



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

2024

Interim Report



CONTENTS

2	Corporate Information
4	Financial Highlights
5	Business Review and Outlook
9	Management Discussion and Analysis
18	Other Information
26	Report on Review of Interim Financial Information
27	Interim Condensed Consolidated Statement of Comprehensive Income
29	Interim Condensed Consolidated Balance Sheet
31	Interim Condensed Consolidated Statement of Changes in Equity
33	Interim Condensed Consolidated Statement of Cash Flows
35	Notes to the Interim Condensed Consolidated Financial Information
68	Definitions
72	Glossary of Technical Terms



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

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

Mr. Yu Zhonghao (于中灝) (*Vice Chairman and Senior Vice President⁽¹⁾*)

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

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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

Jingtian & Gongcheng LLP

Suites 3203-3207, 32/F

Edinburgh Tower,

The Landmark

15 Queen's Road Central

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)⁽²⁾

Ms. Yeung Siu Wai Kitty (楊小慧)

PRINCIPAL BANKERS

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

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

STOCK CODE

6682

COMPANY'S WEBSITE

www.4paradigm.com

Notes:

- (1) With effect from June 20, 2024, Mr. Yu Zhonghao was promoted to the position of vice chairman of the Board and senior vice president and ceased to hold the position of chief financial officer of the Company. For details, please refer to the announcement of the Company dated June 20, 2024.
- (2) 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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	1,866,600	1,468,104
Gross profit	789,946	704,581
Operating loss	(189,120)	(252,953)
Loss before income tax	(163,613)	(481,438)
Loss for the period	(168,532)	(477,678)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	As at	As at
	June 30,	December 31,
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Assets		
Non-current assets	1,756,377	1,490,748
Current assets	4,863,556	5,656,526
Total assets	6,619,933	7,147,274
Liabilities		
Non-current liabilities	12,979	51,610
Current liabilities	1,403,327	1,643,150
Total liabilities	1,416,306	1,694,760
Total equity and liabilities	6,619,933	7,147,274

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.

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 RMB'Million (Unaudited)	2023 RMB'Million (Unaudited)	Change
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%
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 RMB'000 (Unaudited)	2023 RMB'000 (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%
Adjusted net loss	(168,532)	(175,539)	-4.0%

Liquidity and Financial Resources

Prior to the Global Offering, we have historically funded our cash requirements principally from capital contributions from shareholders. Since the completion of Global Offering, we financed our capital requirements typically 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 (1) the pledge over patent rights of the Group to secure the borrowings of RMB10.0 million and (2) 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

On September 26, 2023, the Group invested RMB390,000,000 in GaoTeng Overseas Equity No. 3 Private Securities Investment Fund (Private Equity) (高騰海外權益3號私募證券投資基金 (私募基金)) (the “**Investment**”). 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 lock-up period of one year. As at June 30, 2024, the Investment was classified as a current asset. As at June 30, 2024, the carrying amount of the Investment was approximately RMB387,740,000, representing approximately 5.9% of the Group’s total assets. The Investment was made on September 26, 2023, which was prior to the listing of the Company on the Main Board of the Stock Exchange.

(1) Basic information relating to the Investment:

Name of fund	Name of fund manager	Registered place	Principal place of business	Business nature	Fund holdings	Investment cost (RMB'000)	Fair value	Percentage
							as at June 30, 2024 (RMB'000)	of the Group's total assets (%)
GaoTeng Overseas Equity No. 3 Private Securities Investment Fund (Private Equity) (the “ Fund ”)	GaoTeng Overseas Private Fund Management (Hainan) Ltd.	Sanya City, Hainan Province	Sanya City, Hainan Province	Private securities investment fund management	390,000,000	390,000	387,740	5.9

As of June 30, 2024, the Fund primarily invested in a segregated portfolio issued by a segregated portfolio company, which focused on investments in debt and money market products in Asia Pacific markets.

(2) The performance of the Fund during the Reporting Period is set out below:

Name of fund	(Loss)/gain for the six months ended June 30, 2024 (RMB'000)	Dividend received for the six months ended June 30, 2024 (RMB'000)
GaoTeng Overseas Equity No. 3 Private Securities Investment Fund (Private Equity)	10,341	–

(3) The Company's investment strategy in respect of the Investment:

The Fund focuses on U.S. dollar-denominated asset portfolio allocation with a robust investment strategy. As at June 30, 2024, the Company holds 390,000,000 units in the Fund. The Company invests in the Fund with the primary goal of obtaining expected investment returns through the Fund's investments.

The Company is optimistic about the future operation and returns of the Fund, expecting to achieve better investment returns upon exit from the Fund at maturity.

Save as disclosed herein and in the Prospectus, as at the date of this report, 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 training 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

Completion of H Share Full Circulation of 131,549,046 Shares of the Company

On September 12, 2024, the conversion of the 131,549,046 Domestic Shares into H shares of the Company was completed, and the listing of such converted H Shares on the Stock Exchange has commenced at 9:00 a.m. on September 13, 2024. For details, please refer to the announcements of the Company dated July 4, 2024, August 30, 2024, September 5, 2024 and September 12, 2024.

Adoption of the Equity Incentive Scheme and the Share Option Scheme

On August 30, 2024, the Board of Directors of the Company has resolved to propose the adoption of (i) the equity incentive scheme (the “**Equity Incentive Scheme**”) of the Company (which consists of the H share restricted share unit scheme and the partnership employee stock ownership plan of the Company). The Equity Incentive Scheme constitutes a scheme referred to in Chapter 17 of the Listing Rules involving existing shares of the Company; and (ii) the share option scheme of the Company (the “**Share Option Scheme**”), which constitutes a share scheme involving issue of new shares by the Company under Chapter 17 of the Listing Rules. On September 19, 2024, the Equity Incentive Scheme and the Share Option Scheme were approved at the general meeting of the Company. For details, please refer to the announcement and circular of the Company both dated August 30, 2024 and the announcement of the Company dated September 19, 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 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 2 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. 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.

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. The Company having made specific enquiries with the Directors, all of the Directors confirmed that he/she had complied with the required standards as set out in the Model Code during 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 during the Reporting Period and up to the date of this report.

CHANGES TO DIRECTORS' AND SUPERVISORS' INFORMATION

With effect from June 20, 2024, Mr. Yu Zhonghao, an executive Director, was promoted to the position of vice chairman and senior vice president of the Company and ceased to hold the position of chief financial officer of the Company.

With effect from June 28, 2024, Mr. Liu Chijin, an independent non-executive Director, was appointed as an independent non-executive director of Shenwan Hongyuan (H.K.) Limited (a listed company on the Stock Exchange, stock code: 218).

With effect from April 1, 2024, Ms. Shao Liling, the employee Supervisor, was appointed as an executive director and a general manager of Shi Shuo Artificial Intelligence Technology (Shanghai) Co., Ltd.

Save as disclosed herein, there was no change to any information required to be disclosed in relation to any Director and Supervisor pursuant to Rule 13.51B of the Listing Rules as of the date of this report.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2024 (for the six months ended June 30, 2023: Nil).

AUDIT COMMITTEE

The Board has established the Audit Committee which comprises two independent non-executive Directors and one non-executive Director, namely Mr. Li Jianbin (李建濱), Mr. Liu Chijin (劉持金) and Dr. Yang Qiang (楊強). Mr. Li Jianbin, being the chairman of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee has also adopted written terms of reference which 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 jointly reviewed with the management of the Company the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim financial information for the six months ended June 30, 2024) of the Group. The Audit Committee considered that the interim financial information is in compliance with the applicable accounting standards, laws and regulations.

REVIEW OF INTERIM FINANCIAL INFORMATION

The independent auditor of the Company, namely PricewaterhouseCoopers, has carried out a review of the interim financial information for the six months ended June 30, 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

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.

As at the end of the Reporting Period, the Company held a total of 186,100 H shares which have been repurchased but not yet canceled and 73,700 H shares which have been repurchased and retained as treasury shares.

As at the date of this report, the Company held a total of 186,100 H shares which have been repurchased but not yet canceled and 193,300 H shares which have been repurchased and retained as treasury shares. The treasury shares are intended to be used for employee incentives, sale or transfer to obtain liquidity and other purposes, as determined by the Board of Directors.

SUFFICIENCY OF PUBLIC FLOAT

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H Shares were listed on the Main Board of the Stock Exchange on September 28, 2023. Our Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering (assuming the over-allotment option is not exercised) of approximately HK\$925.6 million and utilized net proceeds of approximately HK\$117.6 million as at June 30, 2024. The remaining net proceeds amounted to approximately HK\$807.8 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)	Amount unutilized as at January 1, 2024 (HK\$ million)	Net proceeds from the Global Offering utilized during the six months ended June 30, 2024 (HK\$ million)	Amount unutilized as at June 30, 2024 (HK\$ million)	Expected timeline of full utilization of the unutilized proceeds
Enhancing our fundamental research, technological capabilities and solution development	60.0%	555.4	555.4	54.6	500.8	Within three years commencing from the Listing Date
Expand our offerings, building our brand and entering new sectors	20.0%	185.1	185.1	14.4	170.8	Three to five years commencing from the Listing Date
Pursue strategic investment and acquisition opportunities	10.0%	92.6	92.6	–	92.6	Before the end of three years from the Listing Date
General corporate purposes	10.0%	92.6	92.4	48.7	43.7	
Total	100.0%	925.6	925.4	117.6	807.8	

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.

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

As far as the Company is aware, as at June 30, 2024, the interests and 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 the Company

Name	Position	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) The calculation is based on the total number of 330,418,283 issued Domestic Shares as at June 30, 2024.
- (3) The calculation is based on the total number of 465,858,733 issued Shares, comprising 330,418,283 issued Domestic Shares and 133,440,450 issued H Shares as at June 30, 2024.
- (4) As at June 30, 2024, Dr. Dai beneficially owns 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 our 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 June 30, 2024, we were not aware of any Director or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (b) were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

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

As far as the Company is aware, as at June 30 2024, 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 ⁽³⁾
Beijing New Wisdom ⁽⁴⁾⁽⁵⁾	Interest in controlled corporations	74,068,383 Domestic Shares (L)	22.42%	15.90%
Paradigm Investment ⁽⁴⁾	Beneficial owner	63,962,734 Domestic Shares (L)	19.36%	13.73%
Paradigm Chuqi ⁽⁵⁾	Interest in controlled corporations	63,962,734 Domestic Shares (L)	19.36%	13.73%
HongShan Venture ⁽⁶⁾	Beneficial owner	32,259,066 H Shares (L)	23.82%	6.92%
SCCV Shareholders ⁽⁶⁾	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 ⁽⁷⁾	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 ⁽⁸⁾	Interest in controlled corporations	11,301,027 H Shares (L)	8.34%	2.43%
Zhou Kui ⁽⁹⁾	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 ⁽¹⁰⁾	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 ⁽¹¹⁾	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 330,418,283 issued Domestic Shares and 135,440,450 issued H Shares as at June 30, 2024.
- (3) The calculation is based on the total number of 465,858,733 issued Shares, comprising 330,418,283 issued Domestic Shares and 135,440,450 issued H Shares as at June 30, 2024.
- (4) 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.
- (5) 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.

OTHER INFORMATION

- (6) To the best knowledge of the Company, HongShan Venture is wholly owned by Sequoia Capital China Venture Fund V, L.P.. SC China Venture V Management, L.P. is the general partner of Sequoia Capital China Venture Fund V, L.P., and in turn SC China Holding Limited is the general partner of SC China Venture V Management, L.P.. SC China Holding Limited is wholly owned by SNP China Enterprises Limited, which is in turn wholly owned by Mr. Neil Nanpeng Shen, the Company's former Director. By virtue of SFO, each of Sequoia Capital China Venture Fund V, L.P., SC China Venture V Management, L.P., SC China Holding Limited, SNP China Enterprises Limited and Mr. Neil Nanpeng Shen (through its/his interest in a controlled corporation or controlled corporations, as the case may be) (together the "**SCCV Shareholders**") are deemed to be interested in the Shares held by HongShan Venture.
- (7) 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.
- (8) 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.
- (9) 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 Yuchen 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.

- (10) 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.
- (11) 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 June 30, 2024, 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.

COMPETING INTERESTS

Our Directors are not aware of any business or interest of our Directors or the controlling shareholders (as defined in the Listing Rules) of the Company nor any of their respective associates (as defined in the Listing Rules) that competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person had or might have with the Group during the six months ended June 30, 2024.

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.

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

Beijing, the PRC

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Beijing Fourth Paradigm Technology Co., Ltd.

(incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 27 to 67, which comprises the interim condensed consolidated balance sheet of Beijing Fourth Paradigm Technology Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at June 30, 2024 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, August 15, 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended June 30,	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	6	1,866,600	1,468,104
Cost of sales	9	(1,076,654)	(763,523)
Gross profit		789,946	704,581
Selling and marketing expenses	9	(135,355)	(173,821)
General and administrative expenses	9	(100,334)	(178,756)
Research and development expenses	9	(850,045)	(661,832)
Credit loss allowance	9	(24,472)	(15,703)
Other income	7	76,976	33,823
Other gains, net	8	54,164	38,755
Operating loss		(189,120)	(252,953)
Share of profits/(losses) of investments accounted for using the equity method	16	1,624	(1,367)
Finance income	10	28,595	21,355
Finance costs	10	(4,712)	(248,473)
Loss before income tax		(163,613)	(481,438)
Income tax (expenses)/credit	11	(4,919)	3,760
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	16	(6,306)	(266)
Other comprehensive loss for the period, net of tax		(4,976)	(3,481)
Total comprehensive loss for the period		(173,508)	(481,159)
Loss attributable to:			
Owners of the Company		(151,598)	(456,068)
Non-controlling interests		(16,934)	(21,610)
		(168,532)	(477,678)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended June 30,	
	Note	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Total comprehensive loss attributable to:			
Owners of the Company		(156,574)	(459,549)
Non-controlling interests		(16,934)	(21,610)
		(173,508)	(481,159)
Loss per share for loss attributable to owners of the Company (expressed in RMB per share)			
Basic	12	(0.33)	(1.66)
Diluted		(0.33)	(1.66)

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Assets			
Non-current assets			
Right-of-use assets	13(a)	36,124	44,363
Property and equipment	14	44,763	47,047
Intangible assets	15	283,968	425,678
Investments accounted for using the equity method	16	215,993	53,436
Financial assets at fair value through profit or loss	17	500,636	456,824
Contract assets	6(a)	4,873	21,273
Term bank deposits	21(c)	401,064	204,157
Other non-current assets	22	268,956	237,970
		1,756,377	1,490,748
Current assets			
Inventories	18	213,356	295,262
Contract assets	6(a)	15,099	42,104
Trade receivables	19	1,770,387	1,843,610
Prepayments and other receivables	20	487,740	384,388
Financial assets at fair value through profit or loss	17	522,363	562,335
Term bank deposits	21(c)	670,448	492,946
Restricted cash	21(b)	2,427	57,990
Cash and cash equivalents	21(a)	1,181,736	1,977,891
		4,863,556	5,656,526
Total assets		6,619,933	7,147,274
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	23	465,859	465,859
Treasury stock	24	(12,495)	–
Reserves	24	9,964,662	9,969,638
Accumulated losses		(5,237,973)	(5,086,375)
		5,180,053	5,349,122
Non-controlling interests		23,574	103,392
Total equity		5,203,627	5,452,514

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Lease liabilities	13(b)	12,134	20,189
Deferred income tax liabilities		845	1,482
Borrowings	27	–	12,500
Other non-current liabilities	28	–	17,439
		12,979	51,610
Current liabilities			
Trade payables	25	1,024,553	1,043,189
Other payables and accruals	26	105,125	270,597
Contract liabilities	6(b)	161,702	146,184
Lease liabilities	13(b)	24,972	25,697
Income tax liabilities		6,908	4,037
Borrowings	27	36,117	96,247
Other current liabilities		43,950	57,199
		1,403,327	1,643,150
Total liabilities		1,416,306	1,694,760
Total equity and liabilities		6,619,933	7,147,274

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

On behalf of the Board

Dai Wenyuan
Director

Yu Zhonghao
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity/ (deficit on total equity)
		Share capital	Treasury stock	Reserves	Accumulated losses	Subtotal		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)								
Balance at January 1, 2024		465,859	-	9,969,638	(5,086,375)	5,349,122	103,392	5,452,514
Comprehensive loss								
Loss for the period		-	-	-	(151,598)	(151,598)	(16,934)	(168,532)
Currency translation differences		-	-	1,330	-	1,330	-	1,330
Share of other comprehensive loss of investments accounted for using the equity method	16	-	-	(6,306)	-	(6,306)	-	(6,306)
Total comprehensive loss for the period		-	-	(4,976)	(151,598)	(156,574)	(16,934)	(173,508)
Transactions with owners in their capacity as owners								
Shares repurchase	24	-	(12,495)	-	-	(12,495)	-	(12,495)
Partial disposal of subsidiaries		-	-	-	-	-	(62,884)	(62,884)
Total transactions with owners in their capacity as owners		-	(12,495)	-	-	(12,495)	(62,884)	(75,379)
Balance at June 30, 2024		465,859	(12,495)	9,964,662	(5,237,973)	5,180,053	23,574	5,203,627

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Subtotal RMB'000	Non- controlling interests RMB'000	Total equity/ (deficit on total equity) RMB'000
		Share capital RMB'000	Treasury stock RMB'000	Reserves RMB'000	Accumulated losses RMB'000			
(Unaudited)								
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 loss								
Loss for the period		-	-	-	(456,068)	(456,068)	(21,610)	(477,678)
Currency translation differences		-	-	(3,215)	-	(3,215)	-	(3,215)
Share of other comprehensive loss of investments accounted for using the equity method	16	-	-	(266)	-	(266)	-	(266)
Total comprehensive loss for the period		-	-	(3,481)	(456,068)	(459,549)	(21,610)	(481,159)
Transactions with owners in their capacity as owners								
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 a subsidiary		-	-	-	-	-	(59)	(59)
Total transactions with owners in their capacity as owners		7,959	-	(73,917)	-	(65,958)	1,543	(64,415)
Balance at June 30, 2023		445,665	(4,898,094)	6,985,936	(4,633,726)	(2,100,219)	93,634	(2,006,585)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended June 30,	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations		(415,102)	(876,919)
Interest received		16,388	13,605
Income tax (paid)/refund		(3,479)	32
Net cash used in operating activities		(402,193)	(863,282)
Cash flows from investing activities			
Purchases of property and equipment and intangible assets		(12,088)	(9,512)
Proceeds from disposal of property and equipment		123	137
Placement of term bank deposits		(700,000)	(100,000)
Withdrawal of term bank deposits		301,000	–
Interest income received from term bank deposits		36,150	1,950
Purchases of short-term investments measured at fair value through profit or loss	5.2	(675,000)	(650,000)
Proceeds from disposal of short-term investments measured at fair value through profit or loss	5.2	733,170	1,963,401
Purchase of long-term investments measured at fair value through profit or loss	5.2	(40,842)	–
Settlement of consideration payable for business combination completed in prior years		(30,465)	(30,465)
Partial disposal of subsidiaries, net of cash disposed	31	2,455	–
Net cash (used)/generated from investing activities		(385,497)	1,175,511

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended June 30,	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows from financing activities			
Capital contribution by shareholders		–	194,666
Payments for shares repurchased	24	(12,495)	(259,022)
Payment of listing expenses to be capitalized		–	(3,134)
Proceeds from borrowings		42,300	49,967
Repayment of borrowings		(33,950)	(41,054)
Interest expenses paid		(1,270)	(1,357)
Payment of lease liabilities		(15,099)	(16,600)
Advance from a related party		8,500	–
Net cash used in financing activities		(12,014)	(76,534)
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		1,977,891	1,326,818
Effects of exchange rate changes on cash and cash equivalents		3,549	343
Cash and cash equivalents at end of the period		1,181,736	1,562,856

The above interim condensed 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 this interim condensed consolidated financial information.

The interim condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated. The interim condensed consolidated financial information was approved by the Board of Directors of the Company on August 15, 2024.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”). This interim condensed consolidated financial information does not include all the notes of the type normally included in annual financial statements. Accordingly, it should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2023 (the “2023 Financial Statements”) as set out in the 2023 annual report of the Company dated March 20, 2024, which have been prepared in accordance with IFRS Accounting Standards.

3 ACCOUNTING POLICIES

The accounting policies and methods of computations used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the 2023 Financial Statements, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

The following amended standards are mandatory for the first time beginning on January 1, 2024:

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements

The adoption of these amended standards has had no significant impact on the Group’s results for the six months ended June 30, 2024 and the Group’s financial position as at June 30, 2024.

The Group has not early adopted the new or amended standards that have been issued and not yet effective for the year ending December 31, 2024 in this interim condensed consolidated financial information.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

In preparing the interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2023 Financial Statements.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The Group's policies on financial risk management were set out in the 2023 Financial Statements and there have been no significant changes in the financial risk management policies during the six months ended June 30, 2024.

5.2 Fair value estimation

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

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

The following table presents the Group's financial assets that are measured at fair value at June 30, 2024:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)				
Assets				
Long-term investments measured at fair value through profit or loss (Note 17)	-	-	500,636	500,636
Short-term investments measured at fair value through profit or loss (Note 17)	-	-	522,363	522,363
	-	-	1,022,999	1,022,999

5 FINANCIAL RISK MANAGEMENT (continued)

5.2 Fair value estimation (continued)

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Audited)				
Assets				
Long-term investments measured at fair value through profit or loss (Note 17)	–	–	456,824	456,824
Short-term investments measured at fair value through profit or loss (Note 17)	–	–	562,335	562,335
	–	–	1,019,159	1,019,159

The following table presents the changes in level 3 instruments of long-term investments measured at fair value through profit or loss for the six months ended June 30, 2024 and 2023:

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
At beginning of the period	456,824	477,889
Additions	40,842	–
Transfer	–	(158,008)
Changes in fair value	2,970	3,894
At end of the period	500,636	323,775
Net unrealised gains for the period	2,970	3,607

5 FINANCIAL RISK MANAGEMENT (continued)

5.2 Fair value estimation (continued)

The following table presents the changes in level 3 instruments of short-term investments measured at fair value through profit or loss for the six months ended June 30, 2024 and 2023:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of the period	562,335	1,330,166
Additions	675,000	650,000
Transfer	–	158,008
Disposals	(733,170)	(1,963,401)
Changes in fair value	18,198	14,953
At end of the period	522,363	189,726
Net unrealised gains for the period	16,867	10,561

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 and short-term investments in wealth management products and funds measured at fair value through profit or loss (Note 17). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows and market approach etc.

5 FINANCIAL RISK MANAGEMENT (continued)

5.2 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		Significant unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair values
	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)		As at June 30, 2024	As at December 31, 2023	
Long-term investments measured at fair value through profit or loss:						
- Unlisted equity securities and preferred shares investments	95,547	105,230	Expected volatility	49.65%-60.71%	49.65%-62.92%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability ("DLOM")	15.00%-27.00%	19.00%-27.00%	The higher the DLOM, the lower the fair value
- Fund investments (a)	405,089	351,594	N/A	N/A	N/A	N/A
	500,636	456,824				
Short-term investments measured at fair value through profit or loss:						
- Wealth management products	50,006	106,845	Expected rate of return	2.03%	3.70%-4.20%	The higher the expected rate of return, the higher the fair value
- Fund investments (a)	472,357	455,490	N/A	N/A	N/A	N/A
	522,363	562,335				

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.

5 FINANCIAL RISK MANAGEMENT (continued)

5.2 Fair value estimation (continued)

If the fair values of the long-term investments and short-term investments measured at fair value through profit or loss held by the Group had been 0.5% higher/lower, the loss before income tax for the six months ended June 30, 2024 and 2023 would have been approximately RMB5,115,000 and RMB2,568,000 lower/higher, respectively.

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

There were no transfers between levels 1, 2 and 3 of fair value hierarchy classifications during the six months ended June 30, 2024, and 2023.

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.

6 SEGMENT INFORMATION AND REVENUE

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

The Group's chief operating decision-maker ("CODM") has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reports. As substantially all of the Group's non-current assets are 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.

For the six months ended June 30, 2024, revenue from contracts with customers of approximately RMB1,252,055,000 (2023: RMB755,956,000) was from sales of Sage Platform and applications, and revenue from contracts with customers of approximately RMB614,545,000 (2023: RMB712,148,000) was from provision of application development and other services.

6 SEGMENT INFORMATION AND REVENUE (continued)

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
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Point in time	1,841,888	1,431,270
Over time	24,712	36,834
	1,866,600	1,468,104

(a) Contract assets

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

	As at	As at
	June 30,	December 31,
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contract assets		
– Current portion	15,804	43,841
– Non-current portion	5,135	22,390
	20,939	66,231
Credit loss allowance	(967)	(2,854)
	19,972	63,377

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

6 SEGMENT INFORMATION AND REVENUE (continued)**(b) Contract liabilities**

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

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Contract liabilities	161,702	146,184

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 generally the short-term duration of the relevant contracts, a majority of the contract liabilities are recognized in the following year.

7 OTHER INCOME

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

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

8 OTHER GAINS, NET

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Fair value changes on financial assets at fair value through profit or loss	21,168	18,847
– Unlisted equity securities	(2,694)	1,365
– Preferred shares investments	(6,988)	932
– Fund investments	29,519	7,203
– Wealth management products	1,331	9,347
Foreign exchange gains, net	1,890	3,235
Net gains on disposal/dilution of investments accounted for using the equity method	–	16,086
Net gains on partial disposal of subsidiaries (Note 31)	31,545	–
Others	(439)	587
	54,164	38,755

9 EXPENSES BY NATURE

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (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 (Note 14)	9,489	8,995
– right-of-use assets (Note 13(a))	13,944	14,180
– intangible assets (Note 15)	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 (Note (a))	24,472	15,703
Impairment provision for inventories	3,218	70
Others	26,995	23,240
	2,186,860	1,793,635

Note:

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

10 FINANCE INCOME AND FINANCE COSTS

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Finance income:		
Interest income from bank deposits	26,964	21,355
Amortized amounts on receivable from the partial disposal of subsidiaries	1,631	–
	28,595	21,355
Finance costs:		
Interest expense on redemption liabilities (Note (a))	–	(241,505)
Interest expense on lease liabilities (Note 13)	(952)	(1,545)
Interest expense on borrowings	(1,270)	(1,357)
Amortized amounts on payable for acquisition of subsidiaries	(2,346)	(3,904)
Others	(144)	(162)
	(4,712)	(248,473)

Note:

- (a) Since the date of incorporation of the Company to July 2021, the Company had completed several rounds of financing 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, including redemption rights and liquidation preferences which 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 and subsequently measured at amortized cost, with the corresponding amortisation expense recognised as finance costs for each reporting period. Upon the successful listing of the Company on the Main Board of the Hong Kong Stock Exchange on September 28, 2023, such redemption liabilities were derecognised.

11 INCOME TAX EXPENSES/(CREDITS)

The income tax expenses/(credits) of the Group for the six months ended June 30, 2024 and 2023 are analyzed as follows:

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current income tax	6,176	(84)
Deferred income tax	(1,257)	(3,676)
Income tax expenses/(credits)	4,919	(3,760)

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

11 INCOME TAX EXPENSES/(CREDITS) (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 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 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.

12 LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue 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 (Unaudited)	2023 (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)

13 LEASES

The Group leases certain of its offices under operating lease arrangements, which are negotiated for terms ranging from 6 months to 3 years.

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

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the six months ended June 30, 2024 and 2023 are as follows, respectively:

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
At beginning of the period	44,363	70,002
Additions	8,180	2,774
Depreciation charge	(13,944)	(14,180)
Partial disposal of subsidiaries (Note 31)	(2,475)	-
At end of the period	36,124	58,596

13 LEASES (continued)**(b) Lease liabilities**

The carrying amounts of the Group's lease liabilities as at June 30, 2024 and December 31, 2023 are as follows, respectively:

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Current	24,972	25,697
Non-current	12,134	20,189
	37,106	45,886

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

	Six months ended June 30, 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets (Note 9)	13,944	14,180
Interest expense (Note 10)	952	1,545
Expense relating to short-term leases and variable lease payments not included in lease liabilities	58	168

14 PROPERTY AND EQUIPMENT

The movement of property and equipment for the six months ended June 30, 2024 and 2023 is as below:

	Server and electronic equipment RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
(Unaudited)				
Six months ended June 30, 2024				
Opening net book amount	15,332	20,496	11,219	47,047
Additions	371	10,469	248	11,088
Disposals	(95)	(28)	–	(123)
Partial disposal of subsidiaries (Note 31)	(1,624)	(425)	(1,711)	(3,760)
Depreciation charge	(2,895)	(3,735)	(2,859)	(9,489)
Closing net book amount	11,089	26,777	6,897	44,763
At June 30, 2024				
Cost	35,187	56,958	29,259	121,404
Accumulated depreciation	(24,098)	(30,181)	(22,362)	(76,641)
Net book amount	11,089	26,777	6,897	44,763
(Unaudited)				
Six months ended June 30, 2023				
Opening net book amount	11,080	21,212	16,129	48,421
Additions	6,885	419	1,055	8,359
Disposals	(42)	(95)	–	(137)
Depreciation charge	(2,609)	(3,287)	(3,099)	(8,995)
Closing net book amount	15,314	18,249	14,085	47,648
At June 30, 2023				
Cost	36,364	41,326	34,354	112,044
Accumulated depreciation	(21,050)	(23,077)	(20,269)	(64,396)
Net book amount	15,314	18,249	14,085	47,648

14 PROPERTY AND EQUIPMENT (continued)

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Research and development expenses	5,135	4,807
General and administrative expenses	3,616	3,226
Selling and marketing expenses	738	962
	9,489	8,995

15 INTANGIBLE ASSETS

	Goodwill Note (a) RMB'000	Software and copyright RMB'000	Technology RMB'000	Customer relationship RMB'000	Brand name RMB'000	Total RMB'000
(Unaudited)						
Six months ended June 30, 2024						
Opening net book amount	335,801	7,632	23,615	53,605	5,025	425,678
Additions	-	1,000	-	-	-	1,000
Partial disposal of subsidiaries (Note 31)	(94,088)	(4,242)	(12,760)	(20,279)	-	(131,369)
Amortization charge	-	(1,465)	(3,235)	(6,306)	(335)	(11,341)
Closing net book amount	241,713	2,925	7,620	27,020	4,690	283,968
At June 30, 2024						
Cost	241,713	35,003	16,400	46,500	6,700	346,316
Accumulated amortization	-	(32,078)	(8,780)	(19,480)	(2,010)	(62,348)
Net book amount	241,713	2,925	7,620	27,020	4,690	283,968
(Unaudited)						
Six months ended June 30, 2023						
Opening net book amount	335,801	11,250	33,275	71,285	5,695	457,306
Additions	-	1,153	-	-	-	1,153
Amortization charge	-	(4,319)	(4,830)	(8,840)	(336)	(18,325)
Closing net book amount	335,801	8,084	28,445	62,445	5,359	440,134
At June 30, 2023						
Cost	335,801	39,686	48,300	97,200	6,700	527,687
Accumulated amortization	-	(31,602)	(19,855)	(34,755)	(1,341)	(87,553)
Net book amount	335,801	8,084	28,445	62,445	5,359	440,134

Note:

- (a) On April 1, 2024, the Group has derecognized the goodwill arising from the acquisition of Zhongneng Shibe (Guangzhou) Technology Co., Ltd. ("Zhongneng Shibe Technology", formerly known as Guangzhou Jianxin Technology Co., Ltd.) of RMB94,088,000 due to the partial disposal of Zhongneng Shibe Technology (Note 31).

As there were no impairment indicators identified since December 31, 2023, the management has not updated the impairment calculations further up to June 30, 2024, and the directors of the Company have continued to conclude that no provision for impairment of goodwill is required to be recognized as of June 30, 2024.

15 INTANGIBLE ASSETS (continued)

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
General and administrative expenses	1,167	3,973
Research and development expenses	3,343	4,918
Selling and marketing expenses	6,831	9,434
	11,341	18,325

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at	As at
	June 30,	December 31,
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Investments accounted for using the equity method		
– Associates	215,913	53,382
– Joint ventures	80	54
	215,993	53,436

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of the period	53,436	45,865
Transfer in (Note 31)	167,200	–
Share of profits/(losses)	1,624	(1,367)
Disposals	–	(9,390)
Share of other comprehensive loss	(6,306)	(266)
Others	39	380
At end of the period	215,993	35,222

17 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 (i)	82,163	84,858
– Preferred shares investments (ii)	13,384	20,372
– Fund investments (iii)	405,089	351,594
	500,636	456,824
Current assets		
Short-term investments measured at fair value through profit or loss		
– Wealth management products (iv)	50,006	106,845
– Fund investments (iii)	472,357	455,490
	522,363	562,335

(i) Unlisted equity securities

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

(ii) Preferred shares investments

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

17 INVESTMENTS (continued)

(iii) Fund investments

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

On September 17, 2021, Beijing Paradigm Artificial Intelligence Equity Investment Fund (Limited Partnership) (“Paradigm Fund”) was incorporated in Beijing, PRC. Fourth Paradigm (Shenzhen) Data & Technology Co., Ltd., the Company’s wholly-owned subsidiary, as a limited partner, paid RMB200,000,000 and RMB40,842,000 (total investment of RMB240,842,000, 45.7% of the total capital contribution) on December 13, 2021 and April 11, 2024, respectively. The Group has significant influence through its representation on the investment committee of Paradigm Fund and elected to measure the investment in Paradigm Fund at fair value through profit or loss in accordance with IFRS 9. The carrying amount of this fund investment was approximately RMB236,080,000 as at June 30, 2024 (As at December 31, 2023: RMB197,510,000).

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 June 30, 2024 was classified as current assets. The carrying amount of this fund investment was approximately RMB84,617,000 as at June 30, 2024 (As at December 31, 2023: RMB78,091,000).

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 one year. As at June 30, 2024, this fund investment was classified as current assets. The carrying amount of this fund investment was approximately RMB387,740,000 as at June 30, 2024 (As at December 31, 2023: RMB377,399,000), which represents approximately 5.9% of the Group’s total assets (As at December 31, 2023: approximately 5.3%).

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 June 30, 2024, this fund investment was classified as a non-current asset. The carrying amount of this fund investment was approximately RMB149,769,000 as at June 30, 2024 (As at December 31, 2023: RMB133,972,000).

17 INVESTMENTS (continued)**(iv) Wealth management products**

The wealth management products are mainly denominated in RMB and have expected rates of return ranging from 1.35% to 4.20% (2023: 1.60% to 4.30%) per annum for the six months ended June 30, 2024. The returns on all these wealth management products are not guaranteed and their contractual cash flows do not qualify for solely payments of principal and interest, hence they are measured at fair value through profit or loss. None of these investments are past due. The fair values are based on cash flows discounted using the expected return as estimated by management and are within level 3 of the fair value hierarchy (Note 5.2).

(v) Gains recognized in profit or loss

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fair value changes on long-term investments measured at fair value through profit or loss	2,970	3,894
Fair value changes on short-term investments measured at fair value through profit or loss	18,198	14,953
	21,168	18,847

18 INVENTORIES

	As at	As at
	June 30,	December 31,
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Finished goods	24,668	25,053
Contract fulfilment cost	193,606	271,980
	218,274	297,033
Less: provision for impairment	(4,918)	(1,771)
	213,356	295,262

18 INVENTORIES (continued)

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

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

19 TRADE RECEIVABLES

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

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 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
At 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 end of the period	(130,861)	(67,325)

19 TRADE RECEIVABLES (continued)

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 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Trade receivables		
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
	1,901,248	1,960,339

20 PREPAYMENTS AND OTHER RECEIVABLES

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Prepayments to suppliers	213,379	177,360
Deductible value-added input tax	165,645	133,102
Other receivables from third party customers (Note (a))	38,683	58,683
Rental, bidding and other deposits	12,961	15,260
Receivables derived from partial disposal of subsidiaries (Note 31)	9,769	–
Amount due from a related party (Note 32 (c))	35,224	–
Others	12,906	10,279
	488,567	394,684
Less: credit loss allowance (Note (b))	(827)	(10,296)
	487,740	384,388

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 26), 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.

21 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at June 30, 2024 RMB'000	As at December 31, 2023 RMB'000
Cash at bank and in hand	1,101,736	1,974,856
Short-term bank deposits with initial terms less than three months	80,000	3,035
	1,181,736	1,977,891

Cash and cash equivalents are denominated in the following currencies:

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
RMB	808,133	1,206,409
United States Dollar	101,914	546,851
HKD	268,368	222,783
Singapore Dollar	12	1,840
Euro	3,309	8
	1,181,736	1,977,891

(b) Restricted cash

Restricted cash are all denominated in Renminbi. As at June 30, 2024 and December 31, 2023, the restricted cash was held at bank as issuance of letter of guarantee or bank acceptance bills.

21 CASH AND BANK BALANCES (continued)**(c) Term bank deposits**

Term bank deposits are all denominated in RMB.

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Included in current assets		
Short-term bank deposits	400,071	1,000
Long-term bank deposits maturing within one year	270,377	491,946
	670,448	492,946
Included in non-current assets		
Long-term bank deposits	401,064	204,157

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 ranging from 2.8 to 3 years. The effective interest rate for the short-term bank deposits was 1.85%-2.65% per annum for the six months ended June 30, 2024 (2023: 2.50%-3.90%). The effective interest rates for the long-term bank deposits were 2.6%-3.9% per annum for the six months ended June 30, 2024.

22 OTHER NON-CURRENT ASSETS

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Prepayment for cloud computing services (Note (a))	206,590	237,970
Receivables derived from partial disposal of subsidiaries (Note 31)	62,366	-
	268,956	237,970

Note:

- (a) 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 June 30, 2024, the non-current portion of the prepayment for cloud computing services amounted to RMB206,590,000, and the current portion amounting to RMB62,760,000 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.

23 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares RMB'000
Authorized and issued:		
As at June 30, 2024 (unaudited) and December 31, 2023 (audited)	465,858,733	465,859

24 TREASURY STOCK AND RESERVES

	Reserves					Total RMB'000
	Treasury stock RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Currency translation reserve RMB'000	Other reserve RMB'000	
(Unaudited)						
Balance at January 1, 2024	-	8,370,096	1,590,125	(7,272)	16,689	9,969,638
Currency translation differences	-	-	-	1,330	-	1,330
Shares repurchase (Note (a))	(12,495)	-	-	-	-	-
Share of other comprehensive loss of investments accounted for using the equity method	-	-	-	-	(6,306)	(6,306)
Balance at June 30, 2024	(12,495)	8,370,096	1,590,125	(5,942)	10,383	9,964,662
(Unaudited)						
Balance at January 1, 2023	(4,898,094)	5,466,480	1,590,125	(4,146)	10,875	7,063,334
Currency translation differences	-	-	-	(3,215)	-	(3,215)
Capital contribution from shareholders	-	181,129	-	-	-	181,129
Repurchase and cancellation of shares	-	(253,444)	-	-	-	(253,444)
Share of other comprehensive loss of investments accounted for using the equity method	-	-	-	-	(266)	(266)
Transactions with non-controlling interests	-	(1,602)	-	-	-	(1,602)
Balance at June 30, 2023	(4,898,094)	5,392,563	1,590,125	(7,361)	10,609	6,985,936

Note:

- (a) In May 2024 and June 2024, the Company has repurchased 259,800 ordinary shares on the Hong Kong Stock Exchange with an aggregate consideration of approximately RMB12,495,000. As of June 30, 2024, the repurchased shares have not been cancelled. The Company accounts for the repurchased ordinary shares under the cost method and includes such treasury stock as a component of the shareholders' equity.

25 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
	1,024,553	1,043,189

26 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Payroll payables	31,694	106,356
Listing expenses payables	8,523	36,922
Other taxes payables	10,700	78,781
Expense reimbursement payable to employees	3,722	5,455
Payable to third party hardware suppliers (Note 20(a))	40,693	40,358
Accrual expenses and others	1,293	2,725
Payable to a related party (Note 32 (b))	8,500	–
	105,125	270,597

The carrying amounts of other payables approximated their fair values as at June 30, 2024 and December 31, 2023. Other payables were primarily denominated in RMB.

27 BORROWINGS

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

Notes:

- (a) As at June 30, 2024, borrowings of RMB10,000,000 (As at December 31, 2023: RMB24,000,000) were secured by the pledge over certain patent rights of the Group. The effective interest rate of these borrowings was 4.00%–4.25% (As at December 31, 2023: 4.25%–4.85%) per annum.
- (b) As at June 30, 2024, unsecured borrowings comprise of short-term unsecured borrowings of RMB25,817,000 (As at December 31, 2023: RMB63,717,000) which bear fixed interest rates ranged from 3.55% to 4.20% (As at December 31, 2023: 3.75% to 4.50%) per annum. As at December 31, 2023, the Group also had interest-free borrowings of RMB15,000,000.

28 OTHER NON-CURRENT LIABILITIES

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Payable for acquisition of subsidiaries	30,769	58,888
Less: current portion included in other current liabilities	(30,769)	(41,449)
	-	17,439

29 COMMITMENTS

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

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Investments	12,000	12,000

30 DIVIDENDS

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

31 PARTIAL DISPOSAL OF SUBSIDIARIES

On February 9, 2024, the Group entered into an equity transfer agreement with Ningbo Herong Shengjing Investment Management Partnership (Limited Partnership) for the transfer of the Group's 22% (out of the total of 66%) equity interest in Zhongneng Shibe, a subsidiary of the Company, and its consolidated subsidiaries with a consideration of RMB88,000,000 (the "partial disposal"). The transaction was completed on April 1, 2024 with an aggregate net gain of approximately RMB31,545,000. Upon completion of the partial disposal, Zhongneng Shibe Technology ceased to be a subsidiary of the Company and the Group continues to have significant influence on Zhongneng Shibe Technology through the Group's representative in the board of directors of Zhongneng Shibe Technology. Accordingly, the Group's remaining 44% equity interest in Zhongneng Shibe Technology with a fair value of approximately RMB167,200,000 was transferred as an investment accounted for using the equity method.

The consideration of the transaction will be paid by instalments prior to December 31, 2026. As of June 30, 2024, consideration of RMB10,000,000 had been received by the Group in accordance with the agreed payment schedule. The current and non-current portion of remaining receivables arising from the equity transfer amounted to RMB9,769,000 (Note 20) and RMB62,366,000 (Note 22), respectively.

31 PARTIAL DISPOSAL OF SUBSIDIARIES (continued)

The assets and liabilities derecognized as a result of the partial disposal of subsidiaries are as follows:

	As at April 1, 2024 RMB'000 (Unaudited)
Non-current assets	
Intangible assets	37,281
Contract assets	16,086
Other non-current assets	6,854
	60,221
Current assets	
Inventories	134,503
Contract assets	49,603
Trade receivables	196,815
Cash and cash equivalents	7,545
Other current assets	13,248
	401,714
Total assets	461,935
Non-current liabilities	
Lease liabilities	1,648
Borrowings	16,750
	18,398
Current liabilities	
Trade payables	83,048
Other payables and accruals	114,412
Borrowings	58,500
Other current liabilities	2,622
	258,582
Total liabilities	276,980

31 PARTIAL DISPOSAL OF SUBSIDIARIES (continued)

Details of partial disposal of the subsidiaries:

	Period from January 1, 2024 to April 1, 2024 RMB'000 (Unaudited)
Consideration received or receivable:	
Cash received	10,000
Discounted value of consideration receivable	70,503
	<hr/>
Total disposal consideration	80,503
	<hr/>
Fair value of the Group's remaining equity interest	167,200
Carrying amount of net assets disposed	(122,070)
Goodwill disposed	(94,088)
	<hr/>
Gains on partial disposal of subsidiaries	31,545

Reconciliation of the cash flows from partial disposal of the subsidiaries:

	Six months ended June 30, 2024 RMB'000 (Unaudited)
Cash received	10,000
Cash disposed	(7,545)
	<hr/>
Cash flows from partial disposal of subsidiaries, net of cash disposed	2,455

32 RELATED PARTY TRANSACTIONS

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

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

(a) Names and relationships with related parties

The following companies are related parties of the Group that had transactions and/or balances with the Group during the for the six months ended June 30, 2024 and 2023.

Names of the major related parties	Relationship
Yijing Zhilian (Suzhou) Technology Co., Ltd. ("Yijing Zhilian", formerly known as Yijing Zhilian (Beijing) Technology Co., Ltd.)	Associate of the Group
Shanghai Laike Paradigm Technology Co., Ltd. ("Laike Paradigm")	Associate of the Group (a subsidiary of the Group prior to May 2023)
Beijing Data Element Intelligent Technology Co., Ltd. ("Data Element")	Associate of the Group (newly invested in April 2023)
Zhongneng Shibe Technology	Associate of the Group (a subsidiary of the Group prior to April 2024)
Lianxu Qi	Non-controlling shareholder and management of the Group

32 RELATED PARTY TRANSACTIONS (continued)

(b) Major transactions with related parties

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
(i) Sales of goods and services		
Zhongneng Shibe Technology	762	—
(ii) Purchases of goods and services		
Yijing Zhilian	—	849
Laike Paradigm	—	881
Data Element	698	698
	698	2,428
(iii) Loan to a related party		
Loan to Zhongneng Shibe Technology:		
At beginning of the period	—	—
Additions (Note (a))	35,000	—
Interest charged	51	—
At end of the period	35,051	—
Advance from a non-controlling shareholder:		
At beginning of the period	—	—
Additions	8,500	—
At end of the period	8,500	—

Note:

- (a) In 2021 and 2023, the Group advanced an amount of RMB35,000,000 to Zhongneng Shibe Technology borrowed, which was eliminated in the consolidated statements prior to the Partial Disposal of the equity interest in Zhongneng Shibe Technology (Note 31). Subsequent to the completion of the Partial Disposal, the amount has been presented as an amount due from a related party in the balance sheet (Note 20).

32 RELATED PARTY TRANSACTIONS (continued)**(c) Major balances with related parties**

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
(i) Trade receivables from related parties		
Zhongneng Shibe Technology	1,125	—
(ii) Prepayments and other receivables from related parties		
Zhongneng Shibe Technology	35,224	—
Data Element	259	—
	35,483	—
(iii) Trade payables to related parties		
Yijing Zhilian	890	1,160
Data Element	680	970
Zhongneng Shibe Technology	394	—
	1,964	2,130

(d) Key management personnel compensation

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

	Six months ended June 30, 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Wages, salaries and bonuses	7,904	11,486
Contributions to pension plans	309	320
Other social security costs, housing benefits and other employee benefits	437	450
	8,650	12,256

33 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.

DEFINITIONS

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
“Domestic Share(s)”	domestic unlisted shares with a nominal value of RMB1.00 each in the ordinary share capital 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 this 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
“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”	for the six months ended June 30, 2024
“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
“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 versions shall prevail.

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

* 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