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Beijing Fourth Paradigm Technology Co., Ltd.

北京第四範式智能技術股份有限公司

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

(Stock Code: 6682)

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

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

FINANCIAL HIGHLIGHTS

	Six months ended June 30, 2024		2023		Year-on-year change
	Amount (RMB'000)	Percentage of total revenue	Amount (RMB'000)	Percentage of total revenue	
Revenue	1,866,600	100.0	1,468,104	100.0	27.1%
Gross profit	789,946	42.3	704,581	48.0	12.1%
Loss for the period	(168,532)	(9.0)	(477,678)	(32.5)	−64.7%
Non-IFRS measures:					
Adjusted net loss ^{Note}	(168,532)	(9.0)	(175,539)	(12.0)	−4.0%

Note: Please refer to page 20 of this announcement for details.

BUSINESS REVIEW AND OUTLOOK

In the first half of 2024, driven by rapid growth in core businesses, the Company maintained stable performance growth. During the Reporting Period, total revenue amounted to RMB1,867 million, representing a year-on-year increase of 27.1%; gross profit reached RMB790 million, marking a 12.1% year-on-year increase; riding a clear profitability trajectory, the Company continued to reduce losses during the Reporting Period, with an adjusted net loss of RMB169 million, narrowing by 4.0% year-on-year, and the adjusted net loss margin decreasing from 12.0% to 9.0% year-on-year.

During the Reporting Period, the Company's core business, "4ParadigmSage AI Platform", maintained strong growth momentum, with revenue reaching RMB1.251 billion, representing a 65.4% year-on-year increase. This growth is mainly attributed to the extensive application of the business and the expansion of its product ecosystem. Currently, this business has supported the extensive application of 4Paradigm's industry-specific large models across 14 industries. Meanwhile, by leveraging AI technology, the business has developed over 30 products for various industries. We will continue to build an AI product ecosystem with top-notch product matrices to drive business growth and bolster the competitiveness of numerous industries.

During the Reporting Period, we adhered to innovation-driven development, maintaining stable and high level of R&D investment in the first half of the year, with R&D expenses amounting to RMB850 million, representing an R&D expense ratio of 45.5%. Affected by the pace of the Company's business strategy expansion and the business structure at the current stage of development, the gross profit margin experienced some fluctuations during this period, with a gross profit margin of 42.3%.

In the first half of 2024, we remained committed to diversifying our customer base while continuously enhancing the digital transformation experience and user engagement of our existing customers, and reinforcing our dominant presence in key industries such as transportation, energy and power, finance and telecommunications. During the Reporting Period, the Company engaged with 14 industries, serving a total of 185 users, including 86 benchmark users, who contributed an average revenue of RMB11.48 million, representing a 26.9% year-on-year increase. From January 1, 2020 to June 30, 2024, we have served a cumulative total of 1,112 users.

During the Reporting Period, we focused on driving the diverse applications of AI technology through innovation and transforming AI technology into productized solutions. In the first half of the year, we efficiently developed more than 30 AI products for various industries. Drawing on the core capabilities of the Sage AI Platform, we collaborated with our "Paradigm Ecology" partners. As of August 1, 2024, our products have been deployed across more than 20 industries, covering various scenarios such as research, production, supply, sales and services. We are building a robust AI industry ecosystem with high-quality products.

Performance by Business Segments

4ParadigmSage AI Platform (4ParadigmSage)

During the Reporting Period, the 4ParadigmSage AI Platform business (the “**Sage AI Platform**”) generated revenue of RMB1.251 billion, representing a year-on-year increase of 65.4%. Revenue from the Sage AI Platform business accounted for approximately 67.0% of the total revenue of the Group.

The Sage AI Platform is the core of all 4Paradigm businesses. Over the past decade, the Sage AI Platform has evolved from version 1.0 to 5.0. During the Reporting Period, it supported the Company’s coverage across 14 major industries, including transportation, data centers, finance, energy and power, telecommunications, information technology, smart manufacturing and retail sectors. The platform efficiently empowered enterprises in their multi-scenario digital transformation, and steadily advanced the large-scale application of AI technology across various industries.

In March of this year, we launched the “4ParadigmSage AI Platform 5.0”, positioned as an industry-focused model development and management platform aimed at enhancing the core competitiveness of enterprises. The platform supports the integration of various types of enterprise data and offers accessible modeling tools for large model training and fine-tuning, an innovative scientist service system, North Star strategy management platform, large model hosting platform, mainstream computing power adaptation and optimization capabilities, thereby enabling end-to-end construction, deployment and management of industry-specific large models. In the first half of the year, leveraging the capabilities of the “4ParadigmSage AI Platform 5.0”, we efficiently built industry-specific large models for various applications including academic translation, health management, water and electricity management, water conservancy, 3D auxiliary design, supply chain and fluid dynamics.

During the Reporting Period, we remained committed to technological innovation by implementing the “Sage Inside Model”. In this model, we leveraged the core technology within the Sage AI Platform as an engine to develop intelligent products and solutions tailored to the diverse needs of different industries across multiple scenarios. The “Sage Inside Model” transforms the basic AI capabilities of the Sage AI Platform into a matrix of AI products that are adaptable to various scenarios. These AI products serve as the cornerstone of the “Paradigm Ecology”, supporting ecosystem partners and their products to enhance service quality and efficiency and expanding the application of AI technology to empower numerous industries.

In the first half of 2024, leveraging the core capabilities of the “Sage AI Platform”, we collaborated with our “Paradigm Ecology” partners to efficiently develop more than 30 AI products, covering various scenarios across more than 20 industries as of August 1, 2024, including research, production, supply, sales and services. These products encompass various AI technology areas such as large-model speech synthesis, physical simulation, multimodal generation, AutoML visual inspection, search, advertising and promotion. The AI products we have launched (including the AI Digital Human Video Synthesis Platform, vGPU Resource Pooling, 5G Video Marketing, AI Quality Inspection System, and 3D Scanning and Modeling Equipment) have been deployed across various scenarios within enterprise customers.

In the future, we will continue supporting technical innovation, developing high-quality product matrices, and fostering an AI product ecosystem, so as to diversify and improve the efficiency and core competitiveness of AI applications across numerous industries while driving business growth.

SHIFT Intelligent Solutions (4Paradigm SHIFT)

During the Reporting Period, revenue from the SHIFT Intelligent Solutions business reached RMB453 million, accounting for 24.3% of the Group's total revenue. As the business expansion in the first half of the year concentrated on the Sage AI Platform, the development and growth of the SHIFT Intelligent Solutions business will support the expansion of the Sage AI Platform business. The revenue from the SHIFT Intelligent Solutions business decreased by 22.1% year-on-year as a result of the business expansion strategy.

The SHIFT Intelligent Solutions are standardized solutions developed based on the technology and capabilities of the Sage AI Platform, tailored for various industry business scenarios. These standardized solutions not only empower enterprises in their digital and intelligent transformation but also expand the ecosystem centered around the Sage AI Platform by fostering collaborative development with partners across multiple fields.

At present, we have launched “Tianshu”, an integrated platform for search, advertising and promotion, Model Hub, a large model hosting platform, and Copilot, a data query, intelligent number query and software operation assistant, and other products. In the case of Tianshu, the product integrates the rich high-dimensional machine learning algorithms and high-performance ultra-high-dimensional AI frameworks (GDBT) from the Sage AI Platform, delivering excellent business outcomes in various search, recommendation and push scenarios. A chain restaurant group, utilizing Tianshu's personalized push and intelligent product recommendation capabilities, increased the average order value on their app by 2%, resulting in an annual sales growth of several hundred million RMB.

4ParadigmSageGPT AIGS Services (4Paradigm AIGS)

During the Reporting Period, revenue from the 4ParadigmSageGPT AIGS Services business reached RMB163 million, accounting for approximately 8.7% of the Group's total revenue. This business segment provides efficient development tools and services based on generative AI for the “Sage AI Platform” business. In the first half of the year, revenue from SageGPT AIGS Services increased by 25.0% year-on-year.

AIGS CodeX is an enterprise-level programming assistant product that utilizes the large language model capabilities of the Sage AI Platform.

In the first half of the year, we continued to iterate and optimize product features, with a greater focus on providing developers with efficient and convenient operation habits and programming experience.

At the functional level, the product further optimized the immersive coding experience, allowing developers to directly access the necessary business and technical documentation without leaving the development environment, thereby improving coding efficiency and quality. In terms of model performance, the product constructed a multi-model combination and flexible switching architecture system, enhancing performance in handling complex business scenarios, and showing greater advantages when dealing with diverse data structures and business logic.

Core Business Progress: Expansion of 4Paradigm's Industrial Ecosystem with High-Quality AI Product Capabilities

Founded nearly 10 years ago, 4Paradigm adheres to innovation-driven development and is committed to leveraging the “4Paradigm” technology theory to empower numerous industries and advance the evolution of AI technology.

In the first half of 2024, we launched multidimensional and multilayered AI products with high-quality output through the “Sage Inside Model” by innovatively “productizing AI technologies” and leveraging the core capabilities of the Sage AI Platform. This move serves to push the boundaries of AI applications and establish 4Paradigm's industrial ecosystem. We, along with our ecosystem partners, will work towards enhancing the quality and efficiency of enterprise AI products and services, and broaden the reach of AI technology to empower numerous industries.

Our product matrix allows us to provide our core technologies, models and services in a “building block” manner and serve a broader spectrum of partners and industry customers through computing power products, data products, model tool products and ecosystem application products.

During the Reporting Period, leveraging the core capabilities of the Sage AI Platform, we collaborated with our “Paradigm Ecology” partners to develop over 30 AI products. These products encompass various AI technology areas such as large-model speech synthesis, physical simulation, multimodal generation, AutoML visual inspection, search, advertising, and promotion, and more. They have been implemented across multiple scenarios within corporate customers. As of August 1, 2024, our products have cumulatively spanned research and development, production, supply, marketing and service and other areas across more than 20 industries.

Corporate Social Responsibility

As an AI technology company, we always adhere to the concept of combining technology with humanistic care, and actively assuming corporate social responsibility.

In the first half of this year, we collaborated with a water conservancy organization to jointly build an intelligent flood control large model.

Our flood prevention large model can optimize emergency response and resource allocation through real-time monitoring and flood risk prediction, providing early warnings and reducing disaster losses. The flood prevention large model enables information sharing and collaboration, achieving four-level coordination among water resources units and water administration departments at the provincial, municipal and county-levels. Flood prevention personnel can quickly access various flood-related data anytime and anywhere, significantly improving information retrieval and decision-making efficiency. The flood prevention large model can monitor and analyze cloud conditions, rainfall conditions, river conditions and embankment conditions based on a multi-dimensional warning system covering rainfall level, reservoir level and river level, reducing early warning interpretation time to minutes. Additionally, the flood prevention large model provides features such as flood queries, historical disaster queries, typical similar cases and response measures push notifications, improving emergency plan formulation efficiency by five times and aiding decision-makers in conducting effective defense assessments.

We believe that technological progress will not only empower numerous industries but also enrich the lives of countless households, adding value to sustainable development.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended June 30,	
		2024	2023
	Note	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	1	1,866,600	1,468,104
Cost of sales	3	<u>(1,076,654)</u>	<u>(763,523)</u>
Gross profit		789,946	704,581
Selling and marketing expenses	3	(135,355)	(173,821)
General and administrative expenses	3	(100,334)	(178,756)
Research and development expenses	3	(850,045)	(661,832)
Credit loss allowance	3	(24,472)	(15,703)
Other income	2	76,976	33,823
Other gains, net		<u>54,164</u>	<u>38,755</u>
Operating loss		(189,120)	(252,953)
Share of profits/(losses) of investments accounted for using the equity method		1,624	(1,367)
Finance income		28,595	21,355
Finance costs		<u>(4,712)</u>	<u>(248,473)</u>
Loss before income tax		(163,613)	(481,438)
Income tax (expense)/credit	4	<u>(4,919)</u>	<u>3,760</u>
Loss for the period		(168,532)	(477,678)
Other comprehensive loss:			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		1,330	(3,215)
<i>Item that will not be reclassified to profit or loss</i>			
Share of other comprehensive loss of investments accounted for using the equity method		<u>(6,306)</u>	<u>(266)</u>
Other comprehensive loss for the period, net of tax		(4,976)	(3,481)
Total comprehensive loss for the period		<u>(173,508)</u>	<u>(481,159)</u>

		Six months ended June 30,	
		2024	2023
<i>Note</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Loss attributable to:			
	Owners of the Company	(151,598)	(456,068)
	Non-controlling interests	(16,934)	(21,610)
		<u>(168,532)</u>	<u>(477,678)</u>
Total comprehensive loss attributable to:			
	Owners of the Company	(156,574)	(459,549)
	Non-controlling interests	(16,934)	(21,610)
		<u>(173,508)</u>	<u>(481,159)</u>
Loss per share for loss attributable to owners of the Company (expressed in RMB per share)			
	Basic	(0.33)	(1.66)
	Diluted	(0.33)	(1.66)

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INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
	<i>Note</i>		
Assets			
Non-current assets			
Right-of-use assets		36,124	44,363
Property and equipment		44,763	47,047
Intangible assets		283,968	425,678
Investments accounted for using the equity method		215,993	53,436
Financial assets at fair value through profit or loss	6	500,636	456,824
Contract assets		4,873	21,273
Term bank deposits		401,064	204,157
Other non-current assets		268,956	237,970
		<u>1,756,377</u>	<u>1,490,748</u>
Current assets			
Inventories		213,356	295,262
Contract assets		15,099	42,104
Trade receivables	7	1,770,387	1,843,610
Prepayments and other receivables		487,740	384,388
Financial assets at fair value through profit or loss	6	522,363	562,335
Term bank deposits		670,448	492,946
Restricted cash		2,427	57,990
Cash and cash equivalents		1,181,736	1,977,891
		<u>4,863,556</u>	<u>5,656,526</u>
Total assets		<u>6,619,933</u>	<u>7,147,274</u>

		As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
	<i>Note</i>		
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		465,859	465,859
Treasury stock		(12,495)	–
Reserves		9,964,662	9,969,638
Accumulated losses		(5,237,973)	(5,086,375)
		<u>5,180,053</u>	<u>5,349,122</u>
Non-controlling interests		<u>23,574</u>	<u>103,392</u>
Total equity		<u>5,203,627</u>	<u>5,452,514</u>
Liabilities			
Non-current liabilities			
Lease liabilities		12,134	20,189
Deferred income tax liabilities		845	1,482
Borrowings		–	12,500
Other non-current liabilities		–	17,439
		<u>12,979</u>	<u>51,610</u>
Current liabilities			
Trade payables	8	1,024,553	1,043,189
Other payables and accruals		105,125	270,597
Contract liabilities		161,702	146,184
Lease liabilities		24,972	25,697
Income tax liabilities		6,908	4,037
Borrowings	9	36,117	96,247
Other current liabilities		43,950	57,199
		<u>1,403,327</u>	<u>1,643,150</u>
Total liabilities		<u>1,416,306</u>	<u>1,694,760</u>
Total equity and liabilities		<u>6,619,933</u>	<u>7,147,274</u>

NOTES

1 SEGMENT INFORMATION AND REVENUE

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

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

For the six months ended June 30, 2024, revenue of approximately RMB335,632,000 was derived from an external customer which accounted for approximately 18.0% of the Group's revenue. For the six months ended June 30, 2023, revenue of approximately RMB169,348,000 was derived from an external customer which accounted for approximately 11.5% of the Group's revenue.

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

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Point in time	1,841,888	1,431,270
Over time	24,712	36,834
	<u>1,866,600</u>	<u>1,468,104</u>

2 OTHER INCOME

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Government grants	2,339	1,869
Value-added tax and other tax refunds	74,516	30,480
Others	121	1,474
	<u>76,976</u>	<u>33,823</u>

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.

3 EXPENSES BY NATURE

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Employee benefit expenses	254,007	321,289
Technology service fees	1,032,964	925,292
Cost of finished goods sold	694,740	284,343
Advertising and marketing expenses	59,839	88,540
Depreciation and amortization		
– Property and equipment	9,489	8,995
– Right-of-use assets	13,944	14,180
– Intangible assets	11,341	18,325
Cloud service and other technical service fees	32,608	4,697
Listing expenses	–	60,634
Other professional fees	13,903	14,252
Business travel expenses	9,340	14,075
Credit loss allowance	24,472	15,703
Impairment provision for inventories	3,218	70
Others	26,995	23,240
	<u>2,186,860</u>	<u>1,793,635</u>

4 INCOME TAX EXPENSE/(CREDIT)

The income tax expense/(credit) of the Group for the six months ended June 30, 2024 and 2023 is analyzed as follows:

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax	6,176	(84)
Deferred income tax	(1,257)	(3,676)
Income tax expense/(credit)	<u>4,919</u>	<u>(3,760)</u>

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

Note:

(a) Enterprise income tax in mainland China (“EIT”)

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

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.

Beijing Ideal Information Technology Co., Ltd. (“**Ideal Technology**”) was qualified as a HNTE in September 2018 and renewed the qualification in September 2021, hence it enjoys a preferential income tax rate of 15% from 2018 to 2023. Ideal Technology is in the progress of renewing the HNTE qualification in 2024.

EpicHust Technology (Wuhan) Co., Ltd. (“**EpicHust**”) 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.

(b) Hong Kong income tax

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

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

(c) Singapore income tax

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

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

(d) Super deduction for research and development expenses

As announced by the State Taxation Administration of the People’s Republic of China in March 2023, all enterprises engaging in R&D 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.

5 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 excluding treasury shares during the respective periods. In determining the weighted average number of ordinary shares in issue, the contingently returnable shares, i.e. shares with preferred rights, are excluded from the calculation, the impact of which was nil and 170,286,193 shares for the six months ended June 30, 2024 and 2023, 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 of June 30, 2024, the Group does not have any dilutive potential ordinary shares. For the six months ended June 30, 2023, as the Group incurred losses for the period, the potential ordinary shares, i.e. shares with preferred rights, were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended June 30, 2024 and 2023 are the same as basic loss per share of the respective periods.

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (RMB'000)	(151,598)	(456,068)
Weighted average number of ordinary shares in issue (thousand shares)	465,817	275,378
Basic and diluted loss per share for loss attributable to owners of the Company (expressed in RMB per share)	(0.33)	(1.66)

6 INVESTMENTS

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Non-current assets		
Long-term investments measured at fair value through profit or loss		
– Unlisted equity securities	82,163	84,858
– Preferred shares investments	13,384	20,372
– Fund investments	405,089	351,594
	500,636	456,824
Current assets		
Short-term investments measured at fair value through profit or loss		
– Wealth management products	50,006	106,845
– Fund investments	472,357	455,490
	522,363	562,335

7 TRADE RECEIVABLES

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Third parties	1,901,248	1,960,339
Less: Credit loss allowance	(130,861)	(116,729)
	<u>1,770,387</u>	<u>1,843,610</u>

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:

	Six months ended June 30, 2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
At the beginning of the period	(116,729)	(61,182)
Credit loss allowance recognized, net	(34,046)	(15,548)
Receivables written off as uncollectable	–	9,405
Partial disposal of subsidiaries	19,914	–
At the end of the period	<u>(130,861)</u>	<u>(67,325)</u>

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

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Up to 3 months	691,347	832,085
3 to 6 months	482,678	655,045
6 months to 1 year	412,086	252,712
Over 1 year	315,137	220,497
	<u>1,901,248</u>	<u>1,960,339</u>

8 TRADE PAYABLES

Trade payables primarily include payables for inventories and outsourcing service fees. As at June 30, 2024 and December 31, 2023, the carrying amounts of trade payables were primarily denominated in RMB.

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

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Up to 3 months	351,181	578,906
3 to 6 months	191,221	222,511
Over 6 months	482,151	241,772
	<u>1,024,553</u>	<u>1,043,189</u>

9 BORROWINGS

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Included in current liabilities		
Secured borrowings	10,000	11,500
Factoring borrowings	300	6,030
Unsecured borrowings	25,817	78,717
	<u>36,117</u>	<u>96,247</u>
Included in non-current liabilities		
Secured borrowings	–	12,500

10 DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended June 30, 2024 and 2023.

11 SUBSEQUENT EVENTS

The Group had no significant events after the Reporting Period and up to the date of the approval of the unaudited interim condensed consolidated financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

As a leading AI company, Fourth Paradigm focuses on developing and formulating innovative AI solutions to solve complex industry problems, drive efficiency and technology advancement, and empower customers to create greater business value. In the first half of 2024, despite the uncertainties in the global economy, our industry position and brand influence in the AI field continued to grow and our business scale maintained steady expansion. Our total revenue increased by 27.1% year-on-year to RMB1,866.6 million as compared with the first half of 2023.

While achieving stable growth in revenue, we focused on cost control and resource optimization, striving to promote the continuous improvement of the Group's operational efficiency. In first half of 2024, our loss for the period continued to narrow year-on-year, decreasing by 64.7% year-on-year to RMB168.5 million as compared with the first half of 2023. Adjusted loss for the period excluding non-operating factors also maintained a narrowing trend, with adjusted loss for the period decreasing by 4.0% year-on-year to RMB168.5 million as compared with the first half of 2023, and therefore, we are confident in the Group's profitability.

Revenue

In the first half of 2024, our core business, the Sage AI Platform, continued to maintain a strong and rapid growth. It realized revenue of RMB1,250.5 million, accounting for 67.0% of the Group's total revenue and representing a year-on-year growth of 65.4%, and was the core driver of the Group's stable revenue growth. Our SHIFT Intelligent Solutions and SageGPT AIGS Services each serves as an organic extension of Sage AI Platform. In the first half of 2024, SHIFT Intelligent Solutions realized revenue of RMB452.9 million, representing a decrease of 22.1% in revenue year-on-year; and SageGPT AIGS Services realized revenue of RMB163.1 million, representing an increase of 25.0% year-on-year. SHIFT Intelligent Solutions and SageGPT AIGS Services play an important role in complementing and supporting the Sage AI Platform's accumulation of experience in application scenarios and promotion of iterative upgrades, which contributes sustained momentum for the long-term growth of our core business, the Sage AI Platform. The following table sets forth a breakdown of our revenue by business for the periods indicated.

	Six months ended June 30,		
	2024	2023	Change
	RMB'Million	RMB'Million	
	(Unaudited)	(Unaudited)	
Sage AI Platform	1,250.5	756.0	65.4%
SHIFT Intelligent Solutions	452.9	581.6	-22.1%
SageGPT AIGS Services	163.1	130.5	25.0%
	<hr/>	<hr/>	
Total	1,866.6	1,468.1	27.1%

Sage AI Platform

During the Reporting Period, our revenue from the Sage AI Platform amounted to RMB1,250.5 million (same period in 2023: RMB756.0 million), representing a year-on-year increase of 65.4%. Revenue from the Sage AI Platform as a percentage of total revenue increased from 51.5% in the first half of 2023 to 67.0% in the first half of 2024, primarily due to our continued iterative upgrades to the Sage AI Platform, the integration of stronger AI capabilities, and the wider recognition of our superior product performance by users, thereby driving revenue growth.

SHIFT Intelligent Solutions

During the Reporting Period, our revenue from SHIFT Intelligent Solutions amounted to RMB452.9 million (same period in 2023: RMB581.6 million), representing a year-on-year decrease of 22.1%, mainly due to the fact that SHIFT Intelligent Solutions served as a supplement to the Sage AI Platform, and with the continuous iteration and enhancement of the capabilities of the Sage AI Platform, user demand for the digital transformation in the context of our traditionally dominant application scenarios was realized via the Sage AI Platform. In the future, as we continue to penetrate into more new industry application scenarios, user demand for SHIFT Intelligent Solutions will be further unlocked.

SageGPT AIGS Services

During the Reporting Period, revenue from SageGPT AIGS Services amounted to RMB163.1 million (same period in 2023: RMB130.5 million), representing a year-on-year increase of 25.0%, mainly due to the successful pioneering of the commercialization of our large language model capabilities. In April 2024, we announced the “SageGPT 3.0” large language model. We leveraged our core Sage AI Platform and capitalized on the generative AI capabilities based on the “SageGPT 3.0” large language model, coupled with our well-established solutions across various industries through our in-depth exploration of industrial application scenarios. A closed loop were formed among these three elements, with constant optimization and iteration to help users better solve industry-specific problems and enhance their core competitiveness.

Cost of Sales

Our cost of sales consists primarily of (1) cost of finished goods sold, primarily representing procurement cost of hardware components from third-party vendors, (2) 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, (3) employee benefit expenses, representing wages and benefits of our implementation and maintenance personnel for our enterprise AI solutions, and (4) others.

During the Reporting Period, our cost of sales amounted to RMB1,076.7 million (same period in 2023: RMB763.5 million), representing a year-on-year increase of 41.0%. Our operating costs increased in line with the growth in our total revenue, mainly driven by our hardware procurement costs and technical service fees.

Gross Profit and Gross Profit Margin

In the first half of 2024, in alignment with the growth in our total revenue, gross profit increased to RMB789.9 million from RMB704.6 million in the same period of last year, representing a year-on-year increase of 12.1%. Our gross profit margin decreased to 42.3% from 48.0% in the same period of last year, mainly due to a higher increase in revenue from intelligent hardware which shared higher proportion of our total revenue, as our core Sage AI Platform business was driven by factors such as rising demand from the downstream computing center industry.

Selling and Marketing Expenses

During the Reporting Period, our selling and marketing expenses amounted to RMB135.4 million (same period in 2023: RMB173.8 million), representing a year-on-year decrease of 22.1%, mainly due to the fact that we continued to optimize the Company's branding strategy by appropriately controlling our investment in online advertisements while meeting the needs of the Company to promote brand awareness.

General and Administrative Expenses

During the Reporting Period, our general and administrative expenses amounted to RMB100.3 million (same period in 2023: RMB178.8 million), representing a year-on-year decrease of 43.9%, which was mainly due to the higher listing expenses incurred in the same period last year.

Research and Development Expenses

As always, we have continued to invest in our core technology R&D to maintain our leading position in the industry and our technological advancement. In the first half of 2024, our R&D focused on key and cutting-edge technology areas such as enhancement of industry scenario application capability, product performance, AI generative software development technology and open source machine learning. Our R&D expenses amounted to RMB850.0 million (same period in 2023: RMB661.8 million), representing a year-on-year increase of 28.4%.

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 amounted to RMB24.5 million, compared to RMB15.7 million for the same period of last year. In accordance with our accounting policy and relevant internal management system, we have made prudent provision for bad debts and will continue to closely monitor the recovery of receivables.

Other Income

Our other income consists primarily of (1) government grants; and (2) value-added tax and other tax refunds.

During the Reporting Period, our other income amounted to RMB77.0 million, compared to RMB33.8 million for the same period of last year. The higher increase was mainly due to the increase in value-added tax refunds received as a result of the growth in our total revenue in the first half of the year.

Other Gains, Net

Our other gains, net consists primarily of (1) fair value changes on financial assets at fair value through profit or loss, (2) net foreign exchange gain, and (3) net gain on disposal of subsidiaries.

During the Reporting Period, our other gains, net amounted to RMB54.2 million, representing a year-on-year increase of 39.8%, mainly due to the investment gain on the partial disposal of our equity interest in Guangzhou Jianxin.

Operating Loss

As a result of the foregoing, during the Reporting Period, our operating loss amounted to RMB189.1 million (same period in 2023: RMB253.0 million), representing a year-on-year decrease of 25.2%.

Finance Income

During the Reporting Period, our finance income amounted to RMB28.6 million as compared to RMB21.4 million for the same period of last year, representing a year-on-year increase of 33.9%, mainly due to the increase in interest income received on bank deposits.

Finance Costs

During the Reporting Period, our finance costs amounted to RMB4.7 million as compared to RMB248.5 million for the same period of last year. The significant decrease was mainly due to the interest expense on redemption liabilities recognized in the first half of last year relating to certain non-recurring preferential rights granted by us to our investors. Excluding the aforementioned non-recurring factors, our finance costs in the first half of 2024 were essentially unchanged from the same period of last year.

Loss for the Period

As a result of the foregoing, during the Reporting Period, our loss for the period amounted to RMB168.5 million (same period in 2023: RMB477.7 million), representing a year-on-year decrease of 64.7%.

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 measure, 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 Loss for the Period

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

The following table reconciles our adjusted loss for the period presented to the loss for the period calculated in accordance with IFRS.

	Six months ended June 30,		
	2024	2023	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	Change
Reconciliation of loss for the period and adjusted loss for the period			
Loss for the Period	(168,532)	(477,678)	–64.7%
Interest expense on redemption liabilities	–	241,505	–100.0%
Listing expenses	–	60,634	–100.0%
	<u> </u>	<u> </u>	
Adjusted net loss	<u>(168,532)</u>	<u>(175,539)</u>	–4.0%

Liquidity and Financial Resources

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

As at June 30, 2024, all the Group's borrowings were denominated in RMB. The Group's borrowings bear fixed interest rates between 3.55%-4.25%, all of which are due for maturity within one year.

Cash and Cash Equivalents and Term Deposits

As at June 30, 2024, cash and cash equivalents and term deposits of the Group totalled approximately RMB2,253.2 million (December 31, 2023: RMB2,675.0 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 June 30, 2024, the Group had liquid cash resources of approximately RMB2,778.0 million (December 31, 2023: RMB3,295.3 million).

Net Current Assets

Our net current assets decreased from RMB4,013.4 million as at December 31, 2023 to RMB3,460.2 million as at June 30, 2024, mainly due to our daily operating expenses as well as more funds we placed as long-term bank deposits to obtain higher interest income.

Current Ratio

As at June 30, 2024, our current ratio (current assets divided by current liabilities) was approximately 3.5, up from 3.4 as at December 31, 2023, reflecting our strong ability to withstand financial risks.

Capital Management and Gearing Ratio

As at June 30, 2024, our gearing ratio (total borrowings divided by total equity attributable to equity holders of the Company) was approximately 0.7% (December 31, 2023: 2.0%). We have a relatively healthy capital structure. After taking into account the Group's future business plans and the macroeconomic environment, we may seek debt or equity financing as necessary to continuously optimize our capital structure.

Capital Commitments

As at June 30, 2024, we had capital commitments with respect to equity investments amounting to RMB12.0 million (December 31, 2023: RMB12.0 million).

Contingent Liabilities

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

Pledge of Assets

As at June 30, 2024, save for (i) the pledge over patent rights of the Group to secure the borrowings of RMB10.0 million and (ii) restricted cash of RMB2.4 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 June 30, 2024, 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 or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

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

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

FUND AND WORKING CAPITAL MANAGEMENT

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS

On February 9, 2024, Fourth Paradigm (Beijing) Data & Technology Co., Ltd. (“**Fourth Paradigm Beijing**”), Guangzhou Jianxin Technology Limited Liability Company (the “**Target Company**” or “**Guangzhou Jianxin**”) and Ningbo Herong Shengjing Investment Management Partnership (Limited Partnership) (the “**Purchaser**”) entered into an equity transfer agreement, pursuant to which the Purchaser acquired from Fourth Paradigm Beijing the corresponding equity interest of RMB11,000,000 in the registered capital of the Target Company (representing 22% of its registered capital) at a consideration of RMB88,000,000. Such transaction constitutes a discloseable transaction of the Company under the Listing Rules. For details, please refer to the announcement of the Company dated February 9, 2024.

Save as mentioned above, we did not make any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed herein and in the Prospectus, as at the date of this announcement, we did not have plans for significant investments and capital assets.

EMPLOYEES AND REMUNERATION POLICY

As of June 30, 2024, we had 958 employees in total. Our success depends on our ability to attract, retain and motivate qualified personnel. We provide various incentives and benefits to our employees. We offer competitive salaries, bonuses and share-based compensation to our employees, especially key employees.

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

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

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

SUBSEQUENT EVENTS

Saved as disclosed herein, the Group had no significant events after the Reporting Period and up to the date of the approval of the unaudited interim condensed consolidated financial information.

Acceptance by the CSRC of Application for the Company's H Share Full Circulation Plan

The China Securities Regulatory Commission (中國證券監督管理委員會) (the “CSRC”) has recently accepted the Company's application for the proposed implementation of the H share full circulation to the CSRC on behalf of certain Shareholders. Pursuant to the relevant application documents, the Company has applied for the conversion of the 131,549,046 domestic shares in issue held by such Shareholders into H shares and listing on the Stock Exchange (the “**Conversion and Listing**”). Upon completion of the H share full circulation, all domestic shareholders participating in the H share full circulation will still be required to fulfil the share lock-up undertaking in accordance with the Listing Rules and applicable laws and regulations. For details, please refer to the announcement of the Company dated July 4, 2024.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Board is committed to achieving good corporate governance standards.

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

The Company has adopted the principles and code provisions under Part II 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, during the Reporting Period, the Company has complied with all code provisions set out in the CG Code save as the code provision C.2.1 of the CG Code as set out below:

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between Chairman and Chief Executive Officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Dr. Dai currently performs these two roles. Dr. Dai has assumed the role of Chief Executive Officer of our Company since 2015. He has extensive experience in the business operations and management of our Group and in the AI industry. The 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.

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 for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules as the code of conduct for securities transactions by Directors. 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 throughout 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. During the Reporting Period and up to the date of this announcement, no incidents of non-compliance with the Model Code by employees have come to the attention of the Company.

INTERIM DIVIDEND

The Board does not recommend the declaration of an interim dividend for the six months ended June 30, 2024 to the Shareholders.

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 unaudited interim financial information of the Group for the six months ended June 30, 2024 has been reviewed by the Audit Committee. The Audit Committee has also considered and reviewed the accounting principles and practices adopted by the Group and discussed with the management and the Company’s external auditors, among other things, the Group’s risk management, internal controls and financial reporting.

REVIEW OF INTERIM FINANCIAL INFORMATION

The independent auditor of the Company, namely PricewaterhouseCoopers, has carried out a review of the interim financial information for the six months ended June 30, 2024 in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. The comparative information for the interim condensed consolidated balance sheet is based on the audited financial statements as of December 31, 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company repurchased a total of 259,800 H Shares (the “**Repurchased Shares**”) on the Stock Exchange for a total consideration (before expenses) of HK\$13,707,920. Details of the Repurchased Shares are set out below:

Month	Number of Repurchased Shares	Price paid per Share		Total consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
May 2024	186,100	54.30	51.20	9,807,175
June 2024	73,700	53.55	52.00	3,900,745
Total	259,800	54.30	51.20	13,707,920

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities (including transfer of treasury shares) during the Reporting Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.4paradigm.com). The interim report of the Company for the Reporting Period, which sets out all the information required under the Listing Rules, will be published on the respective websites of the Stock Exchange and the Company in accordance with the requirements under the Listing Rules in due course.

ACKNOWLEDGEMENT

The Board would like to express its sincere gratitude to the Shareholders, the Group’s management team, employees, business partners and customers for their support and contribution to the Group.

DEFINITIONS

In this announcement, 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

“Board” or “Board of Directors”	the board of Directors
“China” or “PRC”	the People’s Republic of China, for the purpose of this announcement 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
“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)
“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” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“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
“Prospectus”	the prospectus dated September 18, 2023 issued by the Company in connection with Hong Kong public offering under the Global Offering
“Reporting Period”	for the six months ended June 30, 2024
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“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
“%”	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 announcement in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

Any difference between the arithmetical sum of individual figures and the aggregated figures in the tables in the announcement are due to rounding.

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
“CAGR”	compound annual growth rate
“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

By order of the Board
Beijing Fourth Paradigm Technology Co., Ltd.
北京第四範式智能技術股份有限公司
Dr. Dai Wenyuan
Chairman and Executive Director

Hong Kong, August 15, 2024

As at the date of this announcement, the executive Directors are Dr. Dai Wenyuan, Mr. Chen Yuqiang and Mr. Yu Zhonghao; the non-executive Directors are Dr. Yang Qiang, Mr. Dou Shuai and Mr. Zhang Jing; and the independent non-executive Directors are Mr. Li Jianbin, Mr. Liu Chijin and Ms. Ke Yele.