting. The Board shall, pursuant to the relevant laws, administrative regulations and the Articles of Association of the Company, give a written reply stating its consent or reject for the convening of the extraordinary general meeting within 10 days after receiving the proposal.

If the Board agrees to convene the extraordinary general meeting, the notice of convening such meeting shall be issued within 5 days after it passes a resolution. Any changes to the original proposal in the notice should be approved by the Board.

If the Board makes a rejection or does not respond within 10 days of receipt of the proposal, it shall be deemed to be unable to fulfill or fail to meet its duty of convening the extraordinary general meeting, and the Supervisory Committee may convene and preside over the meeting on its own.

Pursuant to Article 52 of the Company's Articles of Association, Shareholders holding, individually or collectively, more than 10% of the shares entitled to vote at such proposed meeting are entitled to request in writing the Board to convene an extraordinary general meeting. The Board shall, in accordance with the laws, administrative regulations, the Listing Rules of the Stock Exchange on which the Company's Shares are listed and the Company's Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within 10 days after receipt of the written request.

In the event that the Board agrees to convene an extraordinary general meeting, the notice of the general meeting shall be issued within five days after the passing of the relevant resolution of the Board.

In the event that the Board does not agree to convene an extraordinary general meeting or does not furnish any reply within ten days after receiving such request, shareholders alone or in aggregate holding 10% or more of the Company's shares shall be entitled to propose to the Supervisory Committee the convening of extraordinary general meeting, and such proposal shall be made in writing.

In the event that the Supervisory Committee agrees to convene an extraordinary general meeting, the notice of the general meeting shall be issued within five days after receiving such request.

In the event that the Supervisory Committee fails to issue a notice of the general meeting within the stipulated period, the Supervisory Committee shall be deemed not convene and preside over a general meeting, and shareholders alone or in aggregate holding 10% or more of the Company's shares for 90 consecutive days or more shall be entitled to convene and preside over the meeting on their own.

PRESENTATION OF RESOLUTIONS AT SHAREHOLDERS' GENERAL MEETINGS

When the Company convenes a Shareholders' general meeting, the Board, the Supervisory Committee and Shareholders who individually or collectively own more than 3% of the Company's Shares have the right to propose a resolution to the Company.

Shareholders who individually or collectively hold more than 3% of the Shares of the Company may propose temporary resolutions and submit them in writing to the convener 10 days before the general meeting is held. The convener shall issue a supplemental notice of the general meeting within two days after receiving the proposed resolution announcing the contents of the temporary resolution.

Save as provided above, the convener shall not amend resolutions stated in or add new resolutions to the notice of the general meeting after the same has been issued and announced.

No voting or resolution shall be executed or adopted at the general meeting for resolutions that have not been stated in the notice of the general meeting or that do not comply with Article 56 of the Articles of Association.

MAKING ENQUIRIES TO THE BOARD

Shareholders who wish to make any enquiries to the Board may send their written enquiries to the Company. The Company generally does not handle verbal or anonymous enquiries.

Contact Details

Shareholders may send such enquiries or requests or put forward proposals in the following manner:

Address: No. L01301-1, Level 13, Building 1, No. 66 Qinghe Middle Street, Haidian District, Beijing, PRC
Email: IR@4paradigm.com

For the avoidance of doubt, to be valid, a Shareholder must send a duly signed original of a written request, notice or statement or enquiry (as the case may be) to the above address, giving his/her full name, contact details and identity. Shareholder information may be disclosed as required by law.

SHAREHOLDER COMMUNICATION POLICY

The Company recognizes that effective communication with its Shareholders is essential in fostering investor relations and deepening investors' understanding of the Group's business performance and strategy. Accordingly, the Company has set up a website (www.4paradigm.com) from which the public can obtain relevant and up-to-date information, the latest developments regarding its business operations and development, its financial information and corporate governance practices and other data. Information uploaded by the Company to the Stock Exchange's website will also be immediately posted on the Company's website.

The Company also endeavors to maintain an ongoing dialogue with its Shareholders, especially through annual general meetings and other general meetings, so as to obtain information about the Company, including its latest strategic plans, products and profit distribution plans. The Directors (or their representatives, as the case may be) will meet with Shareholders and respond to their enquiries at the annual general meeting.

The Company has a Shareholder Communication Policy in place. During the year ended December 31, 2023, the Board reviewed the implementation and effectiveness of the Policy, and all the results of the review were satisfactory on the basis that the Shareholder Communication Policy provides sufficient channel to provide information to the Shareholders and solicit views from the Shareholders.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**") in accordance with Code Provision F.1.1 in the CG Code. In recommending the payment of a dividend and determining the amount of the dividend, the Board shall consider, among other things, (i) our actual and estimated financial performance; (ii) our estimated working capital requirements, capital expenditure requirements and future business expansion plans; (iii) our current and future cash flows; (iv) other internal and external factors that may affect our business operations or financial performance and condition; and (v) other factors that our Board deem relevant.

The Board may determine and pay to the Shareholders of the Company such interim and final dividends as it thinks fit, subject to the approval of the Shareholders at a general meeting of the Company.

Taking into account the business development needs of the Company and the factors set out in the Dividend Policy, the Board does not recommend the payment of a final dividend for the year ended December 31, 2023.

As of December 31, 2023, there was no arrangement under which a Shareholder had waived or agreed to waive any dividends.

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

OPINION

What we have audited

The consolidated financial statements of Beijing Fourth Paradigm Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 70 to 157, comprise:

- the consolidated balance sheet as at December 31, 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition
- Measurement of expected credit losses of trade receivables
- Impairment assessment of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to Notes 2.1(o) and 6 to the consolidated financial statements. The Group is primarily engaged in the sales of Sage Platform and applications and provision of application development and other services. The Group's revenue is recognized upon transfer of control of products or services to the customer, at a point in time or over time, depending on the nature, terms and conditions of the business arrangements. During the year ended December 31, 2023, the Group's revenue as recognized at a point in time and over time amounted to approximately RMB4,129.2 million and RMB74.9 million, respectively. We focused on this area and devoted significant audit resources to this area due to the magnitude of revenue transactions and the variety of the relevant contract terms and conditions as agreed with customers.	In response to this key audit matter, we have performed the following procedures: • Understood and evaluated the Group's key process and internal controls in relation to revenue recognition. • Checked sales contracts on a sample basis, identified the key terms and conditions relating to the transfers of control of products or services to customers and assessed the Group's revenue recognition policies with reference to the requirements of the applicable prevailing accounting standards. • Tested the sales transactions, on a sample basis, by examining relevant supporting documents including sales contracts and customers' acceptance reports. • Tested sales transactions recorded before and after the balance sheet date, on a sample basis, by examining sales contracts and tracing to the respective customers' acceptance reports to assess whether revenue was recognized in the appropriate reporting period. • Obtained confirmation letters from customers, on a sample basis, to confirm the amount of transactions for the year. Based on the procedures performed, we found that the Group's revenue as recognized was supported by the evidence obtained.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses of trade receivables Refer to Notes 2.1(f)(iii), 2.2(e), 3.1(b), 4(d) and 22 to the consolidated financial statements. As at December 31, 2023, the Group recorded gross trade receivables of approximately RMB1,960.3 million, against which credit loss allowances of approximately RMB116.7 million was recognized. The Group applied the simplified approach as permitted by International Financial Reporting Standards 9 "Financial Instruments" to determine the amounts of expected credit losses on trade receivables. To measure expected credit losses, trade receivables have been grouped based on the shared credit risk characteristics, such as credit rating and aging periods. The expected loss rates are determined by reference to historical payment profiles, historical credit loss rates by industry or data published by external credit rating institution, adjusted to reflect certain current and forward-looking information on macroeconomic factors affecting the customers' ability to settle the receivables. We focused on this area due to the significance of the balance of trade receivables and complex estimates and judgements were involved in the measurement of expected credit losses as mentioned above.	In response to this key audit matter, we have performed the following procedures: • Understood and evaluated management's internal control and assessment process of measurement of expected credit losses of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. • Evaluated the appropriateness of the methodology and model as adopted by management in determining the expected credit loss allowances on trade receivables. • Evaluated the appropriateness of the grouping of trade receivables by reference to their shared credit risk characteristics. • Tested, on a sample basis, the accuracy of the key data inputs used by management in the measurement of expected credit losses such as the aging information of trade receivables against the relevant underlying supporting documents. • Assessed the reasonableness of the expected loss rates by checking with the relevant supporting documents such as historical payment records, aging analysis of trade receivables, public credit ratings of customers (if available) and historical credit loss rates analyzed by industries. • Evaluated the reasonableness of the forward-looking information as applied by management by checking with the market or industry data as obtained from our independent internet search. • Evaluated the results of management's sensitivity analysis of credit loss rates and forward-looking information using reasonably possible changes of the relevant key parameters.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses of trade receivables (continued)	• Tested the mathematical accuracy of the calculations of the expected credit loss rates and the amounts of expected credit loss provision. • Assessed the appropriateness and adequacy of the disclosures related to expected credit losses of trade receivables in the context of the applicable prevailing accounting standards. Based on the procedures performed, we found that the significant judgements and estimates as adopted by management in the measurement of expected credit losses of trade receivables were supported by the evidence obtained.
Impairment assessment of goodwill Refer to Notes 2.1(d)(i), 2.1(e), 4(b) and 16 to the consolidated financial statements. As at December 31, 2023, the Group had goodwill of approximately RMB335.8 million arising from business acquisitions as completed in prior years. Management engaged an external valuer to assist them in conducting an impairment assessment on the aforesaid goodwill. Management considered each of the acquired business as a separate cash generating unit ("CGU") and determined the recoverable amount of each CGU based on the higher of the fair value less cost of disposal and value-in-use of the respective CGUs as calculated using the discounted cash flow method. The key assumptions used in the impairment assessment primarily include the revenue growth rate, terminal growth rate and discount rate.	In response to this key audit matter, we have performed the following procedures: • Understood and evaluated the management's internal control and assessment process of impairment assessment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. • Evaluated the appropriateness of management's identification of CGUs by reference to the Group's accounting policies and our understanding on the Group's different business lines and relevant business acquisitions. • Evaluated the competency, capabilities and objectivity of the external valuer engaged by the Group. • Assessed the appropriateness of the valuation methodology as applied by management with the assistance of our internal valuation expert.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill (continued) We focused on this area due to the significance of the amount of goodwill and given that significant judgments and estimates were involved in the impairment assessment.	• Assessed the reasonableness of the key assumptions as adopted by management by reference to the market or industry data as obtained from our independent internet search and the historical and subsequent actual financial performance of the related entities acquired. • Tested the mathematical accuracy of the calculations of the recoverable amounts of the respective CGUs. • Evaluated the sensitivity analysis prepared by management around the key assumptions to assess the potential impact on the impairment assessment results of the possible changes of key assumptions. • Conducted retrospective review by comparing the current period actual results of the related entities acquired with previous forecast to consider whether key assumptions included in that forecast had been subject to management bias and to assess the effectiveness of management's estimation process. • Assessed the appropriateness and adequacy of the disclosures related to impairment assessment of goodwill in the context of the applicable prevailing accounting standards. Based on the procedures performed, we found that the methodology, significant judgements and estimates as adopted by the management in the impairment assessment of goodwill were supported by the evidence obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee of the Company is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with the Audit Committee of the Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yuen Kwok Sun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 20, 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Revenue	6	**4,204,142**	3,082,637
Cost of sales	9	**(2,224,594)**	(1,595,991)
Gross profit		**1,979,548**	1,486,646
Selling and marketing expenses	9	**(423,384)**	(412,152)
General and administrative expenses	9	**(341,943)**	(527,638)
Research and development expenses	9	**(1,768,996)**	(1,650,010)
Credit loss allowance	9	**(79,537)**	(48,914)
Other income	7	**89,426**	62,662
Other (losses)/gains, net	8	**(548)**	63,504
Operating loss		**(545,434)**	(1,025,902)
Share of losses of investments accounted for using the equity method	17(b)	**(1,597)**	(3,200)
Finance income	11	**54,218**	46,183
Finance costs	11	**(438,016)**	(682,175)
Loss before income tax		**(930,829)**	(1,665,094)
Income tax credit	12	**10,260**	11,673
Loss for the year		**(920,569)**	(1,653,421)
Other comprehensive income/(loss):			
Item that may be reclassified to profit or loss			
Currency translation differences		**(3,126)**	(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(b)	**5,814**	4,345
Other comprehensive income/(loss) for the year, net of tax		**2,688**	(2,817)
Total comprehensive loss for the year		**(917,881)**	(1,656,238)
Loss attributable to:			
Owners of the Company		**(908,717)**	(1,644,897)
Non-controlling interests		**(11,852)**	(8,524)
		(920,569)	(1,653,421)

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Total comprehensive loss attributable to:			
Owners of the Company		**(906,029)**	(1,647,714)
Non-controlling interests		**(11,852)**	(8,524)
		(917,881)	(1,656,238)
Loss per share for loss attributable to owners of the Company (expressed in RMB per share)	13		
Basic		**(2.80)**	(6.15)
Diluted		**(2.80)**	(6.15)

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

CONSOLIDATED BALANCE SHEET

	Note	As at December 31, 2023 RMB'000	2022 RMB'000
Assets			
Non-current assets			
Right-of-use assets	14(a)	**44,363**	70,002
Property and equipment	15	**47,047**	48,421
Intangible assets	16	**425,678**	457,306
Investments accounted for using the equity method	17(b)	**53,436**	45,865
Financial assets at fair value through profit or loss	19	**456,824**	477,889
Contract assets	6(a)	**21,273**	16,295
Term bank deposits	24(c)	**204,157**	685,039
Other non-current assets	20	**237,970**	–
		1,490,748	1,800,817
Current assets			
Inventories	21	**295,262**	349,872
Contract assets	6(a)	**42,104**	31,093
Trade receivables	22	**1,843,610**	1,493,238
Prepayments and other receivables	23	**384,388**	380,064
Financial assets at fair value through profit or loss	19	**562,335**	1,330,166
Term bank deposits	24(c)	**492,946**	–
Restricted cash	24(b)	**57,990**	6,916
Cash and cash equivalents	24(a)	**1,977,891**	1,326,818
		5,656,526	4,918,167
Total assets		**7,147,274**	6,718,984
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	25	**465,859**	437,706
Treasury stock	26	**–**	(4,898,094)
Reserves	26	**9,969,638**	7,063,334
Accumulated losses		**(5,086,375)**	(4,177,658)
		5,349,122	(1,574,712)
Non-controlling interests		**103,392**	113,701
Total equity/(deficit on total equity)		**5,452,514**	(1,461,011)

	Note	As at December 31, 2023 RMB'000	2022 RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities	14(b)	**20,189**	43,721
Deferred income tax liabilities	30	**1,482**	14,324
Borrowings	31	**12,500**	24,000
Redemption liabilities	32	**–**	6,493,159
Other non-current liabilities	33	**17,439**	53,682
		51,610	6,628,886
Current liabilities			
Trade payables	28	**1,043,189**	863,234
Other payables and accruals	29	**270,597**	226,161
Contract liabilities	6(b)	**146,184**	325,731
Lease liabilities	14(b)	**25,697**	28,311
Income tax liabilities		**4,037**	1,844
Borrowings	31	**96,247**	48,554
Other current liabilities		**57,199**	57,274
		1,643,150	1,551,109
Total liabilities		**1,694,760**	8,179,995
Total equity and liabilities		**7,147,274**	6,718,984

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

The consolidated financial statements on pages 70 to 157 were approved by the Board of Directors of the Company on March 20, 2024 and were signed on its behalf by:

Dai Wenyuan
Director

Yu Zhonghao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company						
		Share capital (Note 25) RMB'000	Treasury stock (Note 26) RMB'000	Reserves (Note 26) RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	(Deficit on total equity)/ total equity RMB'000
Balance at January 1, 2023		437,706	(4,898,094)	7,063,334	(4,177,658)	(1,574,712)	113,701	(1,461,011)
Comprehensive income/(loss)								
Loss for the year		–	–	–	(908,717)	(908,717)	(11,852)	(920,569)
Currency translation differences		–	–	(3,126)	–	(3,126)	–	(3,126)
Share of other comprehensive income of investments accounted for using the equity method	17(b)	–	–	5,814	–	5,814	–	5,814
Total comprehensive income/(loss) for the year		–	–	2,688	(908,717)	(906,029)	(11,852)	(917,881)
Transactions with owners in their capacity as owners								
Issuance of ordinary shares upon initial public offering ("IPO"), net of issuance costs		20,194	–	957,452	–	977,646	–	977,646
Derecognition of redemption liabilities	32	–	4,898,094	2,020,081	–	6,918,175	–	6,918,175
Capital contribution from shareholders		13,537	–	181,129	–	194,666	–	194,666
Repurchase and cancellation of shares		(5,578)	–	(253,444)	–	(259,022)	–	(259,022)
Transactions with non-controlling interests		–	–	(1,602)	–	(1,602)	1,602	–
Disposal of subsidiaries		–	–	–	–	–	(59)	(59)
Total transactions with owners in their capacity as owners		28,153	4,898,094	2,903,616	–	7,829,863	1,543	7,831,406
Balance at December 31, 2023		465,859	–	9,969,638	(5,086,375)	5,349,122	103,392	5,452,514

		Attributable to owners of the Company						
	Note	Share capital (Note 25) RMB'000	Treasury stock (Note 26) RMB'000	Reserves (Note 26) RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Deficit on total equity 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(b)	–	–	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	27	–	–	433,403	–	433,403	–	433,403
Non-controlling interests arising from business combination	34	–	–	–	–	–	10,134	10,134
Transactions with non-controlling interests		–	–	(8,456)	–	(8,456)	8,456	–
Deregistration of subsidiaries		–	–	–	(924)	(924)	627	(297)
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)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash used in operations	38(a)	**(1,028,770)**	(801,674)
Interest received		**30,259**	27,122
Income tax paid		**(67)**	(5,037)
Net cash used in operating activities		**(998,578)**	(779,589)
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		**(38,787)**	(15,520)
Proceeds from disposal of property and equipment		**352**	668
Placement of term bank deposits		**(100,000)**	(270,000)
Withdrawal of term bank deposits		**100,000**	130,000
Interest income received from term bank deposits		**12,833**	6,886
Purchase of short-term investments measured at fair value through profit or loss		**(1,540,000)**	(2,763,507)
Proceeds from disposal of short-term investments measured at fair value through profit or loss		**2,446,269**	3,955,847
Investment income received		**19,282**	71,795
Purchase of long-term investments measured at fair value through profit or loss		**(155,000)**	(166,688)
Proceeds from disposal of long-term investments measured at fair value through profit or loss		**2,000**	–
Purchase of investments accounted for using the equity method		**(5,760)**	(6,224)
Proceeds from disposal of investments accounted for using the equity method	17(b)	**25,096**	5,300
Settlement of consideration payable for business combination completed in the prior year/acquisition of subsidiaries, net of cash acquired		**(42,877)**	(126,170)
Loan to a related party		**–**	(4,000)
Repayment of loan by a related party		**–**	4,000
Net cash generated from investing activities		**723,408**	822,387

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Cash flows from financing activities			
Proceeds from issuance of ordinary shares upon IPO, net of underwriting commissions, levy and stamp duty		998,379	–
Capital contribution by shareholders		194,666	–
Payments for shares repurchase		(259,022)	–
Payment of listing expenses capitalized or to be capitalized		(4,528)	(22,162)
Proceeds from borrowings		104,547	50,554
Repayment of borrowings		(68,354)	(7,752)
Interest expenses paid		(3,003)	(1,225)
Payment of lease liabilities	14(b)	(31,966)	(28,429)
Net cash generated from/(used in) financing activities		930,719	(9,014)
Net increase in cash and cash equivalents		655,549	33,784
Cash and cash equivalents at the beginning of the year		1,326,818	1,292,686
Effects of exchange rate changes on cash and cash equivalents		(4,476)	348
Cash and cash equivalents at the end of the year	24(a)	1,977,891	1,326,818

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

1 GENERAL INFORMATION

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

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

Mr. Dai Wenyuan is the ultimate controlling shareholder of the Group as at the date of approval of these consolidated financial statements.

On September 28, 2023, the Company has successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), see Note 25(b) for details.

The consolidated financial statements of the Group is presented in Renminbi ("RMB"), unless otherwise stated. The consolidated financial statements of the Group were approved by the Board of Directors of the Company on March 20, 2024.

2 SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied throughout all the years presented, unless otherwise stated.

2.1 Summary of material accounting policies

(a) Basis of preparation

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

The consolidated financial statements of the Group have been prepared under the historical cost convention, except that certain financial assets (including derivative instruments) are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards 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 consolidated financial statements, are disclosed in Note 4.

All new and amended standards issued by IASB, which are mandatory for the year ended December 31, 2023, have been consistently applied by the Group throughout the years presented.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

2.1 Summary of material accounting policies (continued)

(a) Basis of preparation (continued)

Amended standards have not been early adopted

Amended standards that have been issued but not yet effective and not been early adopted by the Group for the year ended December 31, 2023 are as follows:

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

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

(b) Principles of consolidation and equity accounting

(i) 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.

(ii) 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 (iv) below), after initially being recognized at cost.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

2.1 Summary of material accounting policies (continued)

(b) Principles of consolidation and equity accounting (continued)

(iii) 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.

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

(iv) 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 2.1(e).

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 organization, 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.

(v) 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.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

2.1 Summary of material accounting policies (continued)

(b) Principles of consolidation and equity accounting (continued)

(v) ***Changes in ownership interests*** (continued)

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.

(c) 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.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

2.1 Summary of material accounting policies (continued)

(c) Business combination (continued)

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 SUMMARY OF ACCOUNTING POLICIES (continued)

2.1 Summary of material accounting policies (continued)

(d) Intangible assets

(i) *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.

(ii) *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.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

2.1 Summary of material accounting policies (continued)

(d) Intangible assets (continued)

(iii) 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.

(e) 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 SUMMARY OF ACCOUNTING POLICIES (continued)

2.1 Summary of material accounting policies (continued)

(f) Investments and other financial assets

(i) 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.

(ii) 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.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

2.1 Summary of material accounting policies (continued)

(f) Investments and other financial assets (continued)

(ii) ***Measurement*** (continued)

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 SUMMARY OF ACCOUNTING POLICIES (continued)

2.1 Summary of material accounting policies (continued)

(f) Investments and other financial assets (continued)

(iii) 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.

(iv) 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 SUMMARY OF ACCOUNTING POLICIES (continued)

2.1 Summary of material accounting policies (continued)

(g) 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.

(h) 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 SUMMARY OF ACCOUNTING POLICIES (continued)

2.1 Summary of material accounting policies (continued)

(i) 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.

(j) Share capital and treasury stock

Ordinary shares and 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 2.1(k)).

(k) 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 SUMMARY OF ACCOUNTING POLICIES (continued)

2.1 Summary of material accounting policies (continued)

(l) 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.

(i) 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.

(ii) 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.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

2.1 Summary of material accounting policies (continued)

(l) Current and deferred income tax (continued)

(iii) 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.

(m) Employee benefits

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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 SUMMARY OF ACCOUNTING POLICIES (continued)

2.1 Summary of material accounting policies (continued)

(n) Share-based payments

(i) 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.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

2.1 Summary of material accounting policies (continued)

(n) Share-based payments (continued)

(ii) 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 reporting periods.

(iii) 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.

(o) 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.

(i) 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.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

2.1 Summary of material accounting policies (continued)

(o) Revenue recognition (continued)

(ii) Application development and other services

Application development and other services mainly consist of customized AI applications development service.

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.

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.

(p) 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.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

2.1 Summary of material accounting policies (continued)

(p) Leases (continued)

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.

(q) 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.

2.2 Summary of other accounting policies

(a) 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.

(b) 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 SUMMARY OF ACCOUNTING POLICIES (continued)

2.2 Summary of other accounting policies (continued)

(c) Foreign currency translation

(i) 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 its consolidated financial statements in RMB, which is the Company's functional currency.

(ii) 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.

(iii) 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 SUMMARY OF ACCOUNTING POLICIES (continued)

2.2 Summary of other accounting policies (continued)

(d) 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 2.1(e).

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.

(e) Trade and other receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. 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 2.1(f)(iii) and 3.1(b) for a description of the Group's impairment policy for trade and other receivables.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

2.2 Summary of other accounting policies (continued)

(f) 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. 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.

(g) 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.

(h) 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.

(i) 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.

2 SUMMARY OF ACCOUNTING POLICIES (continued)

2.2 Summary of other accounting policies (continued)

(i) Provisions (continued)

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.

(j) Earnings per share

(i) 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.

(ii) 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.

(k) Dividend income

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

(l) 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.

(m) 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, 2023 and 2022 would have been approximately RMB43,545,000 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

As at December 31, 2023, the Group's interest rate risk primarily arose from 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.

All the Group's interest bearing borrowings bear fixed interest rates as at December 31, 2023 and 2022, and hence are not subject to cash flow 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, 2023 and 2022 would have been approximately RMB9,889,000 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.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, term bank deposits, investments in debt instruments measured at fair value through profit or loss, trade receivables, other receivables and contract assets. The carrying amounts of each class of the above financial assets and contract assets represent 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 investments in debt instruments measured at fair value through profit or loss, the Group only transacts with state-owned banks and reputable or licensed 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 applied the simplified approach permitted by IFRS 9 "Financial Instruments", 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, such as credit rating and aging periods. The expected loss rates are determined by reference to the historical payment profiles, historical credit loss rates by industry or data published by external credit rating institution, adjusted to reflect certain 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 most 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, 2023 and 2022 were included in Notes 22 and 6(a), respectively.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Impairment of financial assets and contract assets (continued)

Other receivables

Other receivables mainly include deposits, loan to a third party and other receivables from third party customers. 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.

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.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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 RMB'000	Between 1 year and 2 years RMB'000	Between 2 years and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount RMB'000
At December 31, 2023						
Borrowings	99,337	8,927	4,111	–	112,375	108,747
Trade payables	1,043,189	–	–	–	1,043,189	1,043,189
Other payables (excluding payroll payables and other taxes payables)	85,460	–	–	–	85,460	85,460
Lease liabilities	26,876	20,702	131	–	47,709	45,886
Payable for acquisition of subsidiaries	42,877	20,000	–	–	62,877	58,888
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 32 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 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 directors of the Company believe 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 and other cash requirements going forward.

3 FINANCIAL RISK MANAGEMENT (continued)

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 table presents the Group's financial assets that are measured at fair value at December 31, 2023.

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Long-term investments measured at fair value through profit or loss (Note 19)	**–**	**–**	**456,824**	**456,824**
Short-term investments measured at fair value through profit or loss (Note 19)	**–**	**–**	**562,335**	**562,335**
	–	**–**	**1,019,159**	**1,019,159**

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
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

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The following table presents the changes in level 3 instruments of long-term investments measured at fair value through profit or loss for the years ended December 31, 2023 and 2022.

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	477,889	246,128
Additions	155,000	183,992
Transfers	(158,008)	67,246
Disposals	(2,301)	(17,304)
Changes in fair value	(15,756)	(2,173)
At the end of the year	456,824	477,889
Net unrealized losses for the year	(16,035)	(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, 2023 and 2022.

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	1,330,166	2,535,763
Additions	1,540,000	2,763,507
Transfer	158,008	–
Acquisition of a subsidiary	–	5,009
Disposals	(2,465,250)	(4,027,642)
Changes in fair value	(589)	53,529
At the end of the year	562,335	1,330,166
Net unrealized (losses)/gains for the year	(6,822)	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 in unlisted equity securities, preferred shares and funds measured at fair value through profit or loss (Note 19) and short-term investments in wealth management products and funds measured at fair value through profit or loss (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.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

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

Description	Fair values As at December 31, 2023 RMB'000	Fair values As at December 31, 2022 RMB'000	Significant unobservable inputs	Range of inputs As at December 31, 2023	Range of inputs As at December 31, 2022	Relationship of unobservable inputs to fair values
Long-term investments measured at fair value through profit or loss:						
– Unlisted equity securities and preferred shares investments	105,230	101,165	Expected volatility	49.65%-62.92%	45.75%-72.96%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability ("DLOM")	19.00%-27.00%	18.50%-26.00%	The higher the DLOM, the lower the fair value
– Fund investments (a)	351,594	376,724	N/A	N/A	N/A	N/A
	456,824	477,889				
Short-term investments measured at fair value through profit or loss:						
– Wealth management products	106,845	1,330,166	Expected rate of return	3.70%-4.20%	1.60%-4.30%	The higher the expected rate of return, the higher the fair value
– Fund investments (a)	455,490	–	N/A	N/A	N/A	N/A
	562,335	1,330,166				

Note:

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

If the fair values of the long-term investments and short-term investments measured at fair value through profit or loss held by the Group had been 0.5% higher/lower, the loss before income tax for the years ended December 31, 2023 and 2022 would have been approximately RMB5,096,000 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 have any significant impact on the Group's profit or loss.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2023 and 2022.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(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 22.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(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 27.

(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 strategic 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 year ended December 31, 2023, revenue of approximately RMB535,040,000 was derived from an external customer which accounted for approximately 12.7% of the Group's revenue. For the year ended December 31, 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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers	**4,204,142**	3,082,637

For the year ended December 31, 2023, revenue of approximately RMB2,505,700,000 (2022: RMB1,491,851,000) was from sales of Sage Platform and applications, and revenue of approximately RMB1,698,442,000 (2022: RMB1,590,786,000) was from provision of application development and other services.

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,	
	2023	2022
	RMB'000	RMB'000
Point in time	**4,129,221**	3,018,068
Over time	**74,921**	64,569
	4,204,142	3,082,637

(a) Contract assets

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

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Contract assets		
– Current portion	**43,841**	31,976
– Non-current portion	**22,390**	16,949
	66,231	48,925
Credit loss allowance	**(2,854)**	(1,537)
	63,377	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 related revenue is recognized.

6 REVENUE (continued)

(b) Contract liabilities

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

	As at December 31,		As at January 1,
	2023	2022	2022
	RMB'000	RMB'000	RMB'000
Contract liabilities	**146,184**	325,731	173,881

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

The decrease in contract liabilities was primarily due to the fact that relatively more revenue was recognized as compared with the prior year and relatively less advance payments were received from customers during the year ended December 31, 2023.

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Revenue recognized that was included in the contract liabilities at the beginning of the year	**250,453**	149,365

(c) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from long-term contracts:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied	**22,132**	25,104

Management expects that 90% and 67% of the transaction price allocated to unsatisfied performance obligations as at December 31, 2023 and 2022 will be recognized as revenue within one year. The remaining 10% and 33% will be recognized over one year.

Other contracts at the end of each reporting period had an original expected duration of one year or less and thus the Group applied the expedient under IFRS 15 for not disclosing of unsatisfied performance obligations.

7 OTHER INCOME

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Government grants	16,251	5,275
Value-added tax and other tax refunds	71,228	52,397
Others	1,947	4,990
	89,426	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 (LOSSES)/GAINS, NET

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Fair value changes on financial assets at fair value through profit or loss	(16,345)	51,356
– Unlisted equity securities	7,685	2,710
– Preferred shares investments	(3,620)	304
– Fund investments	(33,576)	(5,187)
– Wealth management products	13,166	53,529
Foreign exchange (losses)/gains, net	(7,758)	7,398
Net gains on disposal/transfer/dilution of investments accounted for using the equity method	16,086	5,158
Net gains on disposal of self-developed patent	6,604	–
Others	865	(408)
	(548)	63,504

9 EXPENSES BY NATURE

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Employee benefit expenses (Note 10)	**661,506**	1,107,799
Technology service fees	**2,447,654**	2,002,438
Cost of finished goods sold	**1,053,563**	613,183
Advertising and marketing expenses	**255,759**	198,035
Depreciation and amortization		
– property and equipment	**18,535**	16,763
– right-of-use assets	**28,651**	27,610
– intangible assets	**34,152**	36,472
Cloud service and other technical service fees	**23,686**	35,504
Auditor's remuneration		
– audit services	**9,960**	975
– non-audit services	**200**	–
Listing expenses	**80,094**	44,720
Other professional fees	**35,343**	15,591
Business travel expenses	**37,237**	24,955
Credit loss allowance (Note (a))	**79,537**	48,914
Impairment provision for inventories	**1,866**	1,125
Others	**70,711**	60,621
	4,838,454	4,234,705

Note:

(a) Mainly include the credit loss allowance on trade receivables, contract assets and other receivables. Please refer to Notes 22, 6(a) and 23.

10 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Wages, salaries and bonuses	540,428	589,119
Contributions to pension plans	44,131	44,915
Other social security costs, housing benefits and other employee benefits	58,652	58,839
Share-based payment expenses (Note 27)	–	433,403
	643,211	1,126,276
Changes in capitalized contract fulfilment cost	18,295	(18,477)
	661,506	1,107,799
Representing amounts charged to:		
– cost of sales	163,546	154,022
– selling and marketing expenses	114,613	166,380
– general and administrative expenses	151,267	417,404
– research and development expenses	232,080	369,993
	661,506	1,107,799

10 EMPLOYEE BENEFIT EXPENSES (continued)

(a) Five highest paid individuals

None of the directors or supervisors of the Company are the five individuals whose emoluments were the highest in the Group for the years ended December 31, 2023 and 2022. The emoluments of the directors and supervisors of the Company are reflected in the note (b) below. The emoluments payable to the five highest paid individuals for the years ended December 31, 2023 and 2022, are analyzed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Wages, salaries and bonuses	15,270	9,643
Contributions to pension plans	316	236
Other social security costs, housing benefits and other employee benefits	444	336
Share-based payment expenses	–	394,446
	16,030	404,661

The emoluments of the five highest paid individuals, fell within the following bands:

	Year ended December 31,	
	2023	2022
Nil to Hong Kong Dollar ("HKD") 500,000	–	–
HKD2,500,001 to HKD3,000,000	1	–
HKD3,000,001 to HKD3,500,000	2	–
HKD4,000,001 to HKD4,500,000	2	–
HKD10,500,001 to HKD11,000,000	–	1
HKD45,000,001 to HKD45,500,000	–	1
HKD60,500,001 to HKD61,000,000	–	1
HKD97,500,001 to HKD98,000,000	–	1
HKD256,000,001 to HKD256,500,000	–	1
	5	5

10 EMPLOYEE BENEFIT EXPENSES (continued)

(b) Benefits and interests of directors and supervisors

The remuneration of each director and supervisor of the Company for the year ended December 31, 2023 are set out as follows:

	Fees RMB'000	Wages and salaries RMB'000	Discretionary bonuses RMB'000	Contributions to pension plans RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Executive directors							
– Dai Wenyuan	–	730	285	63	89	–	1,167
– Chen Yuqiang	–	1,505	570	63	89	–	2,227
– Yu Zhonghao	–	1,472	570	66	105	–	2,213
Non-executive directors							
– Yang Qiang	–	–	–	–	–	–	–
– Zhang Jing	–	–	–	–	–	–	–
– Dou Shuai	–	–	–	–	–	–	–
Independent non-executive directors							
– Li Jianbin	113	–	–	–	–	–	113
– Liu Chijin	113	–	–	–	–	–	113
– Ke Yele	113	–	–	–	–	–	113
Supervisors							
– Chai Yifei	–	1,503	570	68	96	–	2,237
– Zhou Wenjing	–	1,503	570	63	89	–	2,225
– Shao Liling	–	789	148	63	89	–	1,089
	339	7,502	2,713	386	557	–	11,497

10 EMPLOYEE BENEFIT EXPENSES (continued)

(b) Benefits and interests of directors and supervisors (continued)

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

	Fees RMB'000	Wages and salaries RMB'000	Discretionary bonuses RMB'000	Contributions to pension plans RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Executive directors							
– Dai Wenyuan	–	774	290	58	82	–	1,204
– Chen Yuqiang	–	1,517	580	58	83	–	2,238
– Yu Zhonghao	–	1,450	580	61	101	–	2,192
Non-executive directors							
– Yang Qiang	–	–	–	–	–	–	–
– Neil Nanpeng Shen (Note (a))	–	–	–	–	–	–	–
– Zhang Jing	–	–	–	–	–	–	–
– Dou Shuai	–	–	–	–	–	–	–
Independent non-executive directors							
– Li Jianbin	–	–	–	–	–	–	–
– Liu Chijin	–	–	–	–	–	–	–
– Hou Xiaodi (Note (b))	–	–	–	–	–	–	–
– Ni Lionel Ming-shuan (Note (b))	–	–	–	–	–	–	–
– Ke Yele (Note (c))	–	–	–	–	–	–	–
Supervisors							
– Chai Yifei	–	1,510	580	63	91	–	2,244
– Zhou Wenjing	–	1,463	551	58	83	–	2,155
– Shao Liling	–	656	133	58	83	–	930
	–	7,370	2,714	356	523	–	10,963

Notes:

(a) Mr. Neil Nanpeng Shen tendered resignation from the position of non-executive director in June 2022.

(b) 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.

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

10 EMPLOYEE BENEFIT EXPENSES (continued)

(c) Directors' and supervisors' retirement and termination benefits

No retirement and termination benefits were paid or payable to the directors or supervisors during the years ended December 31, 2023 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, 2023 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, 2023 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, 2023 and 2022.

(g) Inducement to join the Group and compensation for loss of office

No directors, supervisors or five highest paid individuals received any emolument from the Group as an inducement to join or upon joining the Group or compensation for loss of office for the years ended December 31, 2023 and 2022.

11 FINANCE INCOME AND FINANCE COSTS

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Finance income:		
Interest income from bank deposits	**54,218**	46,103
Interest income from loan to a related party	**–**	80
	54,218	46,183
Finance costs:		
Interest expense on redemption liabilities (Note 32)	**(425,016)**	(670,963)
Interest expense on lease liabilities (Note 14(b))	**(2,808)**	(1,552)
Interest expense on borrowings	**(3,003)**	(1,225)
Amortized amounts on payable for acquisition of subsidiaries	**(6,590)**	(8,201)
Others	**(599)**	(234)
	(438,016)	(682,175)

12 INCOME TAX CREDIT

The income tax credit of the Group for the years ended December 31, 2023 and 2022 are analyzed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Current income tax	**2,582**	2,180
Deferred income tax	**(12,842)**	(13,853)
Income tax credit	**(10,260)**	(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,	
	2023	2022
	RMB'000	RMB'000
Loss before income tax	**(930,829)**	(1,665,094)
Tax calculated at statutory income tax rate of 25% in mainland China (Note (a))	**(232,707)**	(416,274)
Tax effects of:		
– Effect of lower tax rates in other jurisdictions (Notes (b), (c))	**1,888**	1,946
– Preferential income tax rate applicable to subsidiaries (Note (d))	**38,835**	77,228
– Tax losses and temporary differences for which no deferred income tax assets was recognized	**106,856**	116,596
– Expenses not deductible for income tax purposes	**108,808**	236,310
– Super Deduction for research and development expenses (Note (e))	**(30,197)**	(22,874)
– Impact of share of results and net gains on disposal/transfer/dilution of investments accounted for using the equity method	**84**	(1,030)
– Utilization of previously unrecognized tax losses	**(3,827)**	(3,575)
Income tax credit	**(10,260)**	(11,673)

12 INCOME TAX EXPENSES/(CREDIT) (continued)

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 years presented.

(c) Singapore income tax

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

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

(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% from 2016 to 2024.

Guangzhou Jianxin Technology Co., Ltd. was qualified as a HNTE in December 2020 and renewed the qualification in December 2023, hence it enjoys a preferential income tax rate of 15% from 2020 to 2025.

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 acquired in June 2022 (Note 34), was qualified as a HNTE in December 2020 and renewed the qualification in December 2023, hence it enjoys a preferential income tax rate of 15% from 2020 to 2025.

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

As announced in March 2022 and September 2022 by the State Taxation Administration of the People's Republic of China, technology-based small and medium-sized enterprises would entitle to claim 200% of their research and development expenses ("Super Deduction") 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 (prior deduction rate: 175%). As announced in March 2023, all enterprises engaging in research and development activities would entitle to claim 200% of their research and development expenses as Super Deduction from January 1, 2023. The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits.

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, the contingently returnable shares, i.e. shares with preferred rights, are excluded from the calculation, the impact of which was 125,965,129 and 170,286,193 shares for the years ended December 31, 2023 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, 2023 and 2022 are the same as basic loss per share for the respective years.

	Year ended December 31,	
	2023	2022
Loss attributable to owners of the Company (RMB'000)	**(908,717)**	(1,644,897)
Weighted average number of ordinary shares in issue (thousand shares)	**324,817**	267,463
Basic and diluted loss per share for loss attributable to owners of the Company (expressed in RMB per share)	**(2.80)**	(6.15)

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, 2023 and 2022 are as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**70,002**	34,074
Additions	**3,012**	63,364
Acquisition of a subsidiary	**–**	174
Depreciation charge	**(28,651)**	(27,610)
At the end of the year	**44,363**	70,002

14 LEASES (continued)

(b) Lease liabilities

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

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Current	25,697	28,311
Non-current	20,189	43,721
	45,886	72,032

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Depreciation charge of right-of-use assets (Note 9)	28,651	27,610
Interest expense (Note 11)	2,808	1,552
Expense relating to short-term leases and variable lease payments not included in lease liabilities	295	65

The total cash outflows for leases during the years ended December 31, 2023 and 2022 was RMB31,966,000 and RMB28,429,000, respectively, including principal elements of lease payments of approximately RMB29,158,000 and RMB26,877,000, respectively, and related interest paid of approximately RMB2,808,000 and RMB1,552,000, during the years ended December 31, 2023 and 2022, respectively.

15 PROPERTY AND EQUIPMENT

The movement information of property and equipment during the reporting periods is as below:

	Server and electronic equipment RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At January 1, 2023					
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
Year ended December 31, 2023					
Opening net book amount	11,080	21,212	16,129	–	48,421
Additions	9,650	6,535	1,190	138	17,513
Transfer	–	–	138	(138)	–
Disposals	(216)	(136)	–	–	(352)
Depreciation charge (Note 9)	(5,182)	(7,115)	(6,238)	–	(18,535)
Closing net book amount	15,332	20,496	11,219	–	47,047
At December 31, 2023					
Cost	38,027	46,608	34,627	–	119,262
Accumulated depreciation	(22,695)	(26,112)	(23,408)	–	(72,215)
Net book amount	15,332	20,496	11,219	–	47,047
At January 1, 2022					
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 a subsidiary	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

15 PROPERTY AND EQUIPMENT (continued)

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Selling and marketing expenses	1,683	1,674
General and administrative expenses	7,896	5,960
Research and development expenses	8,956	9,129
	18,535	16,763

16 INTANGIBLE ASSETS

	Goodwill RMB'000	Software and copyright RMB'000	Technology RMB'000	Customer relationship RMB'000	Brand name RMB'000	Total RMB'000
At January 1, 2023						
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
Year ended December 31, 2023						
Opening net book amount	335,801	11,250	33,275	71,285	5,695	457,306
Additions	–	2,524	–	–	–	2,524
Amortization charge (Note 9)	–	(6,142)	(9,660)	(17,680)	(670)	(34,152)
Closing net book amount	335,801	7,632	23,615	53,605	5,025	425,678
At December 31, 2023						
Cost	335,801	41,057	48,300	97,200	6,700	529,058
Accumulated amortization	–	(33,425)	(24,685)	(43,595)	(1,675)	(103,380)
Net book amount	335,801	7,632	23,615	53,605	5,025	425,678
At January 1, 2022						
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 a subsidiary	76,074	339	5,300	15,700	–	97,413
Amortization charge (Note 9)	–	(10,562)	(9,130)	(16,110)	(670)	(36,472)
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

16 INTANGIBLE ASSETS (continued)

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Selling and marketing expenses	**18,885**	17,386
General and administrative expenses	**5,381**	9,689
Research and development expenses	**9,886**	9,397
	34,152	36,472

Impairment of goodwill

The goodwill balance is arisen 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, 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 with the assistance of the external valuer 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. The key assumptions used in the impairment assessment primarily include the revenue growth rate, terminal growth rate and discount rate.

CGU of Guangzhou Jianxin

The impairment reviews of the goodwill arising from the acquisition of Guangzhou Jianxin have been conducted by the management as at December 31, 2023 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, 2023 and 2022 was 6.8% 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 2.0% and 3.0%, respectively. Pre-tax discount rate of 20.81% and 20.83% 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, 2023 and 2022, respectively. The values assigned to the key assumptions and discount rates are consistent with external information sources. The result of the impairment assessment reveals that recoverable amount of the CGU of Guangzhou Jianxin well exceeded its carrying amount. 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.

16 INTANGIBLE ASSETS (continued)

Impairment of goodwill (continued)

CGU of Ideal Technology

The impairment reviews of the goodwill arising from the acquisition of Ideal Technology have been conducted by the management as at December 31, 2023 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, 2023 and 2022 was 22.2% and 23.4%, respectively, and the cash flows beyond the five-year period were extrapolated using a terminal growth rate of 2.0% and 3.0%, respectively. Pre-tax discount rate of 18.0% and 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, 2023 and 2022, respectively. The values assigned to the key assumptions and discount rates are consistent with external information sources. 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, 2023, had there been a reduction of the revenue compound annual growth rate of the first five years by 2.4 (2022: 2.9) percentage point, a reduction of terminal growth rate by 1.7 (2022: 1.6) percentage point, or an increase in pre-tax discount rate by 1.2 (2022: 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 have been conducted by the management as at December 31, 2023 and 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, 2023 and 2022 was 12.5% and 13.3%, respectively, and the cash flows beyond the five-year period were extrapolated using a terminal growth rate of 2.0% and 3.0%, respectively. Pre-tax discount rate of 20.9% and 20.4% 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, 2023 and 2022, respectively. The values assigned to the key assumptions and discount rates are consistent with external information sources. 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, 2023, had there been a reduction of the revenue compound annual growth rate of the first five years by 0.8 (2022: 0.7) percentage point, a reduction of terminal growth rate by 2.3 (2022: 0.6) percentage point, or an increase in pre-tax discount rate by 1.3 (2022: 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(a) SUBSIDIARIES

As of December 31, 2023 and 2022, the Company had the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Kind of legal entity	Particulars of issued/registered capital	Equity interest held as at December 31, 2023	2022	Principal activities and place of operation	Note
Subsidiaries directly held:							
Fourth Paradigm (Beijing) Data & Technology Co., Ltd.	Mainland China, May 12, 2015	Limited liability company	RMB2,000,000,000	100%	100%	Sales of AI platform, provision of AI related services, research and development of technology, in mainland China	
Shanghai Shishuo Intelligent Technology Co., Ltd.	Mainland China, April 1, 2017	Limited liability company	RMB500,000,000	100%	100%	Sales of AI platform, provision of AI related services, research and development of technology, in mainland China	
Beijing Fourth Paradigm Science & Technology Co., Ltd.	Mainland China, September 29, 2016	Limited liability company	RMB500,000	100%	100%	Investment holding and investment activities, in mainland China	
Fourth Paradigm (Shenzhen) Data & Technology Co., Ltd.	Mainland China, March 11, 2019	Limited liability company	RMB5,000,000	100%	100%	Sales of AI platform and provision of AI related services, in mainland China	
Subsidiaries indirectly held:							
Beijing Xuexian Intelligent Technology Co., Ltd.	Mainland China, January 18, 2019	Limited liability company	RMB10,000,000	100%	100%	Provision of AI related services, in mainland China	
Beijing Yuntian Xinrui Technology Co., Ltd.	Mainland China, September 27, 2019	Limited liability company	RMB50,000,000	100%	100%	Sales of AI platform and provision of AI related services, in mainland China	
Beijing Future Paradigm Technology Co., Ltd.	Mainland China, May 28, 2018	Limited liability company	RMB500,000	100%	60%	Sales of AI platform and provision of AI related services, in mainland China	
Fourth Paradigm International Limited	Hong Kong, June 1, 2018	Limited liability company	HKD500,000	100%	100%	Sales of AI platform and provision of AI related services, in Hong Kong	
Fourth Paradigm Southeast Asia Pte. Ltd.	Singapore, July 11, 2018	Limited liability company	Singapore Dollar ("SGD") 50,000	100%	100%	Sales of AI platform, provision of AI related services, research and development of technology, in Singapore	
The 4th Paradigm Europe B.V.	Netherlands, January 21, 2020	Limited liability company	Euro ("EUR") 100,000	100%	100%	Sales of AI platform and provision of AI related services, in Netherlands	
Zhongyuan Putai (Beijing) Intelligent Technology Co., Ltd.	Mainland China, April 14, 2021	Limited liability company	RMB1,000,000	51%	51%	Sales of AI platform and provision of AI related services, in mainland China	
Guangzhou Jianxin Technology Co., Ltd.	Mainland China, April 6, 2005	Limited liability company	RMB30,480,000	66%	66%	Provision of intelligent platform and solutions in energy and power industry, in mainland China	

17(a) SUBSIDIARIES (continued)

As of December 31, 2023 and 2022, the Company had the following subsidiaries (continued):

Name of subsidiary	Place and date of incorporation	Kind of legal entity	Particulars of issued/registered capital	Equity interest held as at December 31, 2023	2022	Principal activities and place of operation	Note
Subsidiaries indirectly held (continued):							
Zhongnengbei (Chengdu) Technology Co., Ltd. (formerly known as Sichuan Shibeiyun Technology Co., Ltd.)	Mainland China, May 15, 2017	Limited liability company	RMB9,000,000	66%	66%	Research and development of technology, in mainland China	
Guangzhou Shibeiyun Big Data Co., Ltd. (formerly known as Guangzhou Shibeiyun Technology Co., Ltd.)	Mainland China, January 8, 2018	Limited liability company	RMB5,000,000	66%	66%	Research and development of technology, in mainland China	
Zhongneng Shibei (Wuhan) Technology Co., Ltd. (formerly known as Wuhan Jianxin Technology Co., Ltd.)	Mainland China, December 19, 2018	Limited liability company	RMB10,000,000	66%	66%	Research and development of technology, in mainland China	
Guangzhou Shibeiyun Technology Co., Ltd. (formerly known as Shibeiyun (Guangzhou) Big Data Technology Co., Ltd.)	Mainland China, May 25, 2020	Limited liability company	RMB20,000,000	66%	66%	Research and development of technology, in mainland China	
Shanghai Yisahai Technology Co., Ltd.	Mainland China, June 9, 2021	Limited liability company	RMB100,000	100%	100%	Investment holding, in mainland China	
Beijing Ideal Information Technology Co., Ltd. (formerly known as Changchun Ideal Technology Information Co., Ltd.)	Mainland China, April 17, 2000	Limited liability company	RMB58,641,975	56.84%	56.84%	Provision of digital operation and maintenance platform and solutions, in mainland China	(a)
Zhimei Xinchuang (Beijing) Technology Co., Ltd.	Mainland China, October 27, 2020	Limited liability company	RMB1,000,000	70%	35%	Sales of AI platform and provision of AI related services, in mainland China	(b)
Shanghai Laike Paradigm Technology Co., Ltd.	Mainland China, July 19, 2021	Limited liability company	RMB10,000,000	N/A	40%	Sales of AI platform and provision of AI related services, in mainland China	(c)
Hefei Shanyue Intelligence Technology Co., Ltd.	Mainland China, March 4, 2022	Limited liability company	RMB20,000,000	51%	51%	Sales of AI platform and provision of AI related services, in mainland China	
Fourth Paradigm (Beijing) Digital Technology Co., Ltd.	Mainland China, June 10, 2022	Limited liability company	RMB5,000,000	100%	100%	Sales of AI platform and provision of AI related services, in mainland China	
EpicHust Technology (Wuhan) Co., Ltd. (Note 34)	Mainland China, March 7, 2012	Limited liability company	RMB43,700,000	79.66%	79.66%	Provision of intelligent platform and solutions in manufacturing industry, in mainland China	

17(a) SUBSIDIARIES (continued)

As of December 31, 2023 and 2022, the Company had the following subsidiaries (continued):

Name of subsidiary	Place and date of incorporation	Kind of legal entity	Particulars of issued/registered capital	Equity interest held as at December 31, 2023	2022	Principal activities and place of operation	Note
Subsidiaries indirectly held (continued):							
Wuxi EpicHust Intelligent Technology Co., Ltd.	Mainland China, April 15, 2016	Limited liability company	RMB1,000,000	74.88%	74.88%	Provision of intelligent platform and solutions in manufacturing industry, in mainland China	
Zhuhai EpicHust Intelligent Technology Co., Ltd.	Mainland China, October 16, 2009	Limited liability company	RMB600,000	79.66%	79.66%	Provision of intelligent platform and solutions in manufacturing industry, in mainland China	
Shanghai Paradigm Digital Software Technology Co., Ltd.	Mainland China, July 19, 2022	Limited liability company	RMB10,000,000	100%	100%	Sales of AI platform and provision of AI related services, in mainland China	
Changchun Ideal Technology Information Co., Ltd.	Mainland China, August 3, 2022	Limited liability company	RMB30,000,000	56.84%	56.84%	Provision of digital operation and maintenance platform and solutions, in mainland China	
Zhongneng Shibei (Nanjing) Technology Co., Ltd. (formerly known as Nanjing Shibeiyun Technology Co., Ltd.)	Mainland China, August 25, 2022	Limited liability company	RMB10,000,000	66%	66%	Research and development of technology, in mainland China	
Shibeiyun (Beijing) Technology Co., Ltd.	Mainland China, September 19, 2022	Limited liability company	RMB10,000,000	66%	66%	Research and development of technology, in mainland China	
Paradigm Digital Technology (Guangzhou) Co., Ltd.	Mainland China, November 18, 2022	Limited liability company	RMB5,000,000	100%	100%	Sales of AI platform and provision of AI related services, in mainland China	
Paradigm Digital Technology (Wuhan) Co., Ltd.	Mainland China, December 1, 2022	Limited liability company	RMB5,000,000	100%	100%	Sales of AI platform and provision of AI related services, in mainland China	
Paradigm Digital Technology (Hangzhou) Co., Ltd.	Mainland China, December 6, 2022	Limited liability company	RMB5,000,000	100%	100%	Sales of AI platform and provision of AI related services, in mainland China	
Paradigm Cloud (Beijing) Retail Technology Co., Ltd.	Mainland China, November 6, 2019	Limited liability company	RMB100,000,000	100%	100%	Sales of AI platform and provision of AI related services, in mainland China	
Beijing Paradigm Pilot Technology Co., Ltd.	Mainland China, December 16, 2022	Limited liability company	RMB5,000,000	100%	100%	Sales of AI platform and provision of AI related services, in mainland China	
Beijing Paradigm Empowerment Enterprise Management Co., Ltd.	Mainland China, January 17, 2023	Limited liability company	RMB500,000	100%	N/A	Investment holding, in mainland China	(f)
Beijing Shiqin Enterprise Management Partnership (Limited Partnership)	Mainland China, March 13, 2023	Limited partnership	RMB100,000	100%	N/A	Investment holding, in mainland China	(f)

17(a) SUBSIDIARIES (continued)

As of December 31, 2023 and 2022, the Company had the following subsidiaries (continued):

Name of subsidiary	Place and date of incorporation	Kind of legal entity	Particulars of issued/registered capital	Equity interest held as at December 31,		Principal activities and place of operation	Note
				2023	2022		
Subsidiaries indirectly held (continued):							
Beijing Shita Enterprise Management Partnership (Limited Partnership)	Mainland China, March 13, 2023	Limited partnership	RMB100,000	100%	N/A	Investment holding, in mainland China	(f)
Beijing Shijing Enterprise Management Partnership (Limited Partnership)	Mainland China, March 13, 2023	Limited partnership	RMB100,000	100%	N/A	Investment holding, in mainland China	(f)
Beijing Shijin Enterprise Management Partnership (Limited Partnership)	Mainland China, March 13, 2023	Limited partnership	RMB100,000	100%	N/A	Investment holding, in mainland China	(f)
Beijing Shixin Enterprise Management Partnership (Limited Partnership)	Mainland China, March 13, 2023	Limited partnership	RMB100,000	100%	N/A	Investment holding, in mainland China	(f)
Beijing Shili Enterprise Management Partnership (Limited Partnership)	Mainland China, March 13, 2023	Limited partnership	RMB100,000	100%	N/A	Investment holding, in mainland China	(f)
Shanghai Fan'an Technology Co., Ltd.	Mainland China, June 20, 2023	Limited liability company	RMB10,000,000	100%	N/A	Research and development of technology, in mainland China	(f)
Beijing Paradigm Zhixin Technology Co., Ltd.	Mainland China, September 13, 2023	Limited liability company	RMB10,000,000	100%	N/A	Research and development of technology, in mainland China	(f)

Notes:

(a) 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%.

(b) As at December 31, 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 with the Group on the operation and investment decision 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. In February 2023, the Group has further acquired 35% equity interests of Zhimei Xinchuang.

(c) As at December 31, 2022, the Group controlled Shanghai Laike Paradigm Technology Co., Ltd. ("Laike Paradigm") through concerting with a shareholder holding 20% equity interests. Pursuant to the revised shareholder agreement among all shareholders of Laike Paradigm in May 2023, the operation and investment decision-making of Laike Paradigm shall be agreed by both the Group and another shareholder who holds 40% equity interests. Then Laike Paradigm became a joint venture and was measured using equity method.

(d) During the year ended December 31, 2022, the Company's indirectly held subsidiaries Paradigm Rongtong (Beijing) Technology Co., Ltd., Paradigm Telian (Beijing) Technology Co., Ltd. and Nanchang Jianxin Technology Co., Ltd. have been deregistered.

(e) As at December 31, 2023 and 2022, no subsidiary has non-controlling interests that are material to the Group.

(f) These subsidiaries were newly established during the ended December 31, 2023.

17(b) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Investments accounted for using the equity method		
– Associates	53,382	45,865
– Joint venture	54	–
	53,436	45,865

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	45,865	115,173
Additions	12,364	6,224
Disposals (Note (a))	(9,390)	(5,719)
Transfers (Note (b))	–	(72,415)
Share of losses	(1,597)	(3,200)
Share of other comprehensive income	5,814	4,345
Increase in share of net assets due to the dilution gains	380	1,457
At the end of the year	53,436	45,865

In the opinion of the directors of the Company, none of associates or joint venture are individually material to the Group.

Notes:

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

During the year ended December 31, 2022, the Group partially disposed its investment in an associate, Changshu Hongbao Equity Investment Partnership (Limited Partnership) ("Changshu Hongbao"), with a net loss of RMB419,000 recognized in profit or loss as other gains/losses.

(b) In September 2022, the Group lost significant influence over Shenzhen Huayun Information System Co., Ltd. ("Huayun"), an associate acquired in January 2018, as the Group no longer has representative in 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. 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 Changshu Hongbao, as a result, the investment of approximately RMB11,848,000 was transferred to financial assets measured at fair value through profit and loss.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Assets as per balance sheets		
Financial assets at fair value through profit or loss:		
– Wealth management products (Note 19)	106,845	1,330,166
– Unlisted equity securities (Note 19)	84,858	77,173
– Preferred shares investments (Note 19)	20,372	23,992
– Fund investments (Note 19)	807,084	376,724
Financial assets at amortized cost:		
– Trade receivables (Note 22)	1,843,610	1,493,238
– Prepayments and other receivables (excluding prepayments to suppliers, deductible value-added input tax and listing expenses to be capitalized) (Note 23)	73,926	74,580
– Term bank deposits (Note 24 (c))	697,103	685,039
– Restricted cash (Note 24 (b))	57,990	6,916
– Cash and cash equivalents (Note 24 (a))	1,977,891	1,326,818
	5,669,679	5,394,646
Liabilities as per balance sheets		
Financial liabilities at amortized cost:		
– Trade payables (Note 28)	1,043,189	863,234
– Other payables and accruals (excluding payroll payables and other taxes payables) (Note 29)	85,460	69,941
– Borrowings (Note 31)	108,747	72,554
– Redemption liabilities (Note 32)	–	6,493,159
– Payable for acquisition of subsidiaries (Note 33)	58,888	95,175
Lease liabilities (Note 14(b))	45,886	72,032
	1,342,170	7,666,095

19 INVESTMENTS

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Non-current assets		
Long-term investments measured at fair value through profit or loss		
– Unlisted equity securities (i)	84,858	77,173
– Preferred shares investments (ii)	20,372	23,992
– Fund investments (iii)	351,594	376,724
	456,824	477,889
Current assets		
Short-term investments measured at fair value through profit or loss		
– Wealth management products (iv)	106,845	1,330,166
– Fund investments (iii)	455,490	–
	562,335	1,330,166

19 INVESTMENTS (continued)

(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 during the years ended December 31, 2023 and 2022. These investments are within level 3 of the fair value hierarchy (Note 3.3).

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
At the beginning of the year	**77,173**	19,065
Transfers	**–**	55,398
Changes in fair value	**7,685**	2,710
At the end of the year	**84,858**	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 investments in unlisted companies and debt securities investments. 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 representative in 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. The carrying amount of this fund investment was approximately RMB197,510,000 as at December 31, 2023 (2022: RMB196,864,000).

In September 2022, the Group invested RMB160,000,000 in a private fund, Ruiyuan Value No.3 Private Equity Investment Fund. Shenzhen Qianhai Ruijing Kaiyuan Capital Management Co., Ltd. and Citic Securities Company Limited are the fund manager and the fund trustee, respectively. The Group has no significant influence over the fund and the fund manager and the Group can redeem its fund shares after a lockup period of 540 days. Following the cancellation of the lockup period by the fund manager in February 2023, nearly half of this fund investment was redeemed and the remaining balance as at December 31, 2023 was classified as current assets. The carrying amount of this fund investment was approximately RMB78,091,000 as at December 31, 2023 (2022: RMB157,449,000).

19 INVESTMENTS (continued)

(iii) Fund investments (continued)

On September 26, 2023, the Group invested RMB390,000,000 in a private fund, GaoTeng Overseas Equity No.3 Private Equity Investment Fund. GaoTeng Overseas Private Fund Management (Hainan) Ltd. and Agricultural Bank of China Limited Hainan Branch are the fund manager and the fund trustee, respectively. The Group has no significant influence over the fund and the fund manager and the Group can redeem its fund shares after a lockup period of 360 days. As at December 31, 2023, this fund investment was classified as current assets. The carrying amount of this fund investment was approximately RMB377,399,000 as at December 31, 2023, which represents approximately 5.3% of the Group's total assets.

On September 19, 2023, the Group invested RMB155,000,000 in a private fund, Jinyi Equity A-9 Private Equity Investment Fund. Beijing Jinyi Asset Management Co., Ltd. and Citic Securities Company Limited are the fund manager and the fund trustee, respectively. The Group has no significant influence over the fund and the fund manager and the Group can redeem its fund shares after a lockup period of 730 days. As at December 31, 2023, this fund investment was classified as non-current assets. The carrying amount of this fund investment was approximately RMB133,972,000 as at December 31, 2023.

(iv) Wealth management products

The wealth management products are mainly denominated in RMB and have expected rates of return ranging from 1.60% to 4.30% and 1.60% to 4.43% per annum for the years ended December 31, 2023 and 2022, respectively. The returns on all these wealth management products are not guaranteed and their contractual cash flows do not qualify for solely payments of principal and interest, hence they are measured at fair value through profit or loss. None of these investments are past due.

The fair values are based on cash flows discounted using the expected return as estimated by management and are within level 3 of the fair value hierarchy (Note 3.3).

(v) (Losses)/gains recognized in profit or loss

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Fair value changes on long-term investments measured at fair value through profit or loss	**(15,756)**	(2,173)
Fair value changes on short-term investments measured at fair value through profit or loss	**(589)**	53,529
	(16,345)	51,356

20 OTHER NON-CURRENT ASSETS

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Prepayments for cloud computing services	**237,970**	–

During the year ended December 31, 2023, the Group entered into a contract and a series of service orders with a third-party supplier to purchase cloud computing services for a term of 5 years. As at December 31, 2023, the non-current portion of the prepayment for cloud computing services amounted to RMB237,970,000, and the current portion amounting to RMB62,430,000 which was recorded in "Prepayments and other receivables". The supplier has gradually provided the related cloud computing services to the Group starting from October 2023.

21 INVENTORIES

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Finished goods	**25,053**	99,397
Contract fulfilment cost	**271,980**	252,269
	297,033	351,666
Less: provision for impairment	**(1,771)**	(1,794)
	295,262	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, 2023 and 2022 are as below:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**(1,794)**	(1,920)
Provision for impairment	**(1,866)**	(1,125)
Written off	**1,889**	1,251
At the end of the year	**(1,771)**	(1,794)

22 TRADE RECEIVABLES

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Third parties	**1,960,339**	1,554,420
Less: credit loss allowance	**(116,729)**	(61,182)
	1,843,610	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,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**(61,182)**	(20,161)
Credit loss allowance recognized, net	**(72,087)**	(43,695)
Receivables written off as uncollectable	**16,540**	2,674
At the end of the year	**(116,729)**	(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,	
	2023	2022
	RMB'000	RMB'000
Trade receivables		
Up to 3 months	**832,085**	957,044
3 to 6 months	**655,045**	278,486
6 months to 1 year	**252,712**	130,321
Over 1 year	**220,497**	188,569
	1,960,339	1,554,420

22 TRADE RECEIVABLES (continued)

The credit loss allowance of trade receivables as at December 31, 2023 and 2022 were determined as follows:

	As at December 31, 2023		
	Gross carrying amount RMB'000	Expected credit loss rate (%)	Credit loss allowance RMB'000
For credit loss allowance measured individually	232,309	23.35%	54,240
For credit loss allowance measured by industry			
– Telecommunication, computer and software	814,691	1.73%	14,121
– Education, science and technology	400,542	1.59%	6,360
– Wholesale and retail	37,886	5.07%	1,920
– Leasing and business services	2,563	0.90%	23
– Manufacturing	65,011	5.19%	3,375
– Others	37,984	1.96%	745
	1,358,677	1.95%	26,544
For credit loss allowance measured by aging			
– Up to 1 year	290,254	5.28%	15,320
– 1 year to 2 years	47,224	12.14%	5,732
– Over 2 years	31,875	46.72%	14,893
	369,353	9.73%	35,945
	1,960,339	5.95%	116,729

22 TRADE RECEIVABLES (continued)

	As at December 31, 2022		
	Gross carrying amount RMB'000	Expected credit loss rate (%)	Credit loss allowance RMB'000
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

23 PREPAYMENTS AND OTHER RECEIVABLES

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Prepayments to suppliers	**177,360**	176,516
Deductible value-added input tax	**133,102**	80,001
Other receivables from third party customers (Note (a))	**58,683**	51,000
Rental, bidding and other deposits	**15,260**	17,491
Interest receivables	**–**	61
Listing expenses to be capitalized	**–**	48,967
Others	**10,279**	10,211
	394,684	384,247
Less: credit loss allowance (Note (b))	**(10,296)**	(4,183)
	384,388	380,064

As at December 31, 2023 and 2022, the carrying amounts of other receivables were primarily denominated in RMB and approximated their fair values at each of the reporting dates.

Notes:

(a) In certain transactions with customers, the Group only acts as an agent for purchasing certain hardware (the "hardware component") on behalf of the customer while acts as a principal in delivering the software to the customer. Therefore, the amounts recoverable from the Group's customer and the amounts payable to the Group's hardware supplier in connection with the hardware component have been recognized as other receivables and other payables (Note 29), respectively in the consolidated balance sheet.

(b) The expected credit losses of other receivables that are measured at amortized cost including deposits and other receivables from third party customers 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.

24 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Cash at bank and in hand	**1,974,856**	1,326,818
Short-term bank deposits with initial terms less than three months	**3,035**	–
	1,977,891	1,326,818

24 CASH AND BANK BALANCES (continued)

(a) Cash and cash equivalents (continued)

Cash and cash equivalents are denominated in the following currencies:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
RMB	1,206,409	1,308,212
USD	546,851	14,983
HKD	222,783	1,680
SGD	1,840	1,935
EUR	8	8
	1,977,891	1,326,818

(b) Restricted cash

Restricted cash are denominated in the following currencies:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
RMB	57,990	6,916

As at December 31, 2023 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.

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Included in current assets		
Short-term bank deposits	1,000	–
Long-term bank deposits maturing within one year	491,946	–
	492,946	–
Included in non-current assets		
Long-term bank deposits	204,157	685,039

24 CASH AND BANK BALANCES (continued)

(c) Term bank deposits (continued)

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 rate for the short-term bank deposits was 1.95% per annum for the year ended December 31, 2023. The effective interest rates for the long-term bank deposits were 2.65% to 3.90% (2022: 2.50% to 3.90%) per annum for the year ended December 31, 2023.

25 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares RMB'000
Authorized and issued:		
At January 1, 2022, December 31, 2022 and January 1, 2023	437,705,989	437,706
Capital contribution from shareholders (Note (a))	13,537,299	13,537
Repurchase and cancellation of shares (Note (a))	(5,578,755)	(5,578)
Issuance of ordinary shares upon IPO (Note (b))	20,194,200	20,194
At December 31, 2023	465,858,733	465,859

Notes:

(a) In early 2023, the Company issued 13,537,299 ordinary shares to Nanjing Paradigm Enterprises Management Consulting Partnership (Limited Partnership) ("Nanjing Paradigm") as the share capital contributed from eligible participants with shares awarded in December 2022 under an approved employee incentive scheme (Note 27), and then repurchased 5,578,755 ordinary shares from Nanjing Paradigm at premium prices which in effect to facilitate the eligible participants' payments for the consideration for the share subscriptions and the associated individual income tax which they should bear or pay. The difference between consideration and share capital with respect to the capital contribution and share repurchase, amounting to RMB181,129,000 and RMB253,444,000, respectively, was credited and charged to capital reserve, respectively (Note 26).

(b) On September 28, 2023, the Company has successfully listed on the Main Board of the Hong Kong Stock Exchange and made an offering of 18,396,000 ordinary shares at a price at HKD55.60 per share. Additionally, the Company issued and allotted 1,798,200 ordinary shares on October 26, 2023 pursuant to the partial exercise of the over-allotment option as disclosed in the announcement of the Company dated October 23, 2023. The gross proceeds received by the Company was approximately HKD1,122,798,000 (equivalent to approximately RMB1,030,333,000). The respective share capital amount was approximately RMB20,194,000 and share premium arising from the issuance was approximately RMB957,452,000 as recognized in capital reserve (Note 26), net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These share issuance costs amounting to RMB52,687,000 were treated as a deduction against the share premium arising from the issuance.

26 TREASURY STOCK AND RESERVES

	Treasury stock RMB'000	Reserves: Capital reserve RMB'000	Share-based payment reserve RMB'000	Currency translation reserve RMB'000	Other reserve RMB'000	Total RMB'000
Balance at January 1, 2023	(4,898,094)	5,466,480	1,590,125	(4,146)	10,875	7,063,334
Currency translation differences	–	–	–	(3,126)	–	(3,126)
Issuance of ordinary shares upon IPO, net of issuance costs	–	957,452	–	–	–	957,452
Derecognition of redemption liabilities (Note 32)	4,898,094	2,020,081	–	–	–	2,020,081
Capital contribution from shareholders (Note 25(a))	–	181,129	–	–	–	181,129
Repurchase and cancellation of shares (Note 25(a))	–	(253,444)	–	–	–	(253,444)
Share of other comprehensive income of investments accounted for using the equity method	–	–	–	–	5,814	5,814
Transactions with non-controlling interests	–	(1,602)	–	–	–	(1,602)
Balance at December 31, 2023	–	8,370,096	1,590,125	(7,272)	16,689	9,969,638
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 (Note 27)	–	–	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

27 SHARE-BASED PAYMENTS

In December 2022, 9,344,614 awarded shares have been granted to eligible employees of the Group without performance nor service conditions under the overall employee incentive scheme as approved and adopted on April 25, 2021 (the "Scheme 2022"). 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. 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 during the year ended December 31, 2022.

No shares were granted under any of the Group's share incentive scheme during the year ended December 31, 2023.

28 TRADE PAYABLES

Trade payables primarily include payables for inventories and outsourcing service fees.

As at December 31, 2023 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,	
	2023	2022
	RMB'000	RMB'000
Up to 3 months	**578,906**	710,871
3 to 6 months	**222,511**	65,314
Over 6 months	**241,772**	87,049
	1,043,189	863,234

29 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Payroll payables	**106,356**	118,223
Listing expenses payables	**36,922**	28,274
Other taxes payables	**78,781**	37,997
Expense reimbursement payable to employees	**5,455**	6,998
Payable to third party hardware suppliers (Note 23(a))	**40,358**	32,300
Accrual expenses and others	**2,725**	2,369
	270,597	226,161

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

30 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 RMB19,108,000 and RMB16,164,000 as at December 31, 2023 and 2022, respectively. After offsetting, net deferred income tax assets and net deferred income tax liabilities are nil (2022: nil) and RMB1,482,000 (2022: RMB14,324,000) as at December 31, 2023, respectively. The analysis of deferred income tax assets and liabilities before offsetting is as follows:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered after 12 months	**11,049**	10,819
– to be recovered within 12 months	**8,059**	5,345
	19,108	16,164
Deferred income tax liabilities:		
– to be settled after 12 months	**(12,531)**	(20,240)
– to be settled within 12 months	**(8,059)**	(10,248)
	(20,590)	(30,488)

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**16,164**	5,134
Credited to profit or loss	**2,547**	2,014
Addition of new leases	**397**	9,016
At the end of the year	**19,108**	16,164

30 DEFERRED INCOME TAXES (continued)

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, 2023 and 2022, the Group did not recognize deferred income tax assets of RMB564,255,000 and RMB478,239,000, respectively, in respect of deductible temporary differences and cumulative tax losses amounting to RMB3,048,621,000 and RMB2,493,785,000, respectively, that can be carried forward against future taxable income. The tax losses as at December 31, 2023 and 2022 amounting to RMB108,519,000 and RMB85,718,000, can be carried forward indefinitely, respectively, and the remaining amount of RMB2,776,553,000 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,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**(30,488)**	(30,161)
Credited to profit or loss	**10,295**	11,839
Addition of new leases	**(397)**	(9,016)
Acquisitions of a subsidiary	**–**	(3,150)
At the end of the year	**(20,590)**	(30,488)

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

Deferred income tax assets:

	Credit loss allowance RMB'000	Tax losses RMB'000	Lease liabilities RMB'000	Total RMB'000
At January 1, 2023	**–**	**5,650**	**10,514**	**16,164**
Credited to profit or loss	**6,144**	**542**	**(4,139)**	**2,547**
Addition of new leases	**–**	**–**	**397**	**397**
At December 31, 2023	**6,144**	**6,192**	**6,772**	**19,108**
At January 1, 2022	–	–	5,134	5,134
Credited to profit or loss	–	5,650	(3,636)	2,014
Addition of new leases	–	–	9,016	9,016
At December 31, 2022	–	5,650	10,514	16,164

30 DEFERRED INCOME TAXES (continued)

Deferred income tax liabilities:

	Fair value changes of financial assets RMB'000	Intangible assets acquired in business combination RMB'000	Right-of-use assets RMB'000	Total RMB'000
At January 1, 2023	(3,436)	(16,538)	(10,514)	(30,488)
Credited to profit or loss	1,954	4,202	4,139	10,295
Addition of new leases	–	–	(397)	(397)
At December 31, 2023	(1,482)	(12,336)	(6,772)	(20,590)
At January 1, 2022	(7,752)	(17,275)	(5,134)	(30,161)
Credited to profit or loss	4,316	3,887	3,636	11,839
Addition of new leases	–	–	(9,016)	(9,016)
Acquisitions of a subsidiary	–	(3,150)	–	(3,150)
At December 31, 2022	(3,436)	(16,538)	(10,514)	(30,488)

31 BORROWINGS

	As at December 31, 2023 RMB'000	2022 RMB'000
Included in current liabilities		
Secured borrowings (Note (a))	11,500	11,000
Factoring borrowings	6,030	5,894
Unsecured borrowings (Note (b))	78,717	31,660
	96,247	48,554
Included in non-current liabilities		
Secured borrowings (Note (a))	12,500	9,000
Unsecured borrowings (Note (b))	–	15,000
	12,500	24,000

31 BORROWINGS (continued)

Notes:

(a) As at December 31, 2023, borrowings of RMB24,000,000 (2022: RMB20,000,000) are secured by the pledge over certain patent rights of the Group, out of which, borrowings of RMB14,000,000 (2022: RMB13,300,000) are also guaranteed by the Company. The effective interest rate of these borrowings was 4.25%-4.85% (2022: 3.85%-5.00%) per annum. Long-term secured borrowings of RMB8,500,000 and RMB4,000,000 are repayable in 2025 and in 2026, respectively.

(b) As at December 31, 2023, short-term unsecured borrowings of RMB63,717,000 (2022: RMB31,660,000) bear fixed interest rates ranged from 3.75% to 4.50% (2022: 4.00% to 4.85%) per annum. An interest-free borrowing from a non-controlling shareholder of RMB15,000,000 (2022: RMB15,000,000), which is repayable on demand after June 30, 2024 and therefore was classified as current liabilities as at December 31, 2023.

32 REDEMPTION LIABILITIES

Since the date of incorporation of the Company to July 2021, the Company had completed several rounds of financing including Series A, Series A-1, Series A-2, Series B-1, Series B-2, Series C, Series C-1, Series C-2, Series D and Series D+ in the way of capital increase of the Company and capital transfer from founders to investors. The shares issued or transferred to the abovementioned investors were with preferred rights which mainly included redemption right, liquidation preferences and anti-dilution right.

The redemption rights and liquidation preferences granted to the investors constitute as the Company's obligations to repurchase its own equity instruments. These obligations were recognized as redemption liabilities which were 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 was a derivative financial instrument measured at fair value through profit or loss, of which the fair value was considered close to nil as the directors of Company expected the lower price financing would never occur.

The movements of redemption liabilities are set out below:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**6,493,159**	5,822,196
Charged to finance costs (Note 11)	**425,016**	670,963
Derecognition (Note (a))	**(6,918,175)**	–
At the end of the year	**–**	6,493,159

Note:

(a) Upon the successful listing on the Main Board of the Hong Kong Stock Exchange on September 28, 2023, the entire carrying amount of the Group's redemption liabilities of RMB6,918,175,000 and treasury stock of RMB4,898,094,000 as of that date have been derecognized and the difference between their respective carrying amounts of approximately RMB2,020,081,000 was credited to the capital reserve (Note 26).

33 OTHER NON-CURRENT LIABILITIES

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Payable for acquisition of subsidiaries	**58,888**	95,175
Less: current portion of payable for acquisition of subsidiaries included in other current liabilities	**(41,449)**	(41,493)
	17,439	53,682

34 BUSINESS COMBINATION

There was no business combination occurred for the year ended December 31, 2023.

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 RMB94,164,000 was paid during the year ended December 31,2022, and the remaining portion of the consideration shall be repayable by instalments prior to June 2024. Goodwill of RMB76,074,000 (Note 16) was recognized as a result of this acquisition, which mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations.

35 CONTINGENCIES AND COMMITMENTS

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

Commitments for expenditure or investments as contracted at the balance sheet date but not yet incurred are summarized as follows:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Investments	**12,000**	–

36 DIVIDENDS

No dividends have been paid or declared by the Company during the years ended December 31, 2023 and 2022.

37 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 reporting periods:

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

(b) Significant transactions with related parties

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Sales of goods and services		
Huayun	**—**	802

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Purchases of goods and services		
Huayun	**—**	1,617
Yijing Zhilian	**1,700**	965
Laike Paradigm	**881**	—
Data Element	**3,203**	—
	5,784	2,582

37 RELATED PARTY TRANSACTIONS (continued)

(b) Significant transactions with related parties (continued)

	Year ended December 31,	
	2023	2023
	RMB'000	RMB'000
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,	
	2023	2022
	RMB'000	RMB'000
Trade payables to related parties		
Yijing Zhilian	**1,160**	1,023
Data Element	**970**	—
	2,130	1,023

(d) Key management personnel compensation

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Wages, salaries and bonuses	**22,757**	22,586
Contributions to pension plans	**648**	590
Other social security costs, housing benefits and other employee benefits	**928**	873
Share-based payment expenses	**–**	38,461
	24,333	62,510

The wages, salaries, bonuses, contributions to pension plans, other social security costs, housing benefits and other employee benefits of key management personnel as disclosed above include RMB1,244,000 (2022: RMB1,351,000) which were unpaid as at December 31, 2023 and included in other payables and accruals. The share-based payments provided to key management personnel during the year ended December 31, 2022 are equity-settled, see Note 27 for details.

38 CASH FLOW INFORMATION

(a) Cash used in operations

	Year ended December 31	
	2023	2022
	RMB'000	RMB'000
Loss before income tax	(930,829)	(1,665,094)
Adjustments for:		
– Depreciation and amortization		
– property and equipment	18,535	16,763
– right-of-use assets	28,651	27,610
– intangible assets	34,152	36,472
– Credit loss allowance	79,537	48,914
– Impairment provision for inventories	1,866	1,125
– Share-based payment expenses	–	433,403
– Interest income	(54,218)	(46,183)
– Interest expenses	437,417	681,941
– Fair value changes on financial assets at fair value through profit or loss	16,345	(51,356)
– Share of losses of investments accounted for using the equity method	1,597	3,200
– Net gains on disposal/transfer/dilution of investments accounted for using the equity method	(16,086)	(5,158)
– Net gains on disposal of self-developed patent	(6,604)	–
– Foreign exchange losses, net	4,476	2,206
– Increase in contract assets	(17,306)	(32,903)
– Decrease/(increase) in inventories	52,744	(135,154)
– Increase in trade receivables	(422,540)	(715,904)
– Increase in prepayments and other receivables	(3,531)	(78,314)
– (Increase)/decrease in restricted cash	(51,074)	1,266
– Increase in other non-current assets	(237,970)	–
– Increase in trade payables	180,027	522,962
– Increase in other payables and accruals	35,619	25,691
– (Decrease)/increase in contract liabilities	(179,547)	116,857
– (Decrease)/increase in other current liabilities	(31)	9,982
Cash used in operations	(1,028,770)	(801,674)

38 CASH FLOW INFORMATION (continued)

(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, 2023 and 2022, respectively.

	Liabilities from financing activities			
	Redemption liabilities (Note 32) RMB'000	Lease liabilities (Note 14(b)) RMB'000	Borrowings (Note 31) RMB'000	Total RMB'000
As at January 1, 2023	6,493,159	72,032	72,554	6,637,745
Cash flows	–	(31,966)	33,190	1,224
Accrued interest expenses	425,016	2,808	3,003	430,827
Addition of new leases	–	3,012	–	3,012
Derecognition of redemption liabilities	(6,918,175)	–	–	(6,918,175)
As at December 31, 2023	–	45,886	108,747	154,633
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 a subsidiary	–	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 reporting periods mainly include (i) the addition of right-of-use assets and lease liabilities described in Note 14, (ii) 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(b), and (iii) the interest amortization on redemption liabilities and the derecognition of redemption liabilities as described in Note 32.

39 SUBSEQUENT EVENTS

On February 9, 2024, the Group entered into an equity transfer agreement with Ningbo Herong Shengjing Investment Management Partnership (Limited Partnership) ("Transferee"), pursuant to which the Transferee will acquire from the Group a partial of its equity interest in a subsidiary, Guangzhou Jianxin (the "Target Company"), at a consideration of RMB88,000,000. As at the date of approval of these consolidated financial statements, the equity transfer has not been completed yet. Upon completion of the equity transfer and the adoption of the revised article of association of the Target Company, the Group's shareholding in the Target Company will decrease from 66% to 44% and will no longer control the majority of the board of the Target Company. The Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Group. The Target Company will become an associate of the Group and the financial performance of the Target Company will be accounted for using the equity method. The actual gain to be recorded by the Group from the equity transfer is subject to valuation and financial position of the Target Company on the completion date.

40 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Assets		
Non-current assets		
Property and equipment	26	34
Investment in subsidiaries	2,080,863	1,000,000
Investments accounted for using the equity method	41,019	35,628
Financial assets at fair value through profit or loss	–	157,449
Amount due from subsidiaries	4,167,437	4,707,026
	6,289,345	5,900,137
Current assets		
Trade receivables	125	125
Prepayments and other receivables	4,628	50,593
Financial assets at fair value through profit or loss	78,091	–
Cash and cash equivalents	996,963	585,053
	1,079,807	635,771
Total assets	7,369,152	6,535,908

40 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Balance sheet of the Company (continued)

	As at December 31, 2023 RMB'000	2022 RMB'000
Equity		
Equity attributable to owners of the Company		
Share capital	465,859	437,706
Treasury stock	–	(4,898,094)
Reserves	8,396,825	5,485,793
Accumulated losses	(1,543,617)	(1,017,482)
Total equity	7,319,067	7,923
Liabilities		
Non-current assets		
Deferred income tax liabilities	48	–
Redemption liabilities	–	6,493,159
	48	6,493,159
Current liabilities		
Trade payables	12,498	120
Other payables and accruals	37,539	30,206
Other current liabilities	–	4,500
	50,037	34,826
Total liabilities	50,085	6,527,985
Total equity and liabilities	7,369,152	6,535,908

The balance sheet of the Company was approved by the Board of Directors of the Company on March 20, 2024 and was signed on its behalf by:

Dai Wenyuan
Director

Yu Zhonghao
Director

40 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Movements in reserves and accumulated losses of the Company

		Reserves			
	Treasury stock RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Total RMB'000	Accumulated losses RMB'000
Balance at January 1, 2023	(4,898,094)	5,474,936	10,857	5,485,793	(1,017,482)
Loss for the year	–	–	–	–	(526,135)
Issuance of ordinary shares upon IPO, net of issuance costs	–	957,452	–	957,452	–
Derecognition of redemption liabilities	4,898,094	2,020,081	–	2,020,081	–
Capital contribution from shareholders	–	181,129	–	181,129	–
Repurchase and cancellation of shares	–	(253,444)	–	(253,444)	–
Share of other comprehensive income of investments accounted for using the equity method	–	–	5,814	5,814	–
Balance at December 31, 2023	–	8,380,154	16,671	8,396,825	(1,543,617)
Balance at January 1, 2022	(4,898,094)	5,474,936	9,160	5,484,096	(326,645)
Loss for the year	–	–	–	–	(690,837)
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	(1,017,482)

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

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

"Group," "our Group," "we" or "us"	our Company and our subsidiaries (or our Company and any one or more of our subsidiaries, as the context may require)
"Guoxin Qidi"	Henan Guoxin Qidi Equity Investment Fund (Limited Partnership) (河南國新啟迪股權投資基金(有限合夥)), a limited partnership established in the PRC on August 2, 2017
"H Share(s)"	overseas listed foreign share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is/are to be subscribed for and traded in HK dollars and to be listed on the Hong Kong Stock Exchange
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HongShan"	a reference to the HongShan funds and entities that are engaged in activities related to investing and are principally focused on companies located in, or with connections to, the PRC
"IFRS"	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by International Accounting Standards Board and the International Accounting Standards and interpretations issued by the International Accounting Standards Committee
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	September 28, 2023, on which our H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with Growth Enterprise Market of the Hong Kong Stock Exchange
"Nanjing Paradigm"	Nanjing Paradigm Enterprises Management Consulting Partnership (Limited Partnership) (南京範式企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on December 29, 2022, and an Employee Incentive Platform of which Paradigm New Wisdom is the sole general partner

"Paradigm Chuqi"	Tianjin Paradigm Chuqi Management Consulting Partnership (Limited Partnership) (天津範式出奇管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on April 21, 2021, of which Beijing New Wisdom is the sole general partner, and it is one of our Controlling Shareholders which is interested in more than one third of limited partnership interest in Paradigm Investment
"Paradigm Investment"	Paradigm (Tianjin) Management Consulting Partnership (Limited Partnership) (範式(天津)管理諮詢合夥企業(有限合夥)), previously known as Paradigm (Ningbo Free Trade Zone) Investment Partnership (Limited Partnership) (範式(寧波保稅區)投資合夥企業(有限合夥)), a limited partnership established in the PRC on March 29, 2018, of which Beijing New Wisdom is the sole general partner, and it is the Employee Incentive Platform and one of our Controlling Shareholders
"Paradigm New Wisdom"	Beijing Paradigm New Wisdom Enterprises Management Co., Ltd. (北京範式新智企業管理有限公司), a limited liability company established in the PRC on January 12, 2023, being the sole general partner of Nanjing Paradigm and owned as to 100% by Mr. Yu Hui (俞暉), an Independent Third Party
"Paradigm Yinyuan"	Tianjin Paradigm Yinyuan Management Consulting Partnership (Limited Partnership) (天津範式隱元管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on April 21, 2021, of which Beijing New Wisdom is the sole general partner, and one of our Controlling Shareholders
"Prospectus"	the prospectus dated September 18, 2023 issued by the Company in connection with Hong Kong public offering under the Global Offering
"Purui Tianjin"	Purui Enterprise Management (Tianjin) Partnership (Limited Partnership) (樸瑞企業管理(天津)合夥企業(有限合夥)), a limited partnership established in the PRC on February 4, 2021, one of our Pre-IPO Investors
"Reporting Period"	the year ended December 31, 2023
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of shares
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules

"Supervisor(s)"	member(s) of our Supervisory Committee
"Unlisted Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are not listed on any stock exchange
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar", "US$" or "USD"	United States dollar, the lawful currency of the United States
"Zhongyi Equity Fund"	Zhongyi Equity Fund (Hebei Xiongan) Partnership (Limited Partnership) (中移股權基金(河北雄安)合夥企業(有限合夥)), a limited partnership established in the PRC on December 27, 2019
"%"	per cent.

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

* *For identification purposes only*

GLOSSARY OF TECHNICAL TERMS

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